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# Solvency Financial Condition Report

StarStone Insurance SE

31 December 2024



**STARSTONE**

Part of the Enstar Group

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## About this document

The purpose of the Solvency and Financial Condition Report<sup>1</sup> ("SFCR") is to provide qualitative and quantitative information on StarStone Insurance SE's ("the Company", "SISE" or "StarStone") business and performance, system of governance, risk profile, valuation for solvency purposes and capital management together with standardised Quantitative Reporting Templates ("QRTs"). The SFCR has been prepared based on the requirements and principles of Article 35 of the Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance commonly referred to as the Solvency II ("SII") Directive as implemented in Liechtenstein and the Solvency II Regulations and Guidelines. The SFCR provides stakeholders with additional information over and above that contained in the annual financial statements.

The quantitative data presented in this report is presented in United States Dollars ("USD" or "\$") which is the Company's functional and reporting currency.

This report is unaudited. However, the Company's Solvency II balance sheet included in this report is audited. The Company's Solvency Capital Requirement ("SCR") is not subject to audit this year.

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<sup>1</sup> The numbers presented in this document may contain rounding differences to the quantitative reporting templates submitted to the regulator.

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## Company Information

### Registered Office

Zollstrasse 82  
9494 Schaan  
Liechtenstein

### Company Registered Number

FL-0002.546.357-6

### United Kingdom Branch

8th Floor One Creechurch Place  
London  
EC3A 5AY  
United Kingdom

### Italy Branch

Via Nino Bixio, 31  
20129 Milano  
Italy

### Company Regulator

Financial Market Authority  
Landstrasse 109, 9490 Vaduz,  
Liechtenstein

### Group Supervisor

Bermuda Monetary Authority  
43 Victoria Street  
Hamilton, PO Box 2447  
Bermuda

### External Auditors

PricewaterhouseCoopers AG  
Birchstrasse 160,  
8050 Zürich  
Switzerland

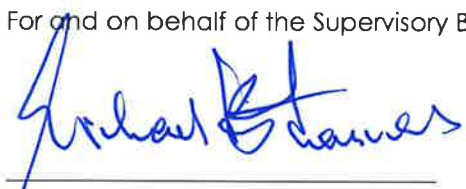
## Statement of Directors' Responsibility

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations applicable to the Company, and
- b) it is reasonable to believe that the Company has continued to comply subsequently and will continue so to comply in future.

For and on behalf of the Supervisory Board of StarStone Insurance SE



Michael Handler

Member of SISE Supervisory Board of Directors

1 April 2025



Donat Marxer

Member of SISE Supervisory Board of Directors

1 April 2025

## Summary

### Background

The Company ceased active underwriting 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 to large multi-nationals and small to middle-market clients around the world, with the Company writing a diversified portfolio by territory and line of business. The Company's business was written through its European and UK branch network and Head Office.

SISE continues to be regulated by the Liechtenstein Financial Market Authority ("FMA") with respect to its entire business and the UK Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") with respect to its UK branch business.

The Company is owned by two companies: Cavello Bay Reinsurance Limited ("CBRe" or "Cavello") with 73.74% of the total share capital and StarStone Finance Limited ("SFL") with 26.26% of the total share capital. CBRe owns 100% of the ordinary share capital. The shares owned by SFL are non-voting preference shares and therefore CBRe has 100% of the voting rights. SFL is a wholly owned subsidiary of CBRe.

CBRe is a wholly owned subsidiary of Kenmare Holdings Ltd ("Kenmare"). Kenmare is wholly owned by Enstar Group Limited ("Enstar" or "EGL"). SISE is part of the Enstar Group. A group structure chart is included in **Section A.1.2**.

### Developments in the year

The Company's former immediate parent, StarStone Insurance Bermuda Limited ("SIBL"), entered into a merger with CBRe which was completed on 6 November 2024, with CBRe as the surviving entity and now the immediate parent of the Company. CBRe has assumed all liabilities and reinsurance agreements related to the Company, which were previously held by SIBL.

On 29 July 2024, Enstar Group Limited ("Enstar") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Elk Bidco Limited (the "Parent"), an exempted company limited by shares existing under the laws of Bermuda. The Parent is backed by equity commitments from investment vehicles managed or advised by affiliates of Sixth Street Partners, LLC ("Sixth Street"). Pursuant to the Merger Agreement, there will be a series of mergers (collectively, the "Merger") resulting in the Company surviving the Merger as a wholly owned subsidiary of the Parent. The Merger is expected to close in mid-2025. Following the close of the transaction, Enstar expects to maintain its current operations and business strategy.

The Company's Whole Account intragroup reinsurance arrangement with CBRe is on a risk attaching basis and continues 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 vary between 65% and 100% depending on the class of business and the underwriting year. This reinsurance arrangement was terminated from the 2021 underwriting year onwards.

The London branch in the United Kingdom ("UK") continues to operate under the Supervised Run-Off Regime ("SROR"), the London branch is the only remaining active branch at the end of 2024. All activities of the Milan branch in Italy have been terminated and whilst operations have wound down, there are still some administrative tasks to close the legal existence of the branch.

## Geopolitical Conflicts

Heightened geopolitical conflicts, including the Russian invasion of Ukraine and the more recent conflicts in the Middle East, are directly and indirectly (through comprehensive sanctions regimes) contributing to increased commodity prices, disrupted supply chains, global financial market volatility and significant industry losses.

We continue to monitor our direct investment and underwriting risks as a result of these ongoing conflicts. To date, we are not aware of operational disruption to us or our third-party service providers as a result of these conflicts, and we have not identified any significant direct impacts from these events. We also continue to monitor for, and respond to, all changes in the global sanctions regime, updating our procedures accordingly.

## Climate Change

The Company has ceased active underwriting and hence, exposure to climate-related risks emanates from existing insurance liabilities and the assets that back those liabilities. Climate change may have an adverse impact on the returns from our run-off business as well as our investments, which could have an adverse effect on the operations or financial condition of the Company. The Company actively considers the potential implications of climate change and sustainability on its operations. **Section C.6.5** sets out further details on climate change.

## Business and Performance

The principal activity of the Company is the administration of specialty insurance and reinsurance business previously underwritten. The Company offered a broad range of insurance products to large multi-nationals and small to middle-market clients around the world through its European branch network and Head Office.

The Company has generated a net loss for the year of \$9.4m (2023: loss of \$7.8m) which is primarily driven by the servicing of the Company's administrative expenses. The majority of the Company's underwriting results continue to be ceded out to its parent company.

**Section A** sets out further details about the Company's business structure, key operations and financial performance over the reporting period.

## Systems of Governance

The Company operates and maintains a system of governance to meet the requirements of the nature, scale and complexity of the Company's activities.

The Supervisory Board of Directors ("Verwaltungsrat") and the Management Board ("Geschäftsleitung") of the Company comprises a combination of independent non-executives and executives. All executives are selected on the basis of their skills, knowledge competence and experience.

The Company has identified the following Key Functions in accordance with Solvency II requirements and Liechtenstein law: Risk Management, Compliance, Internal Audit and Actuarial Functions. The respective Key Function Holders ("KFH") are all approved by the regulator for their function and have been assessed to be Fit and Proper ("F&P").

It is the responsibility of the key function owners to maintain the appropriate policy and procedures documentation which incorporate the function's responsibilities for operations, risk management, internal control, internal audit, outsourcing (where relevant) and reporting. All governance documentation is reviewed regularly by either an executive committee or the Supervisory Board according to its nature.

The Supervisory Board recognises the importance of ensuring there is sufficient knowledge and expertise in the Compliance team following the cessation of actively writing new risks and ongoing



administration of SISE’s business. As such, the Compliance function continues to maintain a presence in the Company’s head office.

The Company’s Internal Audit function is provided by the KFH with support from the wider Enstar (EU) Limited (“EEUL”) Internal Audit Function.

The Actuarial team has adopted responsibilities for providing actuarial support to SISE, following the decision to cease underwriting new and renewal business.

The intra-group outsourcing agreements with EEUL have been continued despite the Company ceasing to write new or renewal business. The monitoring of which continues to be under the responsibility of the SISE Management Board.

**Section B** provides a more detailed overview of the Company’s systems of governance.

### Risk Profile

The Company’s Enterprise Risk Management (“ERM”) Framework aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirements. Where risk is considered to be excessive, the Company may mitigate that risk. A key mitigating factor is the purchase of reinsurance which is used to reduce exposure to Underwriting risk.

The distribution of the Company’s quantifiable risks, as reflected in the SCR, is as follows:

Standard Formula Risk Categories \$000	2024	2024	2023	2023
		%		%
Market risk	13,825	33%	13,926	27%
Counterparty default risk	8,686	21%	12,763	25%
Non-life underwriting risk	11,745	28%	15,468	30%
Health underwriting risk	129	0%	320	1%
Operational Risk	7,643	18%	9,460	18%
<b>SCR before diversification benefit</b>	<b>42,028</b>	<b>100%</b>	<b>51,937</b>	<b>100%</b>
Diversification	(8,905)		(10,942)	
<b>SCR</b>	<b>33,123</b>		<b>40,995</b>	

The Company considers that the key risk and uncertainties relate to underwriting, market and counterparty default risk.

The 2024 SCR has decreased by \$7.9m since 2023 from \$41.0m to \$33.1m. This is driven mainly by a decrease in Counterparty Default Risk and Underwriting risk as the Company continues to run-off. These SCRs have been calculated using Barnett Waddingham’s SImplify tool.

- Market Risk has decreased due to an increase in diversification as the market risk sub-categories have become relatively more equal.
- Counterparty Default Risk has reduced since last year due to a decrease in counterparty exposures. In 2023, SIBL was replaced by Cavello as the main counterparty. Type 2 exposures remain nil in line with 2023.
- Non-Life UW risk has decreased as a result of a fall in exposure as the portfolios runs off. There remains no Lapse Risk in line with 2023.
- Health UW Risk has decreased in line with run-off.
- Operational Risk has decreased by \$1.8m. This is in line with the decrease in the Basic SCR resulting from the main components mentioned above.

Further commentary on these movements is included in **Section E**.

**Section C** provides further details of the risks which the Company is exposed to and how we measure, monitor, manage and mitigate these risks, including any changes in the year to our risk exposures.

### Valuation for solvency purposes

Solvency II requires a market-consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements which are prepared in conformity with the Liechtenstein Generally Accepted Accounting Principles ("LIE GAAP").

The valuation differences are summarised as follows:

Valuation Differences \$000	2024	2023
<b>Assets</b>		
Investments	912	1,344
Reinsurance recoverable	(14,732)	(16,637)
<b>Liabilities</b>		
Technical provisions	5,066	14,116
<b>Total Valuation Differences</b>	<b>(18,886)</b>	<b>(29,409)</b>

The Company's net assets on a Solvency II basis are \$18.9m lower than a LIE GAAP basis. This is a decrease of \$10.5m compared to the prior year.

Valuation differences on investments relate to differences in the Solvency II fair value valuation basis and LIE GAAP lower of cost or market value basis. The reduction in value of investments on a Solvency II basis compared to on an LIE GAAP has reduced by \$0.4m, driven as a result of the decrease in the value of the investment fair value adjustment.

The excess of the value of net technical provisions on a Solvency II basis compared to their value on an LIE GAAP basis has decreased by \$10.9m to \$19.8m (2023: \$30.7m). This is due to:

- Lower Expense provision by \$11.6m (decrease)
- Lower impact of discounting by \$2.6m (increase)
- Lower risk margin by \$1.8m (decrease)
- Other valuation adjustments of \$0.1m (decrease)

There have been no material changes in the recognition and valuation bases for assets and liabilities under Solvency II over the reporting period.

There have not been any changes to reserving policy and procedures during 2024 or subsequently. The actuarial team recognises the potential for increased uncertainty for estimating claims due to the reducing size of the portfolio going forward for certain lines of business. The Actuarial team will consider this uncertainty in their selections during run-off.

**Section D** includes information on the valuation basis adopted for each class of assets and liabilities and also provides an explanation of valuation differences arising when moving from the valuation basis used in the Company's financial statements to the Solvency II valuation basis.

### Capital Management

The Company uses the standard formula as prescribed by the Solvency II Delegated Regulation to assess its ability to meet its regulatory capital obligations under normal and stressed conditions.

The Company's solvency position as at 31 December 2024 and the prior year is as follows:

<b>SISE Solvency Position</b>	<b>2024</b>	<b>2023</b>
<b>\$000</b>		
Eligible Own Funds to meet the SCR	141,542	144,112
SCR	33,123	40,995
<b>Solvency Surplus</b>	<b>108,419</b>	<b>103,117</b>
<b>Ratio of Own funds to SCR</b>	<b>427%</b>	<b>352%</b>

The SCR has decreased by \$7.9m since 31 December 2023, consistent with the run-off of the Company's business. The relative weightings of the risk categories within the SCR are broadly consistent between 2024 and 2023.

The Company's Own Funds eligible to meet the SCR measured on a Solvency II valuation basis decreased by \$2.6m. The reasons for the decrease were due to the LIE GAAP loss for the year after tax of \$9.4m and increase in Solvency II valuation differences of \$6.8m. In 2024, the Eligible Own Funds to meet the SCR, has been capped due to a restriction on the eligible Tier 2 capital under the EIOPA rules – see **Section E.1.2** for further details.

The Company maintains sufficient capital to exceed both the SCR and the Minimum Capital Requirement ("MCR").

There were no instances of non-compliance with the SCR or MCR during the reporting period or subsequently. Based on projections for the next 3 years (2025-2027), the Company's Own Funds are expected to exceed its SCR and target level of capital over the three year projection period.

**Section E** includes further details of the Company's Own Funds and SCR.

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## Section A Business and Performance

### A.1 Business

#### A.1.1 Company Information

SISE is a European public company incorporated in Liechtenstein. SISE has two shareholders: Cavello Bay Reinsurance Limited with 73.74% of the total share capital and SFL with 26.26% of the total share capital. Cavello owns 100% of the ordinary share capital. The shares owned by SFL are non-voting preference shares and therefore Cavello has 100% of the voting rights. SFL is a wholly owned subsidiary of Cavello.

The smallest higher group of companies of which group accounts are drawn up and of which this Company is a member of is CBRé.

Cavello and its subsidiaries including the Company ("the Group") is consolidated into Enstar (majority shareholder). At 31 December 2024, Enstar had four reportable segments (i) Run-off (ii) Assumed Life (iii) Investments; and (iv) Legacy Underwriting. The Group is included in the Run-off segments. Further details of the Enstar Group and its operations and entities are available at [www.enstargroup.com](http://www.enstargroup.com).

The Company's supervisor is the FMA, Landstrasse 109, P.O Box 279, 9490 Vaduz, Liechtenstein.

The Company's immediate parent (Cavello) and ultimate parent's (Enstar) supervisor is the Bermudan Monetary Authority ("BMA"), BMA House, 43 Victoria Street, Hamilton, Bermuda. Enstar publishes an annual Financial Condition Report ("FCR") prepared on a consolidated basis under BMA rules.

At 31 December 2024, Cavello is a Class 3B insurer with an 'A' credit rating.

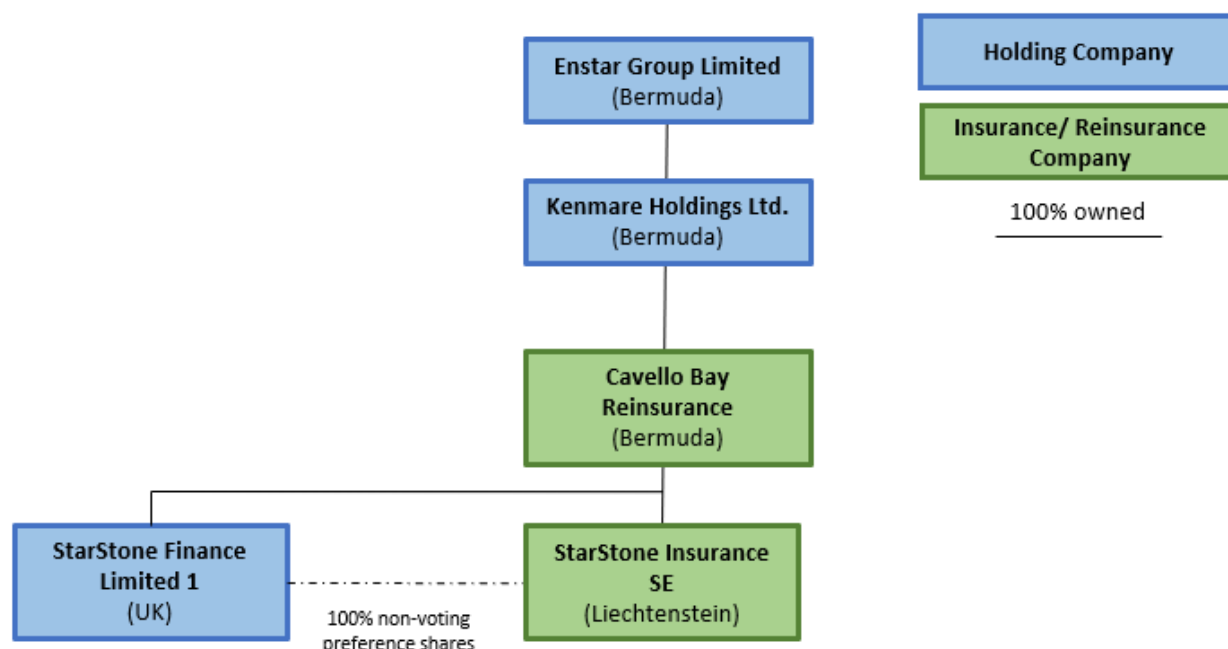
The Company's external auditor is PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zürich, Switzerland.

The Company's SFCR is available on the StarStone website: <https://www.enstargroup.com/starstone-international>. The Enstar single group FCR for the year ended 31 December 2024, which includes Cavello is available at this link: <https://www.enstargroup.com/corporate-governance>.

### A.1.2 Legal Structure

The Company's ownership structure and the Company's position within the overall StarStone group structure as at 31 December 2024 was as follows:

#### StarStone Insurance SE Corporate Structure Chart



**Notes**

1. StarStone Finance Limited holds a minority 26.2616% non-voting economic interest in StarStone Insurance SE in the form of non-voting Preference Stock Shares.

### A.1.3 Business

Prior to the Company's decision to cease active underwriting in 2020, SISE underwrote general insurance business, effecting and carrying out contracts from a network of branches established across the EEA and in the UK and the Head Office. Any active quotes were honoured in accordance with existing terms and conditions and the Company's focus is now on proactively servicing claims on business underwritten. Historically, SISE has primarily underwritten specialty insurance and reinsurance business covering a variety of insureds from large multi-nationals to small and middle-market clients worldwide.

SISE's key classes of business are:

- Marine (Hull, Cargo and Liability)
- Property (Construction and Offshore Energy)
- Casualty (Directors and Officers, Professional Indemnity and Accident and Health)
- Aviation (Airlines and Aviation Products)

Whilst SISE has ceased to actively underwrite, some policies will remain in-force and will be serviced on the same basis as when the Company was actively underwriting. This mainly applies to the Company's Construction portfolio.

During 2024, the branch network consisted of:

- London (United Kingdom ("UK"))
- Milan (Italy)

Whilst the Company is not actively underwriting, some policies remain in-force and therefore, insurance licenses are still required. The Company is maintaining a local presence, with management in Liechtenstein to support the Company's activities and continue to comply with relevant regulatory requirements.

In line with the Company's succession planning presented to the FMA, the alignment with the Enstar Group via the Master Services Agreement ("MSA") enables SISE to draw on significant strategic and operational support from its majority shareholder, a global insurance organisation with \$20.4 billion in assets as at 31 December 2024.

#### **A.1.4 Key developments during the year**

##### **Branches**

The London branch is the only remaining active branch at the end of 2024. All activities of the Milan branch in Italy have been terminated and whilst operations have wound down, there are still some administrative tasks to close the legal existence of the branch.

##### **Internal Reinsurance Arrangements**

The Company's Whole Account intragroup reinsurance arrangement with Cavello on a risk attaching basis will continue to protect the existing policies, any endorsements and business written under binding authorities. The intragroup reinsurance cessions under this agreement vary between 65% and 100% depending on the class of business and the underwriting year. This reinsurance arrangement has been terminated from the 2021 underwriting year onwards.

Details of intra-group reinsurance arrangement are included in **Section C.3.3**.

##### **Changes in the Supervisory Board of Directors**

On 5 February 2024, James Walker Rainey was appointed as a director following FMA approval.

##### **Changes in the Management Board**

There were no changes to the Management Board during 2024.

##### **Changes in Structure**

Effective 6 November 2024, SIBL merged into Cavello with Cavello being the surviving entity. SIBLs holding company SSSL was also merged into Kenmare Holdings Ltd with Kenmare being the surviving entity. Enstar continues to own 100% of the Company.

## A.2 Underwriting Performance

### A.2.1 Underwriting performance by line of business

The summary of underwriting performance below is presented in accordance with the Solvency II QRT S.05.01 Premiums, claims and expenses by line business and also in accordance with LIE GAAP. A more detailed analysis is provided in Appendix A (QRT S.05.01).

2024 \$000	Medical expense	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Credit & Surety	Non-prop. Property	Total
Gross Written Premium	-	-	1,075	3,166	-	(213)	-	<b>4,029</b>
Net Written Premium	-	-	45	60	-	19	-	<b>123</b>
Net Earned Premium	-	-	(29)	222	95	81	-	<b>369</b>
Net Claims Incurred	(154)	-	1,050	(181)	(1,275)	(277)	1	<b>(836)</b>
Expenses	814	45	2,717	3,191	5,817	830	68	<b>13,482</b>
<b>Underwriting profit/(loss)</b>	<b>(660)</b>	<b>(45)</b>	<b>(3,796)</b>	<b>(2,788)</b>	<b>(4,447)</b>	<b>(472)</b>	<b>(69)</b>	<b>(12,277)</b>
Investment Income and expenses								<b>3,868</b>
Other income and expenses reported in the financial statements								<b>(1,024)</b>
<b>Total loss before tax for the period as reported in the Financial Statements</b>								<b>(9,433)</b>

2023 \$000	Medical expense	Other motor	Marine, aviation & transport	Fire & other damage to property	General liability	Credit & Surety	Non-prop. Property	Total
Gross Written Premium	-	-	255	4,407	(2,998)	30	-	<b>1,694</b>
Net Written Premium	-	-	66	(266)	524	(143)	-	<b>182</b>
Net Earned Premium	-	-	63	2,023	580	(125)	-	<b>2,541</b>
Net Claims Incurred	(79)	(90)	348	351	(502)	(146)	(8)	<b>(125)</b>
Expenses	1,485	719	2,912	4,259	5,293	1,321	67	<b>16,054</b>
<b>Underwriting profit/(loss)</b>	<b>(1,406)</b>	<b>(628)</b>	<b>(3,197)</b>	<b>(2,586)</b>	<b>(4,211)</b>	<b>(1,300)</b>	<b>(59)</b>	<b>(13,388)</b>
Investment Income and expenses								<b>5,073</b>
Other income and expenses reported in the financial statements								<b>485</b>
<b>Total loss before tax for the period as reported in the Financial Statements</b>								<b>(7,830)</b>

Investment management expenses are included within the 'Expenses' line on the S.05.01 Premiums, claims and expenses by line of business QRT and the table above, in compliance with Solvency II reporting requirements, but are presented as 'Investment Expenses' in the Company's financial statements.

The underwriting result of the Company for the year was a net loss of \$12.3m (2023: loss of \$13.4m) which is primarily driven by the servicing of the Company's administrative expenses. The majority of the Company's underwriting results continue to be ceded out to its parent company, CBRe.

The Company's gross written premiums for the year are \$4.0m (2023: \$1.7m) and are generated from premium movements on existing policies and endorsement premiums on Construction business.

The Company's acquisition costs are \$1.7m (2023: \$2.6m), commissions received are \$1.4m (2023: \$2.0m) and the Company's administrative expenses are \$13.0m (2023: \$13.9m).

The Company reported an investment gain net of investment management expenses of \$3.4m (2023: \$3.2m) for the financial year.

## A.2.2 Underwriting performance by geographical area

The following information shows Premiums, claims and expenses categorised by country which reports the home country with the top 5 geographical locations ranked by gross written premiums. 'Others' represent all other geographic locations not disclosed separately.

2024 (\$000)	Liechtenstein	United States	Germany	Australia	Greece	Argentina	Other	Total
Gross Written Premium	-	3,696	1,075	399	285	100	(1,527)	<b>4,029</b>
Net Written Premium	-	52	28	7	5	1	31	<b>123</b>
Net Earned Premium	-	48	18	20	7	1	274	<b>369</b>
Net Claims Incurred	67	6,503	(690)	(26)	1	(0)	(6,691)	<b>(836)</b>
Expenses	-	5,003	1,567	1,930	500	133	4,349	<b>13,482</b>
<b>Underwriting profit/(loss)</b>	<b>(67)</b>	<b>(11,457)</b>	<b>(859)</b>	<b>(1,884)</b>	<b>(494)</b>	<b>(132)</b>	<b>2,616</b>	<b>(12,277)</b>

2023 (\$000)	Liechtenstein	UK	Slovakia	Netherlands	Australia	Argentina	Other	Total
Gross Written Premium	-	1,524	784	582	332	246	(1,774)	<b>1,694</b>
Net Written Premium	-	386	5	65	5	4	(283)	<b>182</b>
Net Earned Premium	-	128	3	64	2	4	2,340	<b>2,541</b>
Net Claims Incurred	177	1,987	-	(298)	(500)	(14)	(1,477)	<b>(125)</b>
Expenses	-	4,653	1,907	818	1,239	339	7,098	<b>16,054</b>
<b>Underwriting profit/(loss)</b>	<b>(177)</b>	<b>(6,512)</b>	<b>(1,904)</b>	<b>(456)</b>	<b>(737)</b>	<b>(321)</b>	<b>(3,281)</b>	<b>(13,388)</b>

The Company no longer binds new risks since the run-off announcement in 2020 and existing risks are also not renewed. By employing very experienced underwriters, diligent assessment of contract obligations is undertaken, meaning that periods of insurance are also not extended, for example, Construction unless mandated by the applicable wording. Therefore, premiums are generated from movements on existing policies and endorsement premiums on Construction business. Hence, the geographical composition of the portfolio changed in 2024.



## A.3 Investment Performance

### A.3.1 Investment income by asset class

The Company's investment income by Solvency II asset class<sup>2</sup> is presented in the table below.

2024 \$000	Interest	Realised gains/losses	Unrealised gains/losses	Total
Government Bonds	752	(90)	(16)	646
Corporate Bonds	2,365	(37)	(33)	2,295
Collective Investments Undertakings	621	-	-	621
Collateralised securities	676	(27)	79	728
Cash and cash equivalents	261	-	-	261
<b>Total</b>	<b>4,675</b>	<b>(154)</b>	<b>30</b>	<b>4,551</b>

2023 \$000	Interest	Realised gains/losses	Unrealised gains/losses	Total
Government Bonds	561	-	561	1,121
Corporate Bonds	1,487	(1)	2,358	3,844
Collective Investments Undertakings	116	-	-	116
Collateralised securities	571	-	154	725
Cash and cash equivalents	535	-	-	535
<b>Total</b>	<b>3,270</b>	<b>(1)</b>	<b>3,072</b>	<b>6,341</b>

There has been a decrease in the overall investment income driven by a decrease in the unrealised gains in the period.

The Company holds the majority of its investments in USD (95%), GBP (3%) and EUR (2%) denominated instruments and in the following proportions.

<sup>2</sup> The figures in the tables above are presented in accordance with the Solvency II QRT S.09.01 Income gains and losses in period. These are different to the figure presented in **Section A.2.1** as under LIE GAAP, investments are valued at the lower of cost or market value.

Financial Investments \$000	2024	2024	2023	2023
	SII Fair Value	Proportion	SII Fair Value	Proportion
Government bonds	18,927	13%	24,892	19%
Corporate bonds	92,166	61%	69,518	54%
Collateralised securities	15,901	11%	14,778	11%
Collective Investment Undertakings	7,202	5%	6,722	5%
<b>Total Investments</b>	<b>134,196</b>	<b>90%</b>	<b>115,910</b>	<b>89%</b>
Cash and Cash equivalents	15,012	10%	13,686	11%
<b>Total Cash and Investments</b>	<b>149,208</b>	<b>100%</b>	<b>129,596</b>	<b>100%</b>

The Company holds 13% of its investments in Government Bonds, 61% in Corporate Bonds and 11% in securitised securities that are predominantly US Agency mortgaged-backed securities (issued by Federal National Mortgage Association ("Fannie Mae"), Government National Mortgage Association ("Ginnie Mae") and ("Freddie Mac")).

Investment in government bonds decreased from 19% to 13% due to liquidation of investments in the year to meet claims payments.

### A.3.2 Gains and losses recognised directly in equity

There were no investment gains or losses recognised directly in the Company's equity.

### A.3.3 Securitised investments

The majority of securitised investments are issued by US Government Sponsored Entities ("GSEs"), including Fannie Mae, Freddie Mac and Ginnie Mae. These securities hold a rating of AAA.

Securitised Investments \$000	2024	2024	2023	2023
	SII Fair Value	Proportion	SII Fair Value	Proportion
Fannie Mae	6,934	44%	6,436	43%
Freddie Mac	5,225	33%	4,373	30%
Ginnie Mae	3,437	21%	3,969	27%
Other	306	2%	-	0%
<b>Total Securitised Investments</b>	<b>15,901</b>	<b>100%</b>	<b>14,778</b>	<b>100%</b>

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## A.4 Performance of other activities

### A.4.1 Other material income and expenses incurred over the reporting period

Other income and expenses relate to a foreign exchange loss of \$1.1m (2023: \$2.8m). The USD weakened against the GBP but strengthened against the EUR during the year.

### A.4.2 Leasing arrangements

The Company leases offices under non-cancellable operating lease agreements. The rental cost associated with operating leases is charged to the profit and loss account on a straight-line basis over the life of the lease.

SISE is currently the lessor for an operating lease on its Schaan head office.

The operating lease payments recognised as an expense during the year are \$0.2m (2023: \$0.3m). The Company has no lease agreements that include contingent rent. The Company has no finance leases.

## **A.5 Any other information**

There is no material information to be disclosed.

## Section B System of Governance

### B.1 General information on the System of Governance

The Company's system of governance is proportionate to the nature, scale and complexity of the company's activities. The Company has a Supervisory Board of Directors and a Management Board. The Supervisory Board is comprised of independent non-executives. All executives are selected on the basis of their skills, knowledge, competence and experience.

The SISE Supervisory Board is ultimately responsible for the oversight of SISE's performance and risk management. There is an established system of governance with defined segregation of duties and delegation of responsibilities to the Management Board, various committees and KFJs reporting to the Supervisory Board.

The Supervisory Board holds quarterly meetings and operates within established Terms of Reference and its Articles of Association. It is provided with appropriate and timely information to enable it to review business strategy, trading performance, business risks and opportunities, solvency and regulatory compliance.

The Supervisory Board of Directors considers recommendations from the Management Board, relevant committees and KFJs (within SISE) and any other issues of relevance to the operation of SISE. A number of matters are reserved specifically for decision by the Supervisory Board. Other matters are delegated to the Management Board which reports directly to the Supervisory Board and operates within established Terms of Reference, and which is responsible for the day-to-day operation of the Company.

During 2024, changes to the Articles of Association were approved by the FMA and adopted by the Company on 20 February 2024.

#### B.1.1 Governance Structure

The Company delegates authority to the Management Board to focus on operational matters. The Management Board delegates to various committees established to focus on particular areas with appropriate expertise (e.g., underwriting, claims)

The Company delegated authority to the following Management Committees during the year ended 31 December 2024.

**StarStone Insurance SE Claims Committee:** The SISE Claims committee has delegated responsibility for claims oversight and management and establishes the claims philosophy, policies and procedures within the Company's agreed risk appetite and risk tolerances, supported by the Risk Management and Compliance functions.

**Group Non-Life Run Off ("NLRO") Reserving Committee:** The Committee ensures the Reserve Risk framework is embedded in the business, consistently applied, and ensures that all significant risks have been adequately considered and managed within the parameters of agreed appetite and tolerances.

**UK/EU Management Risk Committee:** The purpose of the Committee is to enhance and embed the Enterprise Risk Management Framework to assist the Company in reviewing and evaluating the risks to which the Company is exposed.

#### **Underwriting Group:**

The Underwriting Group is responsible to the Head of Underwriting for the oversight and subsequent execution of the Underwriting Plan of activities for the Company and all other former StarStone entities.

### **Outsourcing & Material Services Arrangement Meeting (“OMSA”):**

The purpose of the OMSA is to assist Enstar Group and its subsidiaries including SISE in fulfilling its third-party regulatory and policy requirements and it's a key pillar in maintaining a sustainable business.

### **Executive Committee (“ExCo”):**

The ExCo structure is considered optimal for the maintenance and operation of the Enstar EU entities (incl. SISE) System of Governance (including the Risk Management Framework) in the context of a shared services business model. Principal services are provided to the Companies through related and non-related parties subject to the terms of Management Services Agreements. A significant portion of the ExCo's authority is exercised in the oversight of these arrangements.

### **International Change Board:**

This forum provides the EEUL COO oversight and direction across the functional portfolio. The intent is to minimise membership to key functional executives and senior representatives from relevant areas of the Group (incl. SISE). In scope are EU specific regional change initiatives; pipeline and active projects, key risks issues and dependencies including remedial action, budget status, benefit status and decisions/escalations requiring Business Change Board Approval (incl. SISE related initiatives).

Functional business units report to the Supervisory Board (i.e., the Supervisory Board retains oversight and responsibility for the Company's activities), via the Management Board.

The governance structure provides for effective decision making by allocation of segregated responsibilities and accountability, which provides for operational independence between functional responsibilities.

## **B.1.2 Key Function Responsibilities**

All key functions are adequately resourced and suitably independent from the business to fully execute their responsibilities.

The Company's key functions are:

- Risk management function – dealing with the risk management and internal control systems.
- Compliance function – dealing with legal, regulatory, administration and supervisory compliance.
- Internal Audit function – dealing with the evaluation of the adequacy and effectiveness of the internal systems and controls.
- Actuarial function – dealing with reserving & capital modelling and associated data.

The Company ensures that all persons who effectively run the Company or have other Key Functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience, and are proper by being of good repute and integrity (see **Section B.2**). The key functions organisational charts describe the reporting lines and the level of resources and independence of relevant key functions.

## **B.1.3 Remuneration**

Employees at the Schaan head office are employed directly by the Company with an average number of 3 employees including a fixed term contractor. In addition, there are 3 Management Board members that have dual contracts and are contracted to 25% of their time to SISE, plus two further dual contract staff who also have contracted 25% of their time to SISE. The Company's other remuneration costs relate to staff employed by EEUL and/or EGL or via the MSA.

The Company's Remuneration Policy is designed to achieve the following:

- To attract, develop and retain the appropriate calibre of staff necessary to deliver the Company's key business strategies;

- To provide employees with a competitive and market-aligned remuneration package which includes remuneration made up of an appropriate balance of fixed and variable components;
- To create a strong positive performance ethic within a risk aware environment;
- To reward achievement of meaningful goals and objectives that are aligned with the Company's business and risk management strategy over both the short and long term whilst considering the performance of the Company as a whole; and
- To reflect the Company's objectives for sound corporate governance and risk management including not to encourage excessive risk-taking and to avoid conflicts of interest.

The Company has considered the EIOPA opinion on the supervision of remuneration principles in the course of the annual review of compensation and when defining remuneration packages.

Additionally in 2022, the Enstar Europe Compliance Assurance team undertook a review in form of a gap analysis of the design of the remuneration framework to consider whether it meets Solvency II requirements as set out in Article 275. The review found that the framework meets the requirements for SISE as the policy and procedures are:

- Established, implemented and maintained in line with the undertaking's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the undertaking.
- Cover personnel who have a material impact on the undertaking's risk profile.
- Promote sound and effective risk management and shall not encourage risk-taking that exceeds the risk tolerance limits of the undertaking, including ensuring fixed vs variable/deferred remuneration is appropriate.
- Are clear, transparent and include effective governance and oversight of the remuneration policy that is proportional to the size, nature and complexity of the Company.
- Designed in such a way as to take into account the internal organization of the undertaking, and the nature, scale and complexity of the risks inherent in its business.

The Company's compensation programme for employees and executives (together "staff members") currently consists of two principal elements: fixed and variable remuneration. Staff members may also receive employee benefits, pursuant to their employment agreements.

### **EGL Human Resource and Compensation Committee**

The EGL Human Resource and Compensation Committee (the "Compensation Committee") oversees the Enstar Group's approach to remuneration. The Compensation Committee is comprised entirely of non-executive directors. Human Resources reviews remuneration policies every three years with changes approved by the Compensation Committee.

### **Fixed Remuneration**

Staff members receive a fixed base salary which is determined primarily based on the role and position of the individual employee, reflecting professional experience, responsibility, job complexity, criticality or scarcity of skills and local market conditions. The fixed component represents a sufficiently high proportion of the total remuneration to ensure that conflicts of interest are avoided and excessive risk taking is not encouraged.

### **Variable Remuneration**

The variable component of remuneration is balanced with the fixed component of remuneration to avoid staff members being overly dependent on the variable component. In addition, staff members (in accordance with local employment law) may benefit from various benefit plans. All variable remuneration amounts are awarded in accordance with performance and there is no minimum payment guaranteed. Variable remuneration may be delivered via the Short-Term Incentive Plan and the Long-Term Incentive Plan.

### Short-Term Incentive Plan

Annual Short-Term Incentives paid are influenced by financial, non-financial and individual performance against objectives. Financial measures selected are aligned with Enstar Group strategy and set so as not to incentivise inappropriate risk taking. Non-financial metrics will also have appropriate weighting in the assessment of performance. The Enstar Group risk function provides input into the assessment and may apply downward adjustments to take into account exposure to current and future risks.

### Long-term Incentive Plan

Some staff members may be eligible for additional variable remuneration via the Long-Term Incentive Plan. The Long-Term Incentive Plan has a three-year deferral period and is aligned with the nature of the business, the risk appetite and the activities of the employees eligible.

The Company does not operate supplementary pension or early retirement schemes for staff members.

### Recoupment Policy

The Enstar Group has a Recoupment Policy applicable to all staff members. The Recoupment Policy provides that the Enstar Compensation Committee may recoup, or “clawback” cash or equity incentive awards granted after 1 April 2016.

### B.1.4 Material Transactions

The Company has the following material internal reinsurance arrangements.

Counterparty	Underwriting year	2024	2023
Cavello (Kayla Re)	2016 - 2018	35%	35%
Cavello (SIBL)	2018 and prior	100%	100%
Cavello (SIBL)	2019	80%	80%
Cavello (SIBL)	2020 - 2021	65%	65%

The cession rate for Construction line of business is 100% for all underwriting years.

The reinsurance arrangement with Cavello (previously SIBL) has been terminated for the 2021 underwriting year onwards.

There have been no other material transactions with shareholders during the reporting period.



## B.2 Fit and Proper Requirements

The Company expects all employees to meet the Company's internal and regulatory requirements applicable to their professional qualifications and integrity. The expectations of the FMA in Liechtenstein are set out in the FMA Guideline 2017/18 'Fachliche Qualifikation und persönliche Integrität von Organträgern und Funktionsinhabern'. Further requirements, for individuals undertaking roles for the UK Branch, are derived from the Fitness & Propriety requirements set out in the FCA Handbook by the UK FCA.

The Company adopted the Enstar Fit and Proper Policy and places great importance on ensuring that all individuals fulfilling Key Function roles are fit and proper for their positions. Appendix 1 of the Fit & Proper Policy makes reference to the Liechtenstein requirements in specific as set out in the FMA Guideline 2017/18.

Appendix 1 of this policy applies to the following roles (collectively referred to as "FP roles" in this section):

- Directors, including independent Non-Executive Directors and Executive Directors;
- Senior Managers approved by the PRA or FCA under the UK Senior Managers Certification Regime ("SMCR");
- Individuals Certified by a UK firm under the SMCR; and
- Key Function under Solvency II as implemented by the PRA; the Liechtenstein Financial Market Authority ("FMA"), or other EEA-regulatory supervisor; and/or
- Appointed Actuary for Liechtenstein regulated entity.

The objective of the Fit & Proper Policy is to outline the procedures necessary to ensure that:

- The Company applies an objective and consistent approach to assessing, maintaining and monitoring the fitness and propriety of the "FP roles";
- Individuals undertaking "FP roles" are aware of their responsibilities, and receive appropriate training;
- The Company complies with regulatory obligations regarding fitness and propriety; and
- The Company has the full range of skills needed for the effective and prudent management of its business operations.

In accordance with the Fit and Proper Policy, the FP roles are assessed against the criteria outlined below in order to be deemed to have the necessary qualities, competencies and experience to perform their duties and carry out their responsibilities in an effective manner. All individuals performing an FP role also require regulatory approval prior to performing their role.

In accordance with our Fit and Proper policy each person carrying out a FP role shall:

- possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the specific duties and responsibilities of the role;
- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- demonstrate sufficient knowledge of, and a willingness to, comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and licence obligations applying to the Company; and
- be able to identify and appropriately manage any conflicts of interest, in accordance with the Company's Conflict of Interest policy.

Each person taking up a FP role shall not:

- have (or have been involved with an entity that has) been refused admission, reprimanded, disqualified or removed by a professional or regulatory body due to matters relating to such individuals' honesty, integrity or business conduct;
- have been terminated, resigned or asked to resign from a position as a director or manager or professional service provider to an entity in circumstances which reflected adversely on their honesty or integrity in discharging their responsibilities in that role;
- have been the subject of civil or criminal proceedings or enforcement action, in which such FP role was determined in a final judgment to lack honesty or integrity; or
- have intentionally hindered, obstructed or misled, or failed to be truthful with a regulatory agency.

As an ongoing requirement a Fit & Proper questionnaire is issued annually by the Office of the Corporate Secretary ("OCS") to all persons performing FP Roles. It is mandatory for this questionnaire to be completed and returned. All matters must be disclosed. All Individuals performing FP Roles must ensure that they are at all times fit and proper persons and continue to meet the criteria set out in the Fit and Proper Policy. If an individual becomes aware of information which could affect the assessment of their fitness & propriety, they must inform HR/OCS as soon as practicable.

The HR and OCS functions continuously monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness and propriety. The OCS function is responsible for seeking FMA pre-approval for key individuals in accordance with the FMA Fit & Proper procedures.

The Supervisory Board takes all reasonable steps to ensure that all individuals performing an FP role are aware of and understand, the Fit and Proper Policy as well as their obligation to continue to meet the fit & proper requirements on an on-going basis.

The Fit and Proper Policy is supported by our Code of Conduct setting our behavioural expectations and personal obligations from all our employees, agency workers and contractors. Requirements that are considered as part of the annual appraisal process.

A whistleblowing policy and processes are also in place to support employees, agency workers and contractors to raise concerns, with appropriate safeguard to prevent victimisation. Concerns raised are taken into account to assess members of staff fitness and propriety, where appropriate.

#### **Notification of failure to meet ongoing Fit and Proper Requirements**

Where it has been assessed that an individual holding an "FP role" is no longer fit and proper for a position, the Supervisory Board of Directors shall take reasonable steps to remove the person from such position as soon as practicable and in the interim, institute necessary measures to mitigate risks associated with the person continuing to hold the position.

## B.3 Risk management system including the Own Risk and Solvency Assessment (“ORSA”)

As noted in **Section B.1**, Risk Management is one of the key functions of the Company's corporate governance.

The main responsibilities of the Risk Management Function are:

- Ensure independent review and challenge of first line activities (including thematic reviews and deep dives).
- Develop, maintain, and implement the ERM Framework across the Company.
- Oversee the operation of the ERM Framework, ensuring emerged and emerging risks are identified on an ongoing basis.
- Lead and facilitate the ongoing maintenance of a robust Risk Appetite Framework to provide a holistic view and ongoing assessment of risk for the Executives and Supervisory Board, guiding and informing enterprise risk management.
- Report to the Supervisory Board analysis of aggregate risk appetite, risk profile and capital adequacy as part of the ORSA where required.
- Identify, measure, manage, monitor and report the risk profile of the Company to inform the decision-making process.
- Ensure high rated risks have appropriate controls which are tested on a frequent basis.
- Conduct comprehensive risk assessments on strategic initiatives.
- Investigate, remediate and (where appropriate) escalate both control failures and risk appetite breaches to the appropriate governance forums.
- Establish a proactive risk culture within the Company and provide the required risk management training.
- Analyse the SCR and develop the risk profile of, and interactions between, different risk categories.
- Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance (“ESG”) risks in the business planning and strategic priorities process.
- Oversee, collate and include stress and scenario testing into the wider framework, and where appropriate ensure risk mitigation measures are designed and implemented.
- Perform root cause analysis on reported incidents / risk events (as appropriate).

Effective risk oversight is a priority for the Company Supervisory Board and the Company strongly emphasises facilitating the operation of a robust ERM Framework to identify, measure, manage, monitor and report risks that affect the achievement of all strategic, operational, and financial objectives.

The overall objective of the ERM Framework is to:

- Support the achievement of business strategy and objectives in accordance with the Supervisory Board-approved risk appetite.
- Ensure appropriate methods for the identification and mitigation of risk are in place and operating as intended.
- Support good risk governance, responsibility, and accountability.
- Ensure a consistent approach to risk management is embedded within the Company.

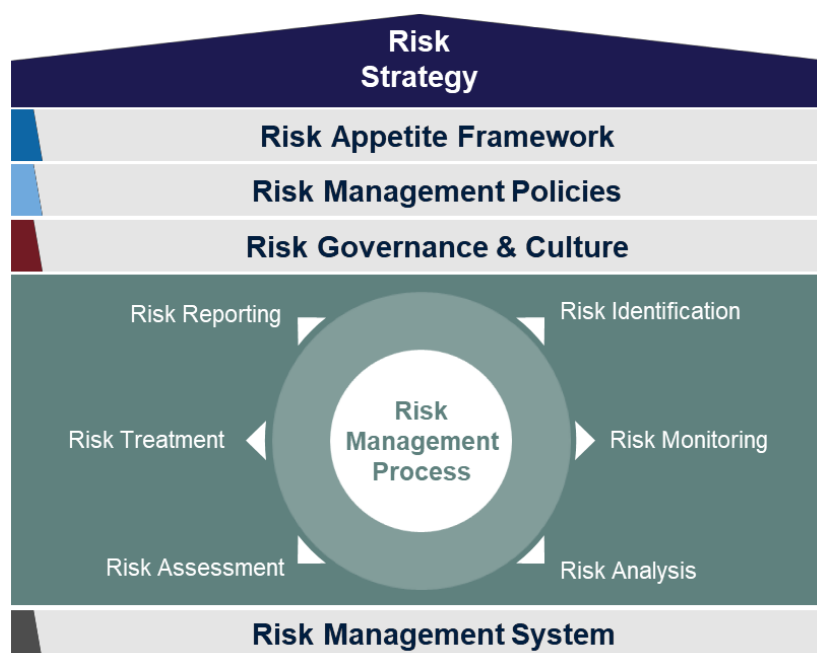
The Company uses its risk management capabilities in a strategic context to support the following three activities related to its operations:

- Identify, assess, and measure risks to understand value creating and value destroying risks and their associated risk levels for the purpose of capital allocation and business planning.
- Establish a risk appetite and underlying risk tolerances for key risks undertaken for the purpose of maintaining and controlling risk levels to be aligned to the Group's business strategy.
- Monitor and report risk levels to evaluate the Company's performance and appropriateness of the business strategy.

The overarching principle of the ERM Framework is to ensure the Company appropriately assesses

and manages risk as it continues to take opportunities to meet its business objectives.

The ERM Framework and its key components are outlined in the schematic below:



### Risk Strategy

The main components of the Company's Risk Strategy are:

1. To support business objectives by ensuring appropriate solvency levels, liquidity and capital management.
2. To ensure that an appropriate risk management framework and system of internal control is maintained according to policies agreed by the SISE Supervisory Board of Directors.
3. To secure appropriate reinsurance coverage, as needed, at a cost that is acceptable to the SISE Supervisory Board of Directors.
4. To oversee the business conduct of SISE in accordance with best practice and applicable regulations.
5. Promote the consideration of Environmental (specifically, Climate Change effects), Social and Governance ("ESG") risks in the business planning and strategic priorities process.

Several key principles underpin the design of the Company's Risk Management Strategy. These are that Risk Management is:

- an integral part of the organisational processes
- part of decision making
- addresses uncertainty
- systematic, structured and timely
- based on best information
- tailored
- transparent and inclusive
- dynamic, iterative and responsive to change
- facilitating / driving continual improvement, and
- focused on protecting the Company's stakeholders and policyholders.

The Company's Risk Management Strategy enables the proactive management of risks arising in day-to-day operations, primarily through the implementation and maintenance of an effective ERM framework to ensure a robust control environment.

## Risk Appetite Framework

The Company's Risk Appetite Framework ("RAF") monitors the Company's risk taking by linking business strategy and planning with available capital and risk. It outlines the amount of risk that the Company is willing to accept based on the Company's shareholders' equity, capital resources, potential financial loss and other risk-specific measures. The framework is designed to:

- Monitor and protect the Company from an unacceptable level of loss, compliance or operational failures and adverse reputational impact.
- Support the wider strategic decision-making process.

A qualitative risk appetite statement is set for each material risk and is supported by quantitative tolerances which align to the Company's business plan. The RAF is reviewed and approved by the Supervisory Board annually or as determined by the Supervisory Board outside the annual review cycle in the event of a material change.

Accountability for the implementation, monitoring, and oversight of the RAF is aligned with individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and any deviations from pre-established levels ('Green') are reported to the Supervisory Board via the quarterly risk report to facilitate responsive action or acceptance of the evolving risk profile. Where new 'Red' threshold breaches for key risk appetite metrics (Enterprise Level Tolerances ('ELTs')) are identified, they are able to be reported to the Supervisory Board outside of the regular quarterly reporting cycle as appropriate.

## Risk Management Policy

The Company maintains several Risk Management Policies which are:

- To proactively and consistently identify, assess, and manage risks across operations.
- To manage risks within the limits of the Company's prescribed risk appetite and as directed by defined corporate policies.
- To notify the Supervisory Board, where events may have, or are likely to, breach risk appetite.
- To complete annual review of the policies and obtain Supervisory Board approval.

## Risk Governance

The Company uses the "Three Lines" model as illustrated below:

	1 <sup>st</sup> Line	2 <sup>nd</sup> Line		3 <sup>rd</sup> Line
	Business	Risk Management	Compliance	Internal Audit
Responsibilities	<ul style="list-style-type: none"> <li>• <b>Take measured risks</b> commensurate with process and outcome whilst upholding responsibility for <b>day-to-day risk management</b>.</li> <li>• <b>Identify and monitor risks</b> as well as implementing <b>mitigating actions</b> and effectively operating internal controls to manage risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Assist risk owners in <b>defining the target risk exposure, setting risk appetite</b> and mitigating emerging issues</li> <li>• Implement the <b>Enterprise Risk Management 'ERM' Framework</b></li> <li>• <b>Provide independent monitoring of risk</b> by comparing actual risk level to risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Monitor the accuracy and completeness</b> of compliance with laws, regulations, and internal policies</li> <li>• <b>Advise on compliance</b> with emerging laws, regulations and internal policies</li> <li>• <b>Regularly report on compliance risk</b> or exposure to penalties and/or breach to the Board</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Uphold independence and maintain primary accountability</b> to the audit committee governing body</li> <li>• <b>Provide assurance on the design and effectiveness</b> of the governance, risk and control frameworks</li> <li>• <b>Provide assurance recommendations</b> and remediation</li> </ul>

The first line consists of the Management Board and their function leaders and risk owners. They are accountable for executing the risk management strategy. They are responsible for the appropriate management of the activities and conduct of the business functions and for ensuring that staff understand the business strategy, risk mitigating policies, and procedures and have in place personal objectives focused on achieving these.

The second line comprises Risk and Compliance. The Risk Management function reports to the Supervisory Board and focuses primarily on facilitating an efficient, effective, and consistent approach to risk management. The management assurance is further complemented by the Compliance function which seeks to mitigate regulatory compliance risks and ensures that appropriate, effective, and responsive compliance services are available to the business units across the Company.

The third line comprises Internal Audit which independently reviews the effectiveness of the ERM Framework. The results of audits are monitored by the Supervisory Board. Independent assurance from external Auditors also sits within our third line of defence. Adopting this framework ensures appropriate ownership of the risk from the business and allows for sufficient challenge from the second and third lines.

### Risk Management System

The Risk Management team has a group-wide Governance Risk and Compliance (GRC) system in place to record key ERM related data, such as risk and control assessments, operational incidents, emerging risks and risk appetite metrics.

### Emerging Risk Management

Emerging risks are defined as 'risks which may develop, or which already exist but are difficult to quantify.' They are marked by a high degree of uncertainty. Emerging risks are not fully understood or explicitly considered within the day-to-day operations of the business given a lack of quantifiable data. Emerging risks can be expected to crystallise over time and therefore merit further analysis, assessment, monitoring, evaluation and, when appropriate, treatment.

A four-step process is in place for managing emerging risks:

1. **Identify:** All employees within the Company, the Risk Management Function and Risk Committees have responsibility for the initial identification of emerging risks which have the potential to have a financial, reputational and/or regulatory impact.
2. **Analysis:** Risk in conjunction with any identified Subject Matter Experts ("SMEs") have ongoing responsibility for ensuring emerging risks are analysed on an ongoing basis for their relevancy to the business, as well as their impact and speed of emergence.
3. **Assessment:** Emerging risks, once evaluated and adequately assessed, can be added to either the emerging risk or Company risk register. Outputs from emerging risk assessments are included within the quarterly risk report.
4. **Treatment:** Treatment plans are developed for emerging risks where required with a project lead assigned for completing the associated actions.

### ORSA

In order to demonstrate appropriate solvency and sound risk management strategies on both a current and forward-looking basis, the ORSA framework incorporates assessment of the following:

Area	Annual Business Processes	Quarterly Business Processes
Current Risk Profile	<ul style="list-style-type: none"> <li>▪ Strategy Setting &amp; Business Planning</li> <li>▪ Risk Appetite / Tolerance Setting</li> <li>▪ Risk Identification &amp; KRIs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk Appetite/Tolerance Monitoring</li> <li>▪ Risk Identification, Assessment &amp; Monitoring</li> <li>▪ Emerging Risk Identification, Assessment and Management</li> <li>▪ Internal Control Assessment &amp; Monitoring</li> </ul>
Capital Requirements & Solvency	<ul style="list-style-type: none"> <li>▪ Review of deviations of assumptions between the Partial Internal Capital Model ("Own View of Capital Requirements") and the current risk profile.</li> <li>▪ Comparison of relevant Regulatory (Solvency II calculation), Rating Agency and Economic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Available Funds and Solvency Assessments</li> <li>▪ Review of compliance with relevant Regulatory Capital Requirements</li> <li>▪ Technical Provisions Assessment &amp; Monitoring, including compliance with requirements</li> </ul>



	Capital measures to determine risk coverage appropriateness and solvency.	
Forward Looking Assessments	<ul style="list-style-type: none"> <li>▪ Strategic opportunity assessment</li> <li>▪ Available Own Funds Projections</li> <li>▪ Capital Management / Liquidity Contingency Planning processes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ad-hoc, as necessary (e.g. at the time of transactions)</li> </ul>
Stress & Scenario Testing	<ul style="list-style-type: none"> <li>▪ Sensitivity analysis</li> <li>▪ Stress &amp; Scenario Analysis</li> <li>▪ Reverse Stress Testing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ad-hoc, as necessary (e.g. at the time of transactions)</li> </ul>

Through an iterative process of information gathering, output and use, the Company seeks to develop the ORSA to support its strategic plans and objectives within the context of a consistent and Company-wide view of the potential risks and solvency impacts and the Company's appetite and tolerance to assuming such risks.

The ORSA process and report are an integral part of the business planning cycle; providing an assessment of the key risks associated with the plan. They also provide the corresponding solvency capital requirements for the short and long term. The ORSA process and report set out the Company's forward-looking risk profile and risk drivers and considers them against the Company's risk appetite and the capital resources required to support current and emerging risks.

The ORSA process itself involves a combination of processes through which the Supervisory Board satisfies itself that the Company has appropriate capital (or plans for managing capital) to support the business and its risks on a forward-looking long-term basis and has adequate credible processes for managing risks. The ORSA process and report demonstrates to the Supervisory Board that the risk profile and risk-based capital position of the Company is clearly reflected and understood and that the results have been validated.

The ORSA policy sets out the process for determining its capital needs linked to its risk profile. The Company's significant risk exposures are discussed in **Section C (Risk Profile)**. The risk profile is determined by the Company with the assistance of the Risk Management function and is recorded in the Risk Management system. The Company uses the Standard Formula in line with regulatory requirements and includes the results in the ORSA report. An analysis of the Standard Formula SCR by risk category as at the year-end is shown in **Section E**. An appropriateness exercise is performed on the main capital drivers to ensure that risks are considered alongside, capital and the appropriateness assessments. A forward-looking assessment of both the capital measures is made and actual performance is compared with forecasts over time.

The ORSA process operates continuously throughout the course of the business year and ORSA reports are produced on an annual and ad hoc basis:

- A full annual ORSA report is produced in line with the annual business planning process and the setting of regulatory capital. The ORSA report will be provided to the Company Supervisory Board on at least an annual basis.
- Continual ad-hoc ORSA reporting – following the occurrence of a trigger event (a major loss event or significant change to the risk profile), the ORSA processes are performed to assess the impact of the event on the risk profile and capital and solvency position. The ORSA processes performed will be proportionate to the significance of the trigger event and may result in an ad-hoc ORSA report.

Branches operating within the SROR are required to comply with the same regulatory requirements that apply to UK third country branches, with both quantitative and qualitative reporting requirements applying for the year ended 31 December 2024. In 2024, the PRA amended SS44/15, permitting companies with a UK Branch to submit either a standalone Branch ORSA or a legal entity ORSA that includes the Branch. As such, SISE will file a single combined ORSA report to the PRA for the year ended 31 December 2024. The ORSA for year ended 2024 will incorporate both quantitative and qualitative information for SISE as a legal entity (including the UK branch), eliminating the previous dual structure. The annual 2024 ORSA will be approved by the Supervisory Board in June 2025 for submission to the FMA and PRA and is not a public document.

### Standard Formula Appropriateness

Standard Formula appropriateness is reviewed annually in conjunction with the ORSA production. Standard Formula appropriateness is evaluated by SMEs, along with Risk Management. Further, an internal view of capital is provided by a Partial Internal Model which provides further comfort to the appropriateness of the Standard Formula.

To ensure each risk area is considered equally, meetings and detailed reports are produced for each risk area (i.e., Insurance Risk, Counterparty Default Risk, Investment Risk and Operational Risk). A separate report has also been produced for risks explicitly not covered by the Standard Formula (e.g. Liquidity Risk).

The analysis of each area includes a qualitative comparison of the risks on the Company's risk register and those explicitly included in the Standard Formula assumptions.

The Company has not identified any material risks that it considers are not fully included in the Standard Formula SCR calculation.

### Stress and Scenario Analysis

Integral to the business planning process is the performance of stress and scenario testing around key strategic and business plan assumptions.

The Company maintains a suite of stress scenarios capturing key data and rationale points, which are subject to review for continuing appropriateness as part of the business planning and ORSA process. This suite of scenarios is reviewed by Risk Management.

The Company uses a variety of methods to undertake such analysis:

- Stress tests which shift the values of individual parameters that affect the financial position of the Company and determine the effect on its business;
- Scenario analysis which builds a wide range of parameters that are varied at the same time. Scenario analyses examine the impact of extreme events on the Company's financial position;
- Reverse stress testing assesses scenarios and circumstances that would render SISE's business model unviable. The Company defines unviability as when the Company can no longer meet its obligations or when the projected business plan targets cannot be met. This will not necessarily be the point where the business runs out of capital entirely; and
- High level, forward-looking scenarios which consider the impact of events on a multi-year basis (e.g., from 2025 to 2027). These are typically based on less severe scenarios than are used for stress and scenario testing.

The Company has a defined approach to the development of scenarios, which is coordinated by the Risk Management Function who work closely with business risk owners and subject matter experts to identify scenarios and assess their impact and likelihood.

Assumptions, controls, potential mitigating actions and potential future management actions that could be taken in response to each scenario are also considered. A range of scenarios are considered in the ORSA across all major risk categories.



Based on projections for the next 3 years (2025-2027), the Company's own funds are expected to exceed its SCR and target level of capital over the three-year projection period. SISE's solvency position is sensitive to the credit rating of CBRe due to internal reinsurance arrangements with CBRe and mitigating actions may be required if CBRe were to be downgraded to below BBB.

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## B.4 Internal Control System

The Company's internal control framework consists of the entirety of policies, procedures and measures in place enabling the appropriate delivery of the Company business model with appropriate oversight from the Supervisory Board of Directors. The Supervisory Board sets policies and standards supported by underlying procedures and processes. The latter are owned by the relevant business units and support the oversight and reporting on the business model delivery. The reporting to the Supervisory Board is supported by Supervisory Board approved risk appetites. Forming part of the Company's group control environment, internal controls are assessed by control owners on a quarterly basis in terms of design and operational effectiveness.

The Company's Internal Control Policy follows the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Framework 2017. In addition, the Company has adopted Enstar's standards including a comprehensive Sarbanes-Oxley ("SOX") framework of financial controls for external financial reporting. The responsibility for ensuring SOX compliance is assumed by the Company's CFO. Where control weaknesses or failings are identified, remedial actions are defined and their completion monitored through the subsequent quarterly risk assessment facilitated by the Risk Management Function.

The Company has an effective internal control environment. Key Functions are required to document their operational procedures, and all relevant controls. These are reflected on the Company's risk management tool supporting the quarterly risk and control self-attestation process. The Internal Audit function assesses the effectiveness and completeness of our internal control framework on a risk-based basis.

On a quarterly basis, Management attests to both the design and operation effectiveness for all controls tested as part of the annual SOX 404 assessment program. This also follows the objectives and components set out within the COSO Framework 2017. The Supervisory Board receives quarterly reports outlining control deficiencies noted as part of the controls testing program and where relevant an assessment of the aggregated impact these deficiencies on the Financial Statements.

## B.5 Compliance function

As noted in **Section B.1**, Compliance is one of the key functions of the Company's system of governance.

The Compliance function is responsible for monitoring compliance with laws and regulations pertaining to integrity, conduct, prudential regulation, financial crime, data privacy, and related internal policies and advising thereon. A Compliance Framework has been developed for ensuring compliance in these areas, aligned with the Company's regulatory risk appetite.

The Compliance function is organised in pillars, Compliance Advisory ("CAD") and Compliance Assurance ("CAS") form two of these pillars. CAD, including Financial Crime, support the first line functions with regulatory advice and CAS, via an established Compliance Assurance Program ("CAP"), monitor, evaluate and report on organizational compliance. Through the CAP, monitoring activities are carried out, thereby providing assurance to stakeholders over the effectiveness of the operation of certain controls, including regular testing and thematic reviews, which supports the overall Compliance Framework.

As a 'second line' function in the Company's three lines of defence model, the Compliance function has responsibility for overseeing and supporting the 'first line' functions to manage the Company's regulatory risk within risk appetite. The Compliance function supports the business through:

- Establishing and maintaining the Compliance Universe;
- Identifying and reporting on new and revised regulations or other regulatory developments;
- Identifying and assessing risks stemming from these regulations;
- Advising how to comply with new, existing and changes to regulations;
- Compliance policy setting and implementation;
- Investigating compliance breaches;
- Compliance risk monitoring and testing of key compliance risk controls; and
- Periodic and ad hoc internal and regulatory reporting

Whilst maintaining its independence, the Compliance Function works closely with all business divisions to provide prompt and effective advice, support and assurance. The Compliance Function also has primary responsibility for managing regulatory communications and reporting.

The SISE Compliance Function is supported by the wider Enstar Compliance Function. The EU/UK Head of Compliance is responsible for making sure that the function is sufficiently resourced, or has access to resources, and the necessary expertise, to fulfil its remit.

The Supervisory Board is responsible for ensuring that adequate measures are in place to manage compliance matters. Compliance is a standard agenda item at each quarterly Supervisory Board meeting and monthly Management Board meeting. Annually, the Compliance function submits to the Supervisory Board a Compliance Plan for approval. The plan is flexible and where necessary will be adjusted during the year.

The Compliance function is entitled to access to all first line activities. This includes access to all books, records, and other information as required to carry out the activities. Where documentation may be restricted for confidentiality purposes if the Compliance function considers it necessary to obtain access, a written request should be made to the Chair of the SISE Supervisory Board.

## B.6 Internal Audit function

The Company's Internal Audit function is provided through the KFH and supported by the wider EEUL Internal Audit Function. The KFH has specific responsibility for leading the Internal Audit function and the provision of independent and objective assurance to the Enstar Group's Audit Committee, subsidiary Boards and senior management. This is a prescribed Key Function under Solvency II.

### Scope of Responsibilities:

- To review, assess and report on the adequacy and effectiveness of the organisation's internal risk management and control environment through audit review and consultancy work and assist the SISE Supervisory Board and Management in discharging their responsibilities;
- To liaise with the external auditors to foster a co-operative and professional working relationship, optimise audit coverage while as far as possible avoiding the duplication of audit efforts; and
- To assist in enabling the Enstar Group Chief Executive Officer and Chief Finance Officer in discharging their Solvency II and SOX responsibilities through review and testing of key control activities.

The Internal Audit function has full and unrestricted access to any and all of Enstar Group records, physical properties, and personnel relevant to any function under review. Internal Audit activities are free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Audit ensures that appropriate controls are in place such that conflicts of interest do not arise. Internal auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Annually, the Internal Audit Function submits to the SISE Supervisory Board an internal audit plan for approval that takes into account all activities and the complete system of governance. The audit work schedule is developed based on a prioritisation of the audit universe using a risk-based methodology. The plan is flexible and where necessary reviews may be added or adjusted during the year.

The Internal Audit function annually assesses whether the purpose, authority, and responsibility, as defined in its charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. This is completed in the form of an annual review of the Internal Audit function against the IIA Definition of Internal Auditing, the Code of Ethics and the Standards. An external review of the Internal Audit function is completed at least once every five years by an independent body. This was last performed and reported to the SISE Supervisory Board in 2022.

The Group Chief Audit Executive is responsible for making sure Internal Audit is sufficiently resourced, or has access to resources, to fulfil its remit and that Internal Audit accesses the expertise necessary to undertake work in respect of specialist business functions. Internal Audit ensures that work is conducted with due professional care.

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## B.7 Actuarial Function

The actuarial function comprises of two core teams: 'Reserving' and 'Capital Modelling'. Activities are coordinated by the Actuarial Function Holder and external reviews are conducted as required.

The actuaries that comprise the actuarial function are fellows/students of The Institute & Faculty of Actuaries (or equivalent) and operate under the standards set out by The Institute & Faculty of Actuaries and the UK Financial Reporting Council (or equivalent).

The key activities undertaken by the actuarial functions are as follows:

- Set the reserves and perform regular reserve reviews (on both a LIE GAAP and Solvency II basis).
- Assess the appropriateness of technical provisions methodology and assumptions used.
- Setting methodologies and ensure consistency of use.
- Ensuring that data quality and information technology systems meet the required standards.
- Undertake the standard formula calculation and validation of the standard formula appropriateness.
- Provide an opinion on the underwriting policy and the sufficiency of SISE's premium income to meet the ongoing costs of claims and expenses. The scope of this opinion is significantly reduced following the decision to cease underwriting new and renewal business.
- Provide an opinion on the reinsurance policy of SISE based on existing cover purchased and plans for future purchases as detailed in the business plan. Similarly, to the underwriting opinion the scope here is also significantly reduced since ceasing to write new and renewal business.

An actuarial function report containing the Actuarial KFH's opinions, recommendations and key activities is prepared and provided to the Supervisory Board of Directors and the Management Board annually.

The Actuarial team has provided actuarial support to SISE since it ceased actively underwriting. We do not anticipate any material changes to actuarial policy and procedures. The actuarial team recognises the potential for increased uncertainty for estimating claims due to the reducing size of the portfolio going forward for certain lines of business. The actuarial team will consider this uncertainty in their selections during this period.

## B.8 Outsourcing

The Supervisory Board considers outsourcing to be the most cost-effective means of delivering high quality support operations to the Company's activities, accessing the right level of expertise and allowing management to focus to a greater extent on the business' core activities. The outsourcing of certain functions is a central feature of the business's operating model.

The business recognises the increased operational risk inherent in outsourcing and seeks to mitigate this risk by implementing strong management oversight based on each individual outsourced arrangement risk profile. The outsourcing assessment considers the level of risk based on the type of outsourcing, size of the activity being outsourced and the third party's size and scale, with due regard to local regulation and national/international standards.

The Material Services & Outsourcing Policy (updated during 2024) defines a set of risk-based expectations and processes (including composite risk assessments) through which suppliers and outsourced service providers are initially identified, assessed (due diligence process), ultimately selected and overseen. Approval processes in place are based on the materiality of the outsourcing being considered. Once a provider is selected, the risk assessment performed during the selection process determines the extent of the ongoing monitoring programme performed by the business. The Vendor Operation team is responsible to oversee some outsourcing and others are overseen by the business depending on the most appropriate oversight approach. Contingency and exit plans are developed for material outsourcing.

The Company oversees all of its outsourcing matters.

The main outsourcing agreements are with EEUL, a UK based associated entity, providing staff to the Company and services like IT services. EEUL also provide the following services or support:

- Accounting
- Finance and Investments
- Taxation
- Actuarial Reserving
- Human Resources
- Internal Audit
- Claims Management
- Underwriting (endorsement activity)

Further outsourcing agreements include:

- Investment Management activities (service provider is based in the UK).
- Binding Authorities/Coverholder Agreements (including claims handling agreements), albeit all agreements expired in 2021 due to non-renewal or cancellation.
- Claims management for specific countries / claims to various Third-Party Agent's ("TPAs") (service providers are based in different countries).
- Audit services to monitor and report on TPA performance.
- Access to the centralised London insurance market Claims & Messaging Platform.

Outsourcing arrangements are notified, and where required, regulatory approval is sought in line with local requirements.

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## B.9 Any other information

### Adequacy of the System of Governance

The Supervisory Board is responsible for establishing an appropriate System of Governance. This has been carried out through discussions with internal and external parties (including the regulator/supervisor). The current system of governance arrangements is considered proportionate to the nature and complexity of the business.

A Supervisory Board Effectiveness Review is conducted on an annual basis. This review focusses on the following areas:

- Structure, composition and leadership of the Supervisory Board;
- Formal oversight arrangement, records and responsibilities – including performance management;
- The development of business strategy;
- Culture, policies and practices;
- Supervisory Board and Management Board decision-making and structure of meetings;
- Risk management, conflicts management and regulatory principles;
- Quality, purpose and distribution of Management Information;
- The overall effectiveness of the Supervisory Board in terms of its involvement in decision-making, development evaluation and process for appointments to the Supervisory Board; and
- Supervisory Board supervision of key functions.
- Training and development

Recommendations are documented following the review and an action plan implemented.

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## Section C Risk Profile

The Company's ERM Framework aligns risk measurement with capital in order to provide a consistent approach for the separate risks and allows the risk profile to be the driver of the solvency and any own economic capital requirements. Where risk is considered to be excessive, the Company may mitigate that risk. A key mitigating factor is the purchase of reinsurance which is used to reduce exposure to Underwriting risk.

The Company's business model and risk profile has evolved in recent years as a result of the decision to stop actively underwriting, offset by the greater retention of risk due to lower whole account quota share cession rate. The risk profile is grouped into the SII risk types. Due to the Company's business the concentration profile is dominated by market, credit, and underwriting risk. See **Section E.2** and QRT S.25.01 for an analysis of the SCR by SII risk category.

EIOPA correlation matrices from the Standard Formula are used for determining and calculating existing dependencies between the risk modules to calculate the SCR.



## C.1 Underwriting Risk

### C.1.1 Risk description

In accordance with Article 105 of the Solvency II Directive, underwriting risk is defined as 'the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.' 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 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 referenced elsewhere 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.

### C.1.2 Risk management / mitigation

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.

The purchase of reinsurance plays a pivotal role in the mitigation of Underwriting risk. Details of internal reinsurance arrangements entered during the year are included in **Section C.3.3**. Sufficient underwriting expertise has been retained to support the Construction book which has a longer tail with endorsements to be processed and a small, centralised, team to handle all other risk categories for endorsements or queries.

While the Company no longer actively underwrites, there has been an improved review process relating to any premium adjustments and movements, with material premium movements requiring escalation into senior management.

### C.1.3 Risk exposure / concentration

In some business lines, the Company is exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event or a man-made event. The Company models and manages its individual and aggregate exposures to these events and other material correlated exposures in accordance with its risk appetite. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around the Company's ability to measure exposures, which can cause actual exposures and losses to deviate from initial estimates. As noted in **Section C.1.2** above reinsurance plays a pivotal role in mitigating this risk.

The Company continues to assess and monitor our exposures and accumulation to catastrophe risk on a regular basis underpinned by an appropriate Reinsurance programme. Since the Company no longer actively underwrites, the live policy count continues to reduce in line with expectations. We only agree to contractual increases in exposure and no more, hence the picture constantly improves over time.

The Company records premium income by both underwriting class of business and risk location. An analysis of premiums by geographical area shown in **Section A.2.2**.

There were no material changes during the financial year in the Company's underwriting risk exposures. The Company's decision to cease actively underwriting as from June 2020 resulted in reduced premium volume from the 2020 underwriting year onwards and therefore reduced associated underwriting exposures. Conversely, the unexpected nature of COVID-19 related underwriting exposures presents some uncertainty with regards to final loss estimates although these are mitigated by being of low value in 2024 and reinsurance agreements in place.

#### C.1.4 Stress and sensitivity analysis

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported ("IBNR").

A five percent increase or decrease in total net best estimate technical provisions (before risk margin), which is considered reasonably possible, would have the following effect on the Company's own funds:

Underwriting Risk Sensitivity - 2024	5% increase	5% decrease
\$000		
Medical Expense	39	(39)
Other Motor	3	(3)
Marine, aviation and transport	554	(554)
Fire and other damage to property	1,047	(1,047)
General liability	652	(652)
Credit and suretyship insurance	34	(34)
Non-proportional property reinsurance	1	(1)
<b>Total</b>	<b>2,330</b>	<b>(2,330)</b>

Underwriting Risk Sensitivity - 2023	5% increase	5% decrease
\$000		
Medical Expense	96	(96)
Other Motor	5	(5)
Marine, aviation and transport	661	(661)
Fire and other damage to property	1,672	(1,672)
General liability	1,039	(1,039)
Credit and suretyship insurance	82	(82)
Non-proportional property reinsurance	1	(1)
<b>Total</b>	<b>3,555</b>	<b>(3,555)</b>

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

## C.2 Investment/Market Risk

### C.2.1 Risk description

Market risk is the risk of loss resulting from underperforming investment returns, dilution of invested capital, or adverse financial market movements (such as interest rates or exchange rates). Market risk captures 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 from 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.

### C.2.2 Risk management

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.

The 'Prudent Person Principle' is embedded in Solvency II and is used to guide the Company to invest in assets and instruments that can be properly identified, measured, monitored, managed, controlled and reported on. They are invested in a manner to ensure the security, quality, liquidity, and profitability of the portfolio, and to the extent possible, available in the relevant currency, as required. Assets held to cover technical provisions are also invested in a manner appropriate to the nature and duration of the Company's liabilities. They are invested in the best interest of all stakeholders, taking in particular into account the Company's customers. Assets are diversified in such a way that there is no over reliance on, or concentration of risk in, any particular asset, issuer, group of undertaking, geography, asset class or other risk attribute.

Risk treatment and mitigation strategies are driven by the established risk appetite approved by the Supervisory 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 the Supervisory 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 the approved risk appetite.

The Company did not invest in derivatives or other risk mitigation techniques during the financial year.

At year-end 2021, the Company assigned the entire investment portfolio (with the exception of bank accounts allocated per region) from the Schaan head office to the SISE UK branch, as a form of capital contribution by the head office. This was to help the branch meet its branch SCR and reflect the economic position of the branch more accurately being the largest branch in the Company by reserves. The assignment of investments to the UK branch had no impact on other branches or the legal entity's reporting, nor on Market risk as investments assigned to the UK branch will be consolidated for SISE reporting at a legal entity level. Notional investment income remains allocated to the underlying branches and therefore creates no impact to the individual branch taxable income.

No material changes have been made to the investment risk management process during the financial year.

### C.2.3 Risk exposure

Investments presented in the financial statements are shown in the table below.

Investments in securities are stated at the lower of cost or market value in the LIE GAAP balance sheet and at market consistent value in the SII balance sheet.

Financial Investments by Category - 2024 \$000	Amortised Cost	Fair Value
<b>Long Term</b>		
Corporate Securities	90,532	91,239
US Government Securities	18,647	18,813
Mortgage-Backed Securities	15,842	15,846
<b>Other</b>		
Collective Investment Scheme	7,166	7,166
<b>Total</b>	<b>132,187</b>	<b>133,063</b>

Financial Investments by Maturity - 2024 \$000	Amortised Cost	Fair Value
Due in one year or less	26,976	27,103
Due after one through five years	61,144	61,660
Due after five through ten years	28,315	28,548
Due after ten years	15,752	15,752
<b>Total</b>	<b>132,187</b>	<b>133,063</b>

Financial Investments by Category - 2023 \$000	Amortised Cost	Fair Value
<b>Long Term</b>		
Corporate Securities	67,828	69,022
US Government Securities	24,580	24,735
Mortgage-Backed Securities	14,730	14,731
<b>Other</b>		
Collective Investment Scheme	6,722	6,722
<b>Total</b>	<b>113,860</b>	<b>115,210</b>

Financial Investments by Maturity - 2023 \$000	Amortised Cost	Fair Value
Due in one year or less	25,146	25,164
Due after one through five years	57,189	57,765
Due after five through ten years	16,345	17,076
Due after ten years	15,180	15,205
<b>Total</b>	<b>113,860</b>	<b>115,210</b>

Deposits with banks and cash at bank and on hand include assets of \$0.4m (2023: \$0.4m) that were pledged as collateral for letters of credit issued in relation to insurance business written and \$1.4m (2023: \$1.8m) are also used as collateral within individual trust funds or as deposits with regulatory authorities.

The Company has restricted investments of \$70.6m (2023: \$97.5m) which are used as collateral within trust funds. There were no material changes during the financial year in the Company's market risk exposures.

### Interest Rate Risk

Interest rate risk is the risk that movements in interest rates lead to lower-than-expected profitability due to declines in asset valuations and/ or projected cash flows. The Company is exposed to interest rate risk primarily from financial investments, cash, and deposits. The risk of changes in the fair value of these assets is managed by investing in a diversified portfolio of securities. The Company does not invest in derivative instruments. Interest rate risk applies to the whole fixed income portfolio.

### Currency Risk

The Company's foreign currency policy is to mainly manage foreign currency risk by matching liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets that are denominated in such currencies. In addition, SISE may selectively utilise foreign currency forward contracts to mitigate foreign currency risk. To the extent the foreign currency exposure is not matched or hedged, the Company may experience foreign exchange losses or gains, which would be reflected in the overall entity results. The assets backing shareholders' funds are largely kept in US Dollars, the Enstar Group's main currency.

### Equity Risk

Equity risk is the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or in the volatility of market prices of equities. The capital requirement for equities is equal to the loss in the basic Own Funds that results from an instantaneous decrease in the market value of the equity. The Company does not hold any equities and is therefore not exposed to any equity risk.

### Spread Risk

Spread risk is the sensitivity of the values of assets, liabilities, and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The capital requirement for spread risk is equal to the sum of:

- The capital requirement for spread risk on bonds and loans;
- The capital requirement for spread risk on securitization positions; and
- The capital requirement for spread risk on credit derivatives

The capital requirement for spread risk on bonds and loans is equal to the loss in the basic own funds that results from an instantaneous relative decrease in the value of each bond or loan. This risk is mitigated by placing limits on exposure to a single counterparty and by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by prominent rating agencies.

### Concentration Risk

Concentration risks is the risk to an insurance or reinsurance undertaking stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers. The capital requirement for market risk concentration is calculated on the basis of single name exposures and equal to the loss in basic own funds that result from an instantaneous decrease in the market value of the assets. The concentration risk is managed by the Investment team by maintaining an appropriate mix of investment instruments.

## C.2.4 Stress and sensitivity analysis

For 2024, the Company observed the continued impact of the volatility within financial markets as a result of geopolitical tension, stubborn higher than targeted inflation, changes in interest rates and an economic downturn.

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

## C.3 Credit Risk

### C.3.1 Risk description

Reinsurance Credit & Counterparty Risk is defined as the risk relating to a reinsurance counterparty's ability to make timely payments in accordance with the contractual terms of the reinsurance contract.

Reinsurance Credit & Counterparty Risks can be broken down into the following sub risks:

- Dispute risk arising from claims or contractual disputes with reinsurers resulting in lower-than-expected reinsurance recoverables. This risk includes the untimely receipt of recoverables, which may result in balances being time-barred and existing bad debt provisions being increased.
- Default risk arising from default or changes to credit quality of the reinsurer.
- Counterparty Concentration risk arising from the risk of higher total losses from inadequate diversification across counterparties.

The key sources of Credit risk for the Company are:

- Risk of non-recoverable internal reinsurance from the significant internal quota share reinsurance with CBRe. This is the most significant credit risk to the Company;
- Risk of non-recoverable reinsurance assets currently held on balance sheet (outstanding and IBNR) due to Reinsurer failure;
- Risk of failure of external reinsurers on current reinsurance programme and any unexpired risks;
- Risk of failure of coverholders, brokers or policyholders; and
- Risk of default or failure of investment counterparties such as banks, investment funds etc.

### C.3.2 Credit risk management / mitigation

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 monthly. The Management Board monitors risk tolerance levels which have been approved by the Supervisory 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.

Credit Risk is calculated using the standard formula and is monitored through the quarterly risk report.

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.

No material changes have been made to the credit risk management / mitigation process during the financial year.

### C.3.3 Risk exposure / concentration

The Company has a material counterparty concentration with CBRe which has arisen due to a number of reinsurance contracts (see **Section B.1.4** above).

The following table analyses the credit rating by investment grade of Solvency II balance sheet assets shown in **Section D**.

Financial Assets by Rating - 2024 \$000	AAA	AA	A	BBB	Not Rated	Total
Investments	42,403	6,215	69,451	16,126	-	<b>134,195</b>
Reinsurance recoverables	-	50,098	167,735	1,413	1,779	<b>221,025</b>
Insurance and intermediary receivables	-	-	-	-	297	<b>297</b>
Reinsurance receivables	-	11,381	37,352	321	404	<b>49,458</b>
Receivables (trade, not insurance)	-	-	-	-	2,631	<b>2,631</b>
Cash and cash equivalents	-	6,616	802	7,594	-	<b>15,012</b>
Any other assets	-	-	-	-	11,586	<b>11,586</b>
<b>Total</b>	<b>42,403</b>	<b>74,310</b>	<b>275,340</b>	<b>25,454</b>	<b>16,697</b>	<b>434,204</b>

Financial Assets by Rating - 2023 \$000	AAA	AA	A	BBB	Not Rated	Total
Investments	46,990	5,138	57,876	5,905	-	<b>115,909</b>
Reinsurance recoverables	-	49,940	209,732	740	34,298	<b>294,710</b>
Insurance and intermediary receivables	-	-	-	-	-	<b>-</b>
Reinsurance receivables	-	10,706	85,595	159	7,353	<b>103,813</b>
Receivables (trade, not insurance)	-	-	-	-	7,955	<b>7,955</b>
Cash and cash equivalents	-	-	13,686	-	-	<b>13,686</b>
Any other assets	-	-	-	-	6,933	<b>6,933</b>
<b>Total</b>	<b>46,990</b>	<b>65,784</b>	<b>366,889</b>	<b>6,804</b>	<b>56,539</b>	<b>543,006</b>

This analysis shows that on a Solvency II valuation basis 90% (2023: 88%) of the Company's assets are held with counterparties that are rated A or above.

The Company has debtors arising from direct insurance and reinsurance operations and may make a provision (where applicable) for non-recovery after undertaking an assessment of the counterparty's financial position and likelihood of recoverability.

There were no other material changes over the financial year in the Company's credit risk exposures during the reporting period.

### C.3.4 Stress and sensitivity analysis

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.



## C.4 Liquidity Risk

### C.4.1 Risk description

Liquidity risk is the risk that the Company is unable to meet financial obligations when they fall due or can only meet obligations at excessive cost due to mismatches in asset maturity and liability durations and / or currency conversion volatility. This can lead to increased financing costs, inability to fund acquisitions, and/or regulatory ramifications. SISE follows an appropriately conservative investment strategy designed to emphasise the preservation of its invested assets and provide sufficient liquidity for the prompt payment of claims as they fall due and settlement of commutation and policy buyback payments. As the Company decided to discontinue underwriting as from June 2020, future premiums have a decreasing impact on the Company's liquidity position.

### C.4.2 Risk management / mitigation

Risk treatment and mitigation strategies are driven by the established risk appetite as approved by the Supervisory Board. Risk treatment/mitigation (e.g. establishing controls, procedures and the implementation of modified strategic activities to either reduce cash demands and/or source additional liquidity capacity) or accepting risks to the extent at par with Supervisory Board approved risk appetite is the responsibility of risk owners and oversight by senior management.

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 to both internal and external counterparties. 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.

At management level, Liquidity risk is monitored and overseen by the Management Board which meets at least monthly. The Management Board monitors liquidity against key risk indicators defined in the risk appetite statement. During 2024, the cash position to cover projected cash outflows remained within risk appetite levels due to the execution of a robust liquidity plan to determine the long-term payment schedule of the intercompany receivable balance.

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

### C.4.3 Expected profit in future premiums

The Company has expected profit included in future premiums ("EPIFP") gross of reinsurance amounting to nil (2023: nil).

This amount is calculated on a discounted basis as gross future premiums less the estimated claims, commissions and expenses in respect of these future premiums. The risk margin is excluded.

The estimate has been calculated using the internal class of business categories which are considered to be homogeneous risk groups. The future claims have been estimated separately for earned, unearned and committed-to premiums. For the earned element, the outstanding premium information is not available at a level that would allow identification of the actual claims associated with the premium. Given this it has been assumed the earned element will run to the same loss ratio as the unearned.

### C.4.4 Liquidity risk exposure / concentration

Throughout the year, SISE's Liquidity Risk has continued to reduce following the establishment of a robust liquidity plan projecting cash inflows and outflows for 2024, together with significantly increased collection of aged receivables. This long-term plan has put operational cash levels at a level sufficient



to meet the projected future cash flows, provided the agreed liquidity plan is adhered to. Ongoing monitoring of cash requirements are discussed between SISE stakeholders on a regular basis to ensure the liquidity plan remains appropriate.

#### **C.4.5 Stress and Sensitivity Analysis**

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

## C.5 Operational Risk

### C.5.1 Risk description

Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events (including cyber), personnel, systems or third parties.

Operational 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.

### C.5.2 Operational risk management/ mitigation

All operational risks are assessed via the risk assessment process 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 the Management Risk Committee and the Supervisory Board.

Operational risk is mitigated through the application of policies and procedures, internal controls 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 crystallising, are assessed on a quarterly basis. Operational Risk is calculated using the standard formula and is monitored through the quarterly risk report. Operational stress tests are performed annually and reported through the ORSA process.

The Company recognises the increased operational risk inherent in outsourcing and intragroup insourcing and seeks to mitigate this risk by implementing strong management oversight over each individual outsourced arrangement, and a greater concentration of oversight for those arrangements which are considered material because of their size, the risks associated with their failure or because of their nature (i.e., the outsourcer is performing a regulated activity).

The Risk Management Function assists the business with these responsibilities by providing the framework and tools, assisting with monitoring risk levels within the defined risk appetite and providing other support as needed.

The Company maintains a business continuity plan outlining the process to minimize the financial, legal, reputational, operational, and other material consequences arising from a natural or unscheduled disruption.

No material changes have been made to the measures for managing and mitigating operational risk during the financial year.

### C.5.3 Operational risk exposure / concentration

The key operational risk factors facing our business are as follows:

- The Company is dependent on executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect our business. Retaining sufficiently skilled resource to manage the business is a significant risk. In addition, the Company benefits from having a MSA with EEUL who have greater scale and may support functions in case of staff losses where a retention is not in place.
- The Company has a number of internal systems and processes that rely on people and technology. These are not immune from potential failure. The Company monitors operational risk through its risk management and internal control system.
- If outsourced providers such as third-party administrators, investment managers or other service providers were to breach obligations owed to the Company, the business and results

of operations could be adversely affected. All outsourcing and material supplier contracts have been subject to enhanced monitoring in light of the Digital Operational Resilience Act ('DORA') regulation, focusing specifically on Information and Communication Technology ('ICT') providers' operational resilience against service disruptions.

- If the Company experiences difficulties with information technology assets or cyber security, its business could be adversely affected.

#### **C.5.4 Stress and sensitivity Analysis**

A description of the stress and scenario testing performed by the Company around key strategic and business plan assumptions is included in **Section B.3 and C.7.1**.

## C.6 Other Material Risks

### C.6.1 Strategic Risk

Strategic risk is the risk of an 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.

All Strategic and Group risks are assessed via the GRC 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 on the GRC system and all tolerances that have been exceeded or where the tolerance threshold is approaching, are reported to the Management Risk Committee and the Supervisory Board.

The Company monitors the capital position relative to regulatory, rating agency and internal capital requirements and anticipated liquidity needs. This analysis is periodically subjected to stress testing to determine, amongst other things, what the impact of a significant financial losses within one subsidiary would be on the capital position of the group.

The Company has historically depended on SIBL's AM Best A- rating to support underwriting activity and to support the level of capital held for Credit Risk. However, during 2024, the merger between SIBL and another Group subsidiary, CBRe, was completed. As such, SISE is now wholly owned and directly controlled by CBRe. CBRe is an "A" rated reinsurer.

At management level, Strategic and Group Risk is monitored and overseen by the Risk Management function and the Supervisory Board which meets at least quarterly.

### C.6.2 EGL Group Risk

Group risk arises from the Company being owned by EGL who is a Bermuda-based holding Company, formed in 2001, that offers innovative capital release solutions and specialty underwriting capabilities through its network of Group companies in Bermuda, the United States, the United Kingdom, Continental Europe and Australia.. EGL is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR".

Enstar focuses on the acquisition and management of insurance and reinsurance companies in run-off and the acquisition and management of portfolios of insurance and reinsurance business in run-off.

No changes have been made to the measures for assessing Strategic and Group risk during the reporting period.

### C.6.3 Legal and Regulatory Risk

Legal and Regulatory risk is the risk of legal or regulatory sanctions resulting in a financial loss, or loss of reputation as a result of an insurer's failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. We manage legal and regulatory risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Branches operating within the SROR are required to comply with the same regulatory requirements that apply to UK third country branches, but with only quantitative reporting requirements applying for the year ended 31 December 2024.

Following amendments made to the PRA's SS44/15, SISE is now permitted to file a single combined ORSA report to the PRA and FMA for the year ended 31 December 2024, incorporating both quantitative and qualitative information for SISE as a legal entity, including the UK branch.

### C.6.4 Tax Risk

Tax risk is the risk of adverse tax liabilities/ implications for the business due to inadequate tax compliance, advice, or governance. The Company proactively seeks to identify, evaluate, manage, monitor and mitigate tax risks. SISE is committed to complying with all tax laws, rules and regulations applicable. In evaluating potential transactions, the Company considers the overall commercial, financial and tax aspects. Where there is uncertainty or complexity in relation to a tax risk, the Company may seek external advice and, where appropriate, we may obtain tax clearances from relevant tax authorities.

### C.6.5 Climate Risk

The Company has ceased writing new business and hence, exposure to climate-related risks emanates from existing insurance liabilities and the assets that back those liabilities.

The ERM Framework defines the roles and responsibilities for effective oversight and management of ESG and climate-related risks and opportunities at the Supervisory Board and senior management levels.

Climate change presents a range of risks and opportunities to the sustainability of our business. Enstar's business strategy is exposed to the following risks over short- (<2030), medium- (<2040) and longer- (≥2040) term time horizons, across three major types of climate risk:

- **Physical risks (Short to Longer term):** These are the first order risks arising from weather-related events, such as floods and storms. Their impact may be felt directly through property damage, or indirectly through subsequent events such as disruption of global supply chains or resource scarcity. Additionally, impacted geographies are expected to change as a result of climate change.

The Company's exposure to physical risks stem from our operations, including such risks to which we are exposed to through our suppliers and investments portfolios (i.e. physical risks of the underlying companies we are invested in). Other physical risk exposures can stem from the administration of very limited in-force catastrophe exposures through the running off of the multi-year Construction policies previously written by SISE. Since the Company no longer actively underwrites live insurance contracts, this risk is of minimal consequence.

The Company's operations may be impacted by physical risks affecting our offices, key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of this risk is considered low, given our global presence and the Business Continuity Framework and procedures we have in place. This was confirmed in our most recent independent climate risk scenario analysis assessment.

- **Transition risks (Short to Medium Term):** These include financial risks deriving from the transition to a carbon net zero economy, and for the Company include potential swift, adverse repricing of carbon-intensive financial assets.

In the near term, the investment portfolio could be exposed to the loss of value in specific investments due to disruption to the underlying assets/ companies caused by transitioning to a lower carbon emitting economy. The impact could increase over time if part of the transition to a greener economy is associated with increased production costs. Certain sectors could be subject to significant impairments due to changing consumer demand, the repricing of assets or changing regulatory requirements.

Ongoing geo-political tensions in a number of global locations have the potential to accelerate these traditional risks through the need to diversify existing energy sources, including increased investment in energy derived from more sustainable sources, and supply chains to better manage suppliers across various jurisdictions.

- Liability risks (Short to Medium Term) include third-party exposures such as claimants who have suffered climate-change related losses and damage and seek compensation. Liability risks also include the unknown and potentially high costs of dealing with losses or damage from physical or transition risk factors. Liability risks can be particularly high for those directors and officers who do not properly manage and report climate-related risks and commit errors and omissions.

In order to quantify the financial impact of risks and opportunities brought about by the climate-related risks set out above, the Company undertakes a periodic analysis to quantify the potential impact on both our assets and liabilities. Independent stress and scenario testing conducted in 2024 has indicated that the potential impact of physical, transition and liability risks on SISE's portfolios is low.

Whilst there is no requirement for immediate action to be taken as a result of the analysis, SISE will continue to regularly review its exposure to climate risk.

## C.7 Any Other Information

### C.7.1 Stress and Scenario Analysis

Integral to the business planning process is the performance of stress and scenario testing around key strategic and business plan assumptions. A description of Stress and Scenario Analysis performed by the Company is included in **Section B.3**.

Based on projections for the next 3 years (2025-2027), the Company's Own Funds are expected to exceed its SCR and target level of capital over the three-year projection period. SISE's solvency position is sensitive to the credit rating of CBRe due to internal reinsurance arrangements with CBRe and mitigating actions may be required if CBRe were to be downgraded to below BBB.

## Section D Valuation for Solvency Purposes

Solvency II requires a market consistent approach to the valuation of assets and liabilities. A number of assets and liabilities require different valuation methods to those used in the financial statements. The financial statements are prepared under LIE GAAP. The table below summarises the Solvency II and the LIE GAAP valuation of assets and liabilities, based on the Solvency II balance sheet headings and the Solvency II approach to classifying assets and liabilities. An explanation of the Solvency II valuation methods and assumptions, including key differences to those used under LIE GAAP, is provided in the subsequent sections. A more detailed Solvency II balance sheet is included in **Appendix A** (QRT S.02.01).

Balance Sheet - 2024	Statutory Value (LIE GAAP)	Reclassification Differences	Valuation Differences	Solvency II Value	Notes
<b>\$000</b>					
Investments	132,186	1,097	912	134,195	D.1.1
Reinsurance recoverables	262,944	(27,187)	(14,732)	221,025	D.1.2
Insurance and intermediaries receivables	297	-	-	297	D.1.3
Reinsurance receivables	49,458	-	-	49,458	D.1.4
Receivables (trade, not insurance)	2,631	-	-	2,631	D.1.5
Cash and cash equivalents	15,012	-	-	15,012	D.1.6
Any other assets	12,683	(1,097)	-	11,586	D.1.7
<b>Total Assets</b>	<b>475,212</b>	<b>(27,187)</b>	<b>(13,820)</b>	<b>434,204</b>	
Technical provisions	270,861	-	5,066	275,926	D.2
Insurance and intermediaries payables	1,379	-	-	1,379	D.3.1
Deposits from reinsurers	27,187	(27,187)	-	-	D.3.4
Reinsurance payables	4,319	-	-	4,319	D.3.2
Payables (trade, not insurance)	2,294	-	-	2,294	D.3.3
Any other liabilities	302	-	-	302	D.3.4
<b>Total Liabilities</b>	<b>306,342</b>	<b>(27,187)</b>	<b>5,066</b>	<b>284,221</b>	
<b>Excess of Assets over Liabilities</b>	<b>168,869</b>	<b>-</b>	<b>(18,886)</b>	<b>149,983</b>	

Balance Sheet - 2023	Statutory Value (LIE GAAP)	Reclassification Differences	Valuation Differences	Solvency II Value	Notes
<b>\$000</b>					
Investments	113,859	706	1,344	115,909	D.1.1
Reinsurance recoverables	350,171	(38,824)	(16,637)	294,710	D.1.2
Insurance and intermediaries receivables	-	-	-	-	D.1.3
Reinsurance receivables	103,813	-	-	103,813	D.1.4
Receivables (trade, not insurance)	7,955	-	-	7,955	D.1.5
Cash and cash equivalents	13,686	-	-	13,686	D.1.6
Any other assets	7,639	(706)	-	6,933	D.1.7
<b>Total Assets</b>	<b>597,123</b>	<b>(38,824)</b>	<b>(15,293)</b>	<b>543,006</b>	
Technical provisions	361,791	-	14,116	375,907	D.2
Insurance and intermediaries payables	10,738	-	-	10,738	D.3.1
Deposits from reinsurers	38,824	(38,824)	-	-	D.3.4
Reinsurance payables	1,738	-	-	1,738	D.3.2
Payables (trade, not insurance)	5,423	-	-	5,423	D.3.3
Any other liabilities	309	-	-	309	D.3.4
<b>Total Liabilities</b>	<b>418,822</b>	<b>(38,824)</b>	<b>14,116</b>	<b>394,115</b>	
<b>Excess of Assets over Liabilities</b>	<b>178,301</b>	<b>-</b>	<b>(29,410)</b>	<b>148,891</b>	



The following table provides a reconciliation of the excess of assets over liabilities reported in the Solvency II balance sheet to equity shareholders' funds reported in the LIE GAAP balance sheet.

<b>Excess Assets over Liabilities \$000</b>	<b>2024</b>	<b>2023</b>
<b>Excess of assets over liabilities – LIE GAAP</b>	<b>168,869</b>	<b>178,301</b>
Profit in UPR	658	737
Events not in Data ("ENIDS")	(165)	(407)
SII Expense provision	(16,282)	(27,855)
Risk Margin	(8,286)	(10,095)
Discounting	4,259	6,814
Other	18	52
<b>Technical provision adjustments</b>	<b>(19,798)</b>	<b>(30,754)</b>
Investment valuation difference	912	1,344
<b>Excess of assets over liabilities - Solvency II</b>	<b>149,983</b>	<b>148,891</b>

## D.1 Assets

### D.1.1 Investments

Investments consist primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration.

Investments are recognised under Solvency II when the Company becomes a party to the contractual provisions of the instrument. Investments are de-recognised if the Company's contractual rights to the cash flows from investments expire or if the Company transfers the investments to another party without retaining control of substantially all risks and rewards of the assets. This is the same recognition basis under LIE GAAP reporting and there has been no change in the recognition criteria during the year.

#### Valuation differences

Solvency II requires investments to be recognised at fair value which is the amount an asset or liability could be exchanged between willing parties in an arm's length transaction. Under LIE GAAP, investments in securities are stated at the lower of cost or market value. In the Solvency II balance sheet, the carrying value of the assets held at cost is adjusted to fair value. Fair values are determined at prices quoted in active markets. The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilise internationally recognised independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

#### Investment classification

Classification differences exist between LIE GAAP and Solvency II for certain investment balances.

Cash and cash equivalents are classified differently between LIE GAAP and Solvency II. Under LIE GAAP, an investment qualifies as a cash and cash equivalent only when it has a short maturity of, three months or less from the date of acquisition. Money market funds and deposits less than 90 days are classified as cash and cash equivalents under LIE GAAP, however, they are classified as collective investments undertakings and deposits other than cash equivalents for Solvency II reporting, respectively.

Accrued interest is classified separately as 'Accrued interest and rent' on the balance sheet of the Company's financial statements but for Solvency II, accrued interest is included as part of the investment valuation (Solvency II amount).

### D.1.2 Reinsurance recoverables

The company uses reinsurance agreements to reduce its exposure to insurance risks assumed. The Company remains liable to the extent that certain reinsurance is finite or that the reinsurers do not meet their obligation under these agreements.

Reinsurance recoverable balances relate to the reinsurance of gross technical provisions which will fall due under the terms of the reinsurance agreements. These amounts have been valued based on amounts that will be contractually due to the Company from reinsurers if and when claims are settled. They are adjusted for:

- i) potentially non-recoverable balances that are disputed or due from reinsurers with a poor credit rating and

- ii) the probability weighted average of future cash flows taking into account the time value of money using the latest risk-free discount rates promulgated by EIOPA.

Future cash inflows are determined by calculating reinsurance recoveries on estimated cash outflows of gross technical provisions which are based on an annual actuarial study using appropriate actuarial techniques (see technical provisions below). Reinsurance recoverables reported in the Solvency II balance sheet have also been uplifted for the reinsurance impact of the possibility of extreme events.

There has been no change in the recognition and valuation of this balance during the year. The balances reported in the Solvency II balance sheet differ from amounts reported in statutory financial statements due difference in the valuation methodology between LIE GAAP and Solvency II (see technical provisions below). The valuation adjustment relates to Solvency II adjustments in respect of premium provisions claims, ENIDs and discounting.

### **D.1.3 Insurance and intermediaries' receivables**

This balance mainly relates to premiums due from intermediaries and the amounts are recognised in the GAAP balance sheet when the Company becomes a party to the contractual provisions of the asset.

Under LIE GAAP, receivables are valued at undiscounted amortised cost less any adjustment for impairment losses. The LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

As required in the Solvency II guidance, the portion of insurance and intermediary receivables recognised as an asset on the LIE GAAP balance sheet, that are not-yet-due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet whilst the amount over-due (i.e. when they remain unpaid in the first business day after the payment deadline) remain within 'insurance and intermediaries receivables' in the Solvency II balance sheet.

For 2024, insurance and intermediaries' receivables are \$0.3m.

### **D.1.4 Reinsurance receivables**

Reinsurance receivables relate to paid claims recoverable, premium refunds and other amounts due to the Company from reinsurers under the terms of the reinsurance agreements in place with those reinsurers. These balances have been valued based on amounts that are contractually due to the Company by reinsurers adjusted for potentially non-recoverable balances that are disputed or due from reinsurers with a poor credit rating. This is deemed to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

There has been no change in recognition or valuation basis during the year.

### **D.1.5 Receivables (trade, not insurance)**

Under LIE GAAP, receivables are valued at undiscounted amortised cost net of provisions for expected credit losses. Given the short-term maturity of these assets, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes. All material receivables are due within 12 months.

There has been no change in recognition or valuation basis during the year.

### **D.1.6 Cash and cash equivalents**

No valuation differences exist between LIE GAAP and Solvency II. Cash and cash equivalents in the Solvency II balance sheet consist of deposits that can be exchanged for currency on demand at par value and are valued at their par value. Cash and cash equivalents are classified differently between LIE GAAP and Solvency II. Refer to **Section D.1.1** for additional information.

There has been no change in recognition or valuation basis during the year.

#### **D.1.7 Any other assets**

These balances include other assets and prepayments. Under LIE GAAP these assets are carried at cost less any adjustment for impairment losses. Given the short-term nature of these assets, this is considered to be a close approximation to the Solvency II fair value. All material other receivables are due within 12 months.

The reclassification adjustment of \$1.1m (2023: \$0.7m) relates to accrued interest which under SII is reported as part of the financial investments.

Under LIE GAAP, commissions and other direct and indirect costs that are related to, securing new contracts and renewing existing contracts are not capitalised as Deferred Acquisition Costs ("DAC"). DAC is also not recognised as an asset in the Solvency II balance sheet as they are not a separable and saleable asset. Cash flows relating to acquisition costs, attached to future premiums, are included in the Solvency II technical provisions (further details provided in **Section D.2**).

At 31 December 2024, no deferred tax assets have been recognised in the SII balance sheet.

## D.2 Technical Provisions

In accordance with Article 77 of the Solvency II Directive the value of the Company's technical provisions consists of the best estimate of all future cash flows required to settle its insurance and reinsurance obligations, discounted at the risk-free rate of interest using the yield curves published by EIOPA for the reporting date, with the addition of a risk margin.

- The best estimate liabilities are calculated as:
  - i. the discounted best estimate of all future cash flows relating to claim events prior to the valuation date ('claims provisions'); and
  - ii. the discounted best estimate of all future cash flows relating to future exposure arising from policies that the insurer is obligated to at the valuation date ('premium provisions').
  
- The Risk Margin is the amount that insurers would require over and above the best estimate liabilities in order to take over and meet the insurance and reinsurance obligations over the lifetime of the policies.

In addition, in determining the cash flows, the following estimations are made:

- Calculation of obligations arising from ENIDs
- Calculation of run-off expenses
- Determination of payment patterns
- Determination of future cost of reinsurance
- Calculation of the counterparty default

An analysis of gross and ceded technical provisions by Solvency lines of business including risk margin is shown below. Further detail is provided in **Appendix A** (QRT S.17.01).

Technical provisions - 2024 \$000	Medical expense	Other motor	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship insurance	Non-Prop. Property	Total
Premium provisions	-	-	72	4,093	713	1,005	-	<b>5,883</b>
Claims provisions	1,942	519	55,726	115,639	85,023	2,380	529	<b>261,758</b>
<b>Gross Best estimate</b>	<b>1,942</b>	<b>519</b>	<b>55,798</b>	<b>119,732</b>	<b>85,736</b>	<b>3,385</b>	<b>529</b>	<b>267,640</b>
Reinsurance	1,170	452	44,715	98,793	72,695	2,700	500	<b>221,025</b>
<b>Net technical provisions before risk margin</b>	<b>772</b>	<b>67</b>	<b>11,083</b>	<b>20,939</b>	<b>13,041</b>	<b>685</b>	<b>29</b>	<b>46,616</b>
Risk margin	174	2	1,081	1,165	5,559	305	-	<b>8,286</b>
<b>Net technical provisions</b>	<b>946</b>	<b>69</b>	<b>12,164</b>	<b>22,104</b>	<b>18,600</b>	<b>990</b>	<b>29</b>	<b>54,902</b>

Technical provisions - 2023 \$000	Medical expense	Other motor	Marine, aviation and transport	Fire and other damage to property	General liability	Credit and suretyship insurance	Non-Prop. Property	Total
Premium provisions	-	-	(11)	11,710	1,019	1,557	-	<b>14,275</b>
Claims provisions	4,756	642	62,920	164,492	112,989	5,379	357	<b>351,536</b>
<b>Gross Best estimate</b>	<b>4,756</b>	<b>642</b>	<b>62,909</b>	<b>176,202</b>	<b>114,009</b>	<b>6,936</b>	<b>357</b>	<b>365,811</b>
Reinsurance	2,835	549	49,690	142,769	93,235	5,300	332	<b>294,710</b>
<b>Net technical provisions before risk margin</b>	<b>1,922</b>	<b>93</b>	<b>13,219</b>	<b>33,433</b>	<b>20,774</b>	<b>1,636</b>	<b>25</b>	<b>71,102</b>
Risk margin	342	3	831	1,793	6,576	550	-	<b>10,095</b>
<b>Net technical provisions</b>	<b>2,264</b>	<b>97</b>	<b>14,050</b>	<b>35,227</b>	<b>27,350</b>	<b>2,186</b>	<b>25</b>	<b>81,197</b>

## D.2.1 Claims provision

The claims provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to claim events prior to the valuation date.

Past exposure	Claims Provision				
	Expected present value of:				
	Claims (incurred)	+	Allocated and unallocated claims management expenses	+	Other Expenses (earned element)

Claims incurred mainly comprises case reserves and IBNR claims.

### D.2.1.1 Case reserves and IBNR

#### Case reserves

Case reserves are made on an individual case basis and are based on the estimated cost of all claims reported but not settled by the balance sheet date.

#### 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, however, 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 is usually 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.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries.

The technical provisions are not discounted under LIE GAAP. Under Solvency II the technical provisions are adjusted for the probability weighted average of future cash flows taking into account the time value of money based on the currency of the reserves and the prescribed EIOPA risk-free yield curve.

#### **D.2.1.2 Provision for unearned premium**

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date computed separately for each insurance contract. 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 proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Unearned outwards reinsurance premiums are those proportions of 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.

UPR is eliminated from the balance sheet and replaced with a provision accounted for on a best estimate basis taking account of all the cash flows (i.e. losses and premium debtors) relating to unearned business. When considering which cashflows to include in the calculation of outwards reinsurance premium and recoveries in the best estimate underlying technical provisions, the Company's key principle is to ensure these are consistent with the inwards policies included in the same valuation subject to certain specific rules on recognising legally obliged reinsurance contracts.

#### **D.2.1.3 Future Premium Cashflow**

The Solvency II guidance requires that the best estimate calculation should take account of projections for all potential cash inflows and outflows required to settle insurance / reinsurance obligations. This includes premiums paid in instalments and due in the future (not-yet-due premiums).

The same principle is applied for outwards reinsurance – with reinsurance creditors payable with a due date post the balance sheet date recognised in the reinsurance claims provision to the extent they relate to an earned exposure and the premium provision where they relate to unearned exposure.

#### **D.2.1.4 Events Not in Data**

Solvency II best estimates should make an allowance for “all possible events” – this should include high severity, low probability claims. ENIDs are not explicitly modelled as part of the reserving process. The Company performs a separate analysis once a year to derive an ENID event load which is applied to the best estimate reserves and is dependent on the perceived risk within lines of business.

#### **D.2.1.5 Loss adjustment expenses**

The Solvency II expense provision includes more costs than the LIE GAAP current unallocated loss adjustment expenses provision as it specifically includes overheads/ admin/ investment management expenses.

The Solvency II guidance requires that the best estimate includes all cash flows arising from expenses that will be incurred servicing existing policies during their lifetime. Allocated loss adjustment expenses directly assignable to individual claims are included in the claims and premium provision. Solvency II guidance details the following examples of expenses that will be incurred servicing all obligations from existing insurance and reinsurance contracts:

- administrative expenses;
- investment management expenses;
- claims management expenses / handling expenses; and
- acquisition expenses including commissions.

Expenses include both overhead expenses and expenses which are directly assignable to individual claims, policies or transactions.

### D.2.1.6 Counterparty default

Solvency II requires inclusion of a provision for non-receipt of reinsurance recoveries whether caused by default or dispute. The probability of counterparty default is set based on S&P credit ratings.

### D.2.2 Premium provision

The premium provision is the discounted best estimate of all future cash flows (claim payments, expenses and future premiums) relating to future exposure arising out of policies that are legally obliged at the valuation date. The premium provisions amount is derived from unearned incepted business and unearned unaccepted business.

Future exposure	Premium Provision				
	Expected present value of:				
	Claims (unexpired)	+	Allocated and unallocated claims management expenses	+	Other Expenses (unearned element)

### D.2.3 Risk margin

The SII Directive requires that the risk margin should be calculated at a level such that the value of the risk margin is equivalent to the amount insurance and reinsurance undertakings would expect to require in order to take over and meet the insurance and reinsurance obligations. This is calculated using a "cost of capital" approach using a cost of capital rate as determined by EIOPA (currently prescribed at 6%). The following steps are followed in calculating the risk margin:

- i. First, a proxy SCR is calculated in respect of the opening balance sheet, with the proxy SCR incorporating SCRs for reserve risk, counterparty default risk and operational risk, all calculated in accordance with EIOPA's guidelines. Market risk is not considered in the risk margin as the calculation assumes (based on EIOPA guidance) that a potential acquirer would structure its assets in such a way to minimise market risk.
- ii. Proxy SCRs are derived for future balance sheets by assuming that the SCR runs off in line with the square root of reserves. The reserves in each future period are estimated by applying the relevant payment patterns to the opening balance sheet.
- iii. EIOPA prescribed cost of capital of 6% is applied to the resulting stream of SCRs.
- iv. The resulting stream is then discounted using the EIOPA prescribed spot-rate risk-free yield curve for USD and assumed to derive the opening balance sheet risk margin. The USD curve is used because this is the Company's reporting currency and majority of the business is USD denominated.



## D.2.4 Other technical provision information

The table below shows the adjustments made to the LIE GAAP technical provisions to estimate the Solvency II technical provisions and the movement in technical provisions year on year.

Reconciliation (LIE GAAP to SII) \$000	2024	2023	Movement in TPs
<b>LIE GAAP Net Reserves</b>	<b>7,917</b>	<b>11,620</b>	<b>(3,703)</b>
Removal of UPR	(948)	(1,193)	245
Premium provision	291	457	(166)
Provision for ENIDs	164	406	(242)
Debtor and Creditor not yet due reclassification	27,187	38,824	(11,637)
Provision for additional expenses	16,281	27,855	(11,574)
Discounting	(4,259)	(6,814)	2,555
Provision for risk margin	8,286	10,095	(1,809)
Other adjustments	(17)	(53)	36
<b>SII Net Technical Provisions</b>	<b>54,902</b>	<b>81,197</b>	<b>(26,295)</b>

The adjustments made between the LIE GAAP net reserves and the SII net technical provisions are consistent for all lines of business.

The Company does not use any of the following methodologies outlined in Directive 2009/13/EC in determining its technical provisions:

- a) Matching adjustment referred to in Article 77b of the Directive;
- b) Volatility adjustment referred to in Article 77d of the Directive;
- c) Transitional risk-free interest rate-term structure referred to in Article 308c; and
- d) Transitional deduction referred to in Article 308d.

A review of ENID Loads was conducted at Q4 2024, leading to changes to the ENID Loads by Reserving Class.

The annual reserve review at Q2 2024 led to an update to the gross claims payment patterns by Reserving Class.

There was no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

## D.3 Other Liabilities

### D.3.1 Insurance and intermediaries payables

Insurance and intermediaries' payables relate to creditors arising out of direct insurance operations. Under LIE GAAP insurance and intermediary payables are held at amortised cost. Given the short-term maturity of these liabilities, this is considered to be a close approximation to fair value.

There has been no change in recognition or valuation basis during the year however the Company has reclassified some balances during the year from Reinsurance Payables which related to Insurance operations and are more accurately reflected in this line item.

### D.3.2 Reinsurance payables

Reinsurance payables relate to amounts due to reinsurers for reinsurance arrangements purchased by the Company.

Under LIE GAAP, payables are valued at undiscounted amortised cost.

As required in the Solvency II guidance, the portion of reinsurance payables that are not yet due at the reporting date, are transferred to technical provisions in the Solvency II balance sheet whilst the amount over-due remains within 'reinsurance payables' in the Solvency II balance sheet.

The overdue reinsurance payables are materially due within 12 months, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no valuation adjustments are made for Solvency II reporting purposes.

There has been no change in recognition or valuation basis during the year.

### D.3.3 Payables (trade, not insurance)

The Company values payables at undiscounted amortized cost. Given the short-term maturity of these liabilities, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes.

There has been no change in recognition or valuation basis during the year.

### D.3.4 Any other liabilities

Other liabilities mainly relate to accruals and balances due to other related companies. Other liabilities are held at amortised costs under LIE GAAP. Given the short-term maturity of these liabilities, the LIE GAAP valuation policy is considered to be a close approximation to fair value, and therefore no adjustments are made for Solvency II valuation purposes.

There has been no change in recognition or valuation basis during the year.

## D.4 Alternative methods of valuation

All methods of valuation have been outlined in the preceding sections and no other valuation methods of valuation have been adopted.

Below is a summary of assets and liabilities that have been valued using an alternative method of valuation.

All the assets and liabilities below have been valued at their carrying value as they are expected to be received or paid within 1 year, hence any discounting would be immaterial.

<b>Account Name \$000</b>	<b>Amount</b>	<b>Section covered</b>
Insurance and intermediary receivables	297	D.1.3
Reinsurance receivables	49,459	D.1.4
Receivables (trade, not insurance)	2,631	D.1.5
Any other assets	11,586	D.1.7
Insurance and intermediaries payables	1,379	D.3.1
Reinsurance payables	4,319	D.3.2
Payables (trade, not insurance)	2,294	D.3.3
Any other liabilities	302	D.3.4

## **D.5 Any other information**

All material information has been disclosed in the preceding sections.

## Section E Capital Management

### E.1 Own Funds

#### E.1.1 Objectives, policies and processes employed by SISE for managing its own funds

The Company's capital management framework and associated policies and processes are designed to meet the following objectives:

- to maintain financial strength in adverse conditions;
- to give customers long-term confidence in the Company;
- to satisfy our regulatory obligations; and
- to match the profile of our assets and liabilities, taking account of the risk inherent in the business.

The Company complies with the regulatory solvency requirements and, where necessary, reviews its solvency needs in accordance with regulatory requirements. The Company adopts conventional actuarial and other methods to assess the risks to its solvency on a forward-looking basis. The Company's capital management strategy is to deploy capital efficiently and to maintain adequate loss reserves to protect against future adverse developments and other risks. Reinsurance is also used as part of risk mitigation and capital management.

The Company monitors projected own funds against the SCR requirement over a three-year time horizon using conservative performance assumptions.

Based on projections for the next 3 years, the company's own funds are expected to exceed its SCR and SISE's higher target level of capital over the three-year projection period.

The Company's solvency position is set out in the table below:

SISE Solvency Position \$000	2024	2023
Eligible Own Funds to meet the SCR	141,542	144,112
SCR	33,123	40,995
Eligible Own Funds to meet the MCR	126,637	125,664
MCR	8,281	10,249
<b>Ratio of Own funds to SCR</b>	<b>427%</b>	<b>352%</b>
<b>Ratio of Own funds to MCR</b>	<b>1529%</b>	<b>1226%</b>

## E.1.2 Structure, amount and quality of own funds at the end of the reporting period and analysis of changes over the reporting period

The Company's own funds is analysed in the following extract from the own funds QRT as at 31 December 2024 (S.23.01).

<b>Total Basic Own Funds - 2024</b>				
<b>\$000</b>	<b>Total</b>	<b>Tier 1 Unrestricted</b>	<b>Tier 1 Restricted</b>	<b>Tier 2</b>
Ordinary Share Capital	140,393	140,393	-	-
Preference Shares	50,000	-	50,000	-
Reconciliation Reserve	(40,410)	(40,408)	-	-
<b>Total basic own funds after deductions</b>	<b>149,983</b>	<b>99,985</b>	<b>50,000</b>	<b>-</b>
Total eligible own funds to meet the SCR	141,542	99,985	24,996	16,562
Total eligible own funds to meet the MCR	126,637	99,985	24,996	1,656

<b>Total Basic Own Funds - 2023</b>				
<b>\$000</b>	<b>Total</b>	<b>Tier 1 Unrestricted</b>	<b>Tier 1 Restricted</b>	<b>Tier 2</b>
Ordinary Share Capital	140,393	140,393	-	-
Preference Shares	50,000	-	50,000	-
Reconciliation Reserve	(41,501)	(41,501)	-	-
<b>Total basic own funds after deductions</b>	<b>148,891</b>	<b>98,891</b>	<b>50,000</b>	<b>-</b>
Total eligible own funds to meet the SCR	144,112	98,891	24,723	20,497
Total eligible own funds to meet the MCR	125,664	98,891	24,723	2,050

Own funds are classified into three tiers (Tier 1, 2 and 3). The classification depends on whether they are basic own fund or ancillary own fund items and the extent to which they possess the following characteristics:

- The item is available, or can be called upon on demand, to fully absorb losses on a going concern basis, as well as in the case of winding up (permanent availability); and
- In the case of winding up, the total amount of the item is available to absorb losses and the repayment of the item is refused to its holder until all the obligations towards policy holders and beneficiaries of insurance and reinsurance contracts, have been met (subordination).

The Company's available own fund items have been classified as Tier 1 basic own funds as they are of high quality and are available to absorb losses to enable the Company to continue as a going concern.

Ordinary share capital and the reconciliation reserve are classified as unrestricted Tier 1 within basic own funds and preference shares have been classified as restricted Tier 1. The preference shares qualified as Upper Tier 2 capital under the Solvency I regime but did not meet the full criteria set out in the Solvency II Delegated Regulation to be treated as either Tier 1 or Tier 2 capital under Solvency II. The preference shares have transitioned into Solvency II as restricted Tier 1 own funds in accordance with Article 308b (9) of the Solvency II Directive. The transitional period ends on 31 December 2025. With effect from 1 January 2026, the preference shares would be classified as Tier 3 own funds. Notwithstanding this, the Company's Own Funds are expected to exceed its SCR at this date. The Company is currently considering options for the restructure of the preference shares.

Eligible own funds have been classified as Tier 1 and Tier 2 i.e., some of the restricted Tier 1 amount has

been reclassified to Tier 2. This is because only 20% of Tier 1 own funds can consist of hybrid capital items (restricted Tier 1 own funds), for example, preference shares. The excess over this 20% threshold is classified as Tier 2. In addition, in accordance with Article 82, Tier 2 capital cannot exceed 50% of SCR. With the run-off of liabilities, SISE's SCR has fallen and therefore Tier 2 capital is capped reducing the Eligible Own Funds to meet the SCR.

In the case of Eligible Own Funds to meet MCR, at least 80% of the MCR should be covered by Tier 1 eligible own funds with the balance being Tier 2 Eligible Own Funds. The Available and Eligible Own Funds are made up of ordinary share capital, preference shares and the reconciliation reserve.

The reconciliation reserve relates to accumulated retained earnings as reported in the Company's LIE GAAP financial statements, net of adjustments for valuation differences between the LIE GAAP and Solvency II balance sheet and is therefore subject to volatility. These valuation differences are fully explained in **Section D** above. No adjustment has been made in the reconciliation reserve in respect of foreseeable dividends as none were payable subsequent to the year end. No dividends were paid during the year.

The Company's equity as reported in the audited financial statements was \$168.9m (2023: \$178.3m) compared to own funds as reported above on a Solvency II basis of \$150.0m (2023: \$148.9m). Details of the movement in basic own funds between 2023 and 2024 is shown in the table below:

\$000	Total	Tier 1 Unrestricted	Tier 1 Restricted	Tier 2
Basic own funds as at 31 December 2023	148,891	98,891	50,000	-
LIE GAAP financial statement net loss for the year after tax	(9,432)	(9,432)	-	-
Movement in Solvency II valuation differences	10,524	10,525	-	-
<b>Basic own funds as at 31 December 2024</b>	<b>149,983</b>	<b>99,985</b>	<b>50,000</b>	<b>-</b>

The Company's net assets / basic own funds on a Solvency II basis are \$18.9m (2023: \$29.4m) lower than a LIE GAAP basis. This is a decrease of \$10.5m compared to the prior year and is analysed between a decrease in investment valuation difference of \$0.4m and a decrease in valuation differences on technical provisions of \$10.9m both of which have had a positive impact on net assets / own funds on a Solvency II basis.

Valuation differences on investments relate to differences in the Solvency II fair value valuation basis and LIE GAAP lower of cost or market value basis. The reduction in value of investments on a Solvency II basis compared to on an LIE GAAP basis has reduced by \$0.4m, driven as a result of the decrease in the value of the investment fair value adjustment.

The excess of the value of net technical provisions on a Solvency II basis compared to their value on an LIE GAAP basis has decreased by \$10.9m to \$19.8m (2023: \$30.7m). This is due to:

- Lower Expense provision by \$11.6m (decrease)
- Lower impact of discounting by \$2.6m (increase)
- Lower risk margin by \$1.8m (decrease)
- Other valuation adjustments of \$0.1m (decrease)

A full reconciliation of the Company's excess of assets over liabilities calculated on a Solvency II basis as at 31 December 2024 is provided in **Section D**.

### E.1.3 Own fund items included under transitional arrangements under Solvency II

As explained in **Section E.1.2**, the preference shares are subject to transitional arrangements under Solvency II. With effect from 1 January 2026, the preference shares would be classified as Tier 3 own funds. Notwithstanding this, the Company's Own Funds are expected to exceed its SCR at this date.

The Company is currently considering options for the restructure of the preference shares.

#### **E.1.4 Ancillary own funds**

The Company has not applied for FMA approval of any Ancillary Own Funds items and therefore no such items are included within own funds.

#### **E.1.5 Own funds deductions**

The Company does not have any ring-fenced funds and has not identified any other deductions or restrictions which need to be made to own funds.



## E.2 SCR and MCR

The Company has complied with the capital requirements imposed by regulators throughout the financial year.

The SCR is determined with reference to the Standard Formula which has been determined to be appropriate given the nature of the Company's underlying risks. Furthermore, it is considered to be consistent and prudent when compared to the Company's Own Economic Assessment of Capital. The SCR is subject to supervisory assessment.

Based on projections for the next 3 years, the Supervisory Board has concluded that the Company's own funds are expected to exceed its SCR and MCR at all times over this time horizon.

The Company's SCR and MCR are summarised in the following table:

SCR & MCR \$000	2024 Value	2024 %	2023 Value	2023 %	Variance
<b>Risk Categories</b>					
Market risk	13,825	33%	13,926	27%	(101)
Counterparty default risk	8,686	21%	12,763	25%	(4,077)
Non-life underwriting risk	11,745	28%	15,468	30%	(3,724)
Health underwriting risk	129	0%	320	1%	(191)
Operational Risk	7,643	18%	9,460	18%	(1,817)
<b>Undiversified Total</b>	<b>42,028</b>	<b>100%</b>	<b>51,937</b>	<b>100%</b>	<b>(9,909)</b>
Diversification	(8,905)		(10,942)		(2,037)
<b>SCR</b>	<b>33,123</b>		<b>40,995</b>		<b>(7,872)</b>
<b>MCR</b>	<b>8,281</b>		<b>10,249</b>		<b>(1,968)</b>
<b>Total eligible own funds to meet the SCR</b>	<b>141,542</b>		<b>144,112</b>		<b>(2,570)</b>
Total eligible own funds to meet the MCR	126,637		125,664		973
<b>Ratio of Eligible Own funds to SCR</b>	<b>427%</b>		<b>352%</b>		
<b>Ratio of Eligible Own funds to MCR</b>	<b>1529%</b>		<b>1226%</b>		

The MCR represents the minimum level of security below which the amount of financial resources should not fall. The MCR is subject to an absolute minimum floor of a fixed Euro amount depending on the lines of business written. In addition, subject to not falling below the absolute floor, the MCR must be no less than 25% of the SCR and no more than 45% of the SCR.

The MCR is calculated as a linear function of the Company's net technical provisions and net written premiums. Pre-determined factors, as provided by EIOPA, are applied to the net technical provisions and net written premiums for each Solvency II line of business. The Company's calculated linear MCR is usually less than 25% of SCR (floor), but higher than the absolute floor of €4.0m. Hence the reported MCR is set at 25% of the SCR. The low level of MCR is as a result of the low net technical provisions and net written premiums due to high level of ceding to related reinsurers.

The FMA has not imposed any capital add-ons on the Company as set out in third subparagraph of Article 51 (2) of Directive 2009/138/EC.

The 2024 SCR has decreased by \$7.9m since 2023 from \$41.0m to \$33.1m. This is driven mainly by a decrease in Counterparty Default Risk and underwriting risk as the Company continues to run-off. These SCRs have been calculated using Barnett Waddingham's SImplify tool.

The analysis below shows the key movements since 2023 comparing against 2024:

### **Market Risk**

Overall Market Risk has decreased by \$0.1m, or 1%. This is due to offsetting movements within underlying risk categories. Total assets have increased following receipt of reinsurance receivables however market risk has remained relatively flat due to an increase in diversification as the market risk sub-categories have become relatively more equal.

- Currency Risk SCR has decreased in line with both reduced non-USD net assets and reduced charge per exposure. The currency risk charge is driven by the change in basic own funds following up-shocks and down-shocks to non-USD net asset values. In the prior year, both the up-shock and down-shock scenario contributed to a loss in basic own funds whereas this year, only the up-shock scenario led to a loss. Resultingly, the SCR charge per exposure has decreased.
- Spread Risk SCR has increased due to the increase in assets and an increase in the charge per exposure. The updated bond mix is of slightly lower credit quality and longer duration and therefore attracts a higher risk charge.
- Interest Rate Risk has increased due to an increase in the excess net asset value and an increase in the charge per exposure. Excess net asset value has increased following receipt of reinsurance receivables while liabilities have run-off. There is a slight increase in the charge per exposure driven by the change in EIOPA yield curves.
- Concentration Risk SCR has moved minimally since the prior year.

### **Counterparty Default Risk**

Counterparty Default risk has decreased by \$4.1m since Q4 2023, due to a fall in counterparty exposures as the book runs off. In 2023, SIBL was replaced by Cavello as the main counterparty. Type 2 exposures remain nil in line with 2023.

### **Insurance Risk (Non-life underwriting risk)**

The standard formula calculation for Insurance Risk is based on a combination of Premium & Reserve Risk, CAT and Lapse Risk. There is a decrease in Insurance Risk of \$3.7m. The driver of this decrease is a fall in exposure as the portfolios runs off.

- The decrease in the Not-Cat Premium and Reserve risk SCR for is 33%, which is in line with the overall volume reduction of 33%.
- The SCR charge for Catastrophe risk has moved minimally. The Man-Made fire risk was updated in 2024 following RI renewal to include reinstatement premiums which was offset by increased risk mitigation due to the 100% Internal Quota Share with Cavello Bay Re.
- In line with 2023 there is no Lapse risk in 2024.

### **Health Risk**

Health Risk has decreased by \$0.2m which is in line with run-off.

### **Operational Risk**

Operational Risk have decreased by \$1.8m. This is in line with the decrease to the Basic SCR resulting from the main components mentioned above.

### **E.3 Duration-based equity risk sub-module to calculate the SCR**

The Company is not using the duration-based equity risk sub-model set out in Article 304 of the Directive 2009/138/EC for the calculation of its SCR.

## **E.4 Difference between the standard formula and any internal model used**

The Company does not use an internal model to determine its SCR.

## **E.5 Non-compliance with the MCR and non-compliance with the SCR**

The Company remained compliant with the MCR and SCR throughout the year.

## **E.6 Any other information**

There is no other information to report.

## Glossary

Abbreviations	Description
<b>3-LoD</b>	Three Lines of Defence
<b>ADC</b>	Adverse Development Cover
<b>BBNI</b>	Bound But Not Incepted
<b>BCP</b>	Business Continuity Plan
<b>BMA</b>	Bermudan Monetary Authority
<b>CAP</b>	Compliance Assurance Program
<b>Cavello Bay or CRe</b>	Cavello Bay Reinsurance Ltd (Enstar-owned reinsurer) previously known as Kayla Re Limited
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>Covid-19</b>	Coronavirus pandemic
<b>CRO</b>	Chief Risk Officer
<b>DAC</b>	Deferred Acquisition Cost
<b>EEA</b>	European Economic Area
<b>EEUL</b>	Enstar (EU) Limited
<b>EGL</b>	Enstar Group Limited
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>ENIDs</b>	Events Not in Data
<b>EPIFP</b>	Expected Profit Included in Future Premiums
<b>ERM</b>	Enterprise Risk Management
<b>EUR</b>	Euro
<b>FCA</b>	Financial Conduct Authority (UK Conduct Regulator)
<b>F&amp;P</b>	Fit and Proper
<b>FCRI</b>	Future Cost of Reinsurance
<b>FMA</b>	Financial Market Authority of Liechtenstein
<b>GBP</b>	Great British Pound
<b>HR</b>	Human Resources
<b>IBNR</b>	Incurred But Not Reported
<b>KFH</b>	Key Function Holders
<b>LIE GAAP</b>	Liechtenstein Generally Accepted Accounting Principles
<b>MCR</b>	Minimum Capital Requirement
<b>MSA</b>	Master Service Agreement
<b>OCS</b>	Office of the Corporate Secretary
<b>ORSA</b>	Own Risk and Solvency Assessment
<b>PRA</b>	Prudential Regulatory Authority (UK Prudential Regulator)
<b>QRT</b>	Quantitative Reporting Template
<b>SCR</b>	Solvency Capital Requirement
<b>SFCR</b>	Solvency and Financial Condition Report
<b>SFL</b>	StarStone Finance Limited
<b>SIBL</b>	StarStone Insurance Bermuda Limited
<b>SII</b>	Solvency II
<b>SISE</b>	StarStone Insurance SE

Abbreviations	Description
<b>SISL</b>	StarStone Insurance Services Limited
<b>SME</b>	Subject Matter Expert
<b>SOX</b>	Sarbanes-Oxley
<b>SROR</b>	Supervised Run-Off Regime
<b>SSHL</b>	StarStone Specialty Holdings Limited
<b>TPA</b>	Third Party Agent
<b>UPR</b>	Unearned Premium Reserve
<b>USD</b>	United States Dollars



## Appendix A: Quantitative Reporting Templates

### General information

Undertaking name	StarStone Insurance SE
Undertaking identification code	213800VYKIQLKVSXWQ46
Type of code of undertaking	LEI
Type of undertaking	Non-Life insurance undertakings
Country of authorisation	LI
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	USD
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

### List of reported templates

- S.02.01.02 - Balance sheet
- S.04.05.21 - Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

**S.02.01.02**
**Balance sheet**

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	134,196
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	0
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	126,994
R0140	<i>Government Bonds</i>	18,927
R0150	<i>Corporate Bonds</i>	92,166
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	15,901
R0180	<i>Collective Investments Undertakings</i>	7,202
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	221,025
R0280	<i>Non-life and health similar to non-life</i>	221,025
R0290	<i>Non-life excluding health</i>	219,855
R0300	<i>Health similar to non-life</i>	1,170
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	
R0330	<i>Life excluding health and index-linked and unit-linked</i>	
R0340	<i>Life index-linked and unit-linked</i>	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	297
R0370	Reinsurance receivables	49,459
R0380	Receivables (trade, not insurance)	2,631
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	15,012
R0420	Any other assets, not elsewhere shown	11,586
R0500	<b>Total assets</b>	<b>434,204</b>

**S.02.01.02**  
**Balance sheet**

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	275,926
R0520	<i>Technical provisions - non-life (excluding health)</i>	273,810
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	265,698
R0550	<i>Risk margin</i>	8,112
R0560	<i>Technical provisions - health (similar to non-life)</i>	2,116
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	1,942
R0590	<i>Risk margin</i>	174
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,379
R0830	Reinsurance payables	4,319
R0840	Payables (trade, not insurance)	2,294
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	302
R0900	<b>Total liabilities</b>	<b>284,220</b>
R1000	<b>Excess of assets over liabilities</b>	<b>149,985</b>

S.04.05.21

Premiums, claims and expenses by country: Non-life insurance and reinsurance obligations

Home Country	Top 5 countries (by amount of gross premiums written): non-life						
	US	DE	AU	GR	AR		
R0010							
	<b>C0010</b>	<b>C0020</b>	<b>C0021</b>	<b>C0022</b>	<b>C0023</b>	<b>C0024</b>	
	<b>Premiums written (gross)</b>						
R0020	Gross Written Premium (direct)	0	3,696	1,075	395	0	0
R0021	Gross Written Premium (proportional reinsurance)	0	0	0	5	285	100
R0022	Gross Written Premium (non-proportional reinsurance)	0	0	0	0	0	0
	<b>Premiums earned (gross)</b>						
R0030	Gross Earned Premium (direct)	0	3,739	1,150	1,436	0	0
R0031	Gross Earned Premium (proportional reinsurance)	0	0	21	6	374	100
R0032	Gross Earned Premium (non-proportional reinsurance)	0	0	0	0	0	0
	<b>Claims incurred (gross)</b>						
R0040	Claims incurred (direct)	711	3,732	-6,809	3,751	89	0
R0041	Claims incurred (proportional reinsurance)	0	1,681	457	-5	-65	-2
R0042	Claims incurred (non-proportional reinsurance)	0	0	0	49	0	0
	<b>Expenses incurred (gross)</b>						
R0050	Gross Expenses Incurred (direct)	0	3,449	1,468	1,902	289	0
R0051	Gross Expenses Incurred (proportional reinsurance)	0	1,553	99	3	211	133
R0052	Gross Expenses Incurred (non-proportional reinsurance)	0	0	0	25	0	0

## S.05.01.02 Premiums, claims and expenses by line of business

### Non-life

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Line of business for: accepted non-proportional	Total	
	Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Property		
	C0010	C0050	C0060	C0070	C0080	C0090	C0160		
<b>Premiums written</b>									
R0110	Gross - Direct Business	0	0	1,075	2,758	0	95		3,928
R0120	Gross - Proportional reinsurance accepted	0	0	0	409	0	-308		101
R0130	Gross - Non-proportional reinsurance accepted							0	0
R0140	Reinsurers' share	0	0	1,031	3,106	0	-231	0	3,906
R0200	Net	0	0	45	60	0	19	0	123
<b>Premiums earned</b>									
R0210	Gross - Direct Business	0	0	888	7,086	364	419		8,757
R0220	Gross - Proportional reinsurance accepted	0	0	0	2,218	10	204		2,432
R0230	Gross - Non-proportional reinsurance accepted							0	0
R0240	Reinsurers' share	0	0	917	9,082	280	542	0	10,821
R0300	Net	0	0	-29	222	95	81	0	369
<b>Claims incurred</b>									
R0310	Gross - Direct Business	-1,966	-113	2,001	5,050	-14,603	-2,150		-11,782
R0320	Gross - Proportional reinsurance accepted	0	-13	4,821	-4,958	864	-109		604
R0330	Gross - Non-proportional reinsurance accepted							190	190
R0340	Reinsurers' share	-1,812	-126	5,772	272	-12,464	-1,983	189	-10,152
R0400	Net	-154	0	1,050	-181	-1,275	-277	1	-836
R0550	Expenses incurred	814	45	2,717	3,191	5,817	830	68	13,482
R1210	Balance - other technical expenses/income								
R1300	Total technical expenses								13,482

S.17.01.02

**Non-Life Technical Provisions**

		Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance	Total Non-Life obligation
		Medical expense insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Non-proportional property reinsurance	
		C0020	C0060	C0070	C0080	C0090	C0100	C0170	C0180
R0010	<b>Technical provisions calculated as a whole</b>	0	0	0	0	0	0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole								0
<b>Technical provisions calculated as a sum of BE and RM</b>									
<b>Best estimate</b>									
<b>Premium provisions</b>									
R0060	Gross	0	0	72	4,093	713	1,005	0	5,883
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0	0	72	3,762	557	887	0	5,278
R0150	<b>Net Best Estimate of Premium Provisions</b>	0	0	0	331	155	118	0	605
<b>Claims provisions</b>									
R0160	Gross	1,942	519	55,726	115,638	85,023	2,380	529	261,758
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1,170	452	44,643	95,032	72,138	1,813	500	215,747
R0250	<b>Net Best Estimate of Claims Provisions</b>	772	68	11,083	20,606	12,886	567	30	46,011
R0260	<b>Total best estimate - gross</b>	1,942	519	55,798	119,731	85,736	3,385	529	267,640
R0270	<b>Total best estimate - net</b>	772	68	11,082	20,938	13,041	685	30	46,616
R0280	<b>Risk margin</b>	174	2	1,081	1,165	5,559	305	0	8,286
R0320	<b>Technical provisions - total</b>	2,116	521	56,879	120,896	91,295	3,690	529	275,926
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	1,170	452	44,715	98,793	72,695	2,700	500	221,025
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	946	69	12,163	22,103	18,600	990	30	54,902

S.19.01.21

**Non-Life insurance claims**

**Total Non-life business**

Z0020 Accident year / underwriting year

**Gross Claims Paid (non-cumulative)**

(absolute amount)

Year	C0010	C0020	C0030	C0040	Development year						C0110	C0170 In Current year	C0180 Sum of years (cumulative)	
					0	1	2	3	4	5				6
R0100	Prior											6,888	6,888	6,888
R0160	-9	2,493	12,909	14,029	15,539	11,715	3,337	4,367	12,380	6,823	3,344		3,344	86,937
R0170	-8	4,932	19,238	18,314	12,560	10,813	6,163	8,807	3,059	5,511			5,511	89,399
R0180	-7	4,997	45,810	27,904	31,004	11,645	8,172	8,315	15,432				15,432	153,278
R0190	-6	12,308	62,576	34,959	18,208	21,894	30,926	19,288					19,288	200,160
R0200	-5	8,184	39,387	21,862	7,028	7,158	4,989						4,989	88,608
R0210	-4	8,918	17,982	9,880	9,153	4,021							4,021	49,954
R0220	-3	0	0	0	0								0	0
R0230	-2	0	0	0									0	0
R0240	-1	0	0										0	0
R0250	0	0											0	0
R0260													0	0
												<b>Total</b>	59,474	675,225

**Gross Undiscounted Best Estimate Claims Provisions**

(absolute amount)

Year	C0200	C0210	C0220	C0230	Development year						C0300	C0360 Year end (discounted data)	
					0	1	2	3	4	5			6
R0100	Prior											97,423	90,402
R0160	-9	0	38,290	34,516	47,513	39,494	40,894	40,589	38,338	31,665	21,054		19,257
R0170	-8	22,346	19,923	53,285	54,029	58,763	55,835	50,240	40,982	34,594			31,393
R0180	-7	23,036	82,739	86,507	66,451	74,303	58,975	52,880	39,583				35,871
R0190	-6	53,919	126,297	124,416	107,235	104,453	79,987	49,563					45,298
R0200	-5	50,810	99,144	66,782	51,593	38,875	27,120						24,622
R0210	-4	60,944	56,182	31,596	26,313	16,818							14,914
R0220	-3	0	0	0	0								0
R0230	-2	0	0	0									0
R0240	-1	0	0										0
R0250	0	0											0
R0260													0
												<b>Total</b>	261,758

**S.23.01.01  
Own Funds**

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above
R0220	<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>
R0230	<b>Deductions for participations in financial and credit institutions</b>
R0290	<b>Total basic own funds after deductions</b>
	<b>Ancillary own funds</b>
R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	<b>Total ancillary own funds</b>
	<b>Available and eligible own funds</b>
R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR
R0580	<b>SCR</b>
R0600	<b>MCR</b>
R0620	<b>Ratio of Eligible own funds to SCR</b>
R0640	<b>Ratio of Eligible own funds to MCR</b>
	<b>Reconciliation reserve</b>
R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	<b>Reconciliation reserve</b>
	<b>Expected profits</b>
R0770	Expected profits included in future premiums (EPIFF) - Life business
R0780	Expected profits included in future premiums (EPIFF) - Non- life business
R0790	<b>Total Expected profits included in future premiums (EPIFF)</b>

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
140,393	140,393		0	
0	0		0	
0	0		0	
0	0	0	0	0
0	0			
50,000		50,000	0	0
0		0	0	0
-40,408	-40,408			
0		0	0	0
0				0
0	0	0	0	0
0				
0				
149,985	99,985	50,000	0	0
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
149,985	99,985	50,000	0	0
149,985	99,985	50,000	0	0
141,542	99,985	24,996	16,562	0
126,637	99,985	24,996	1,656	
33,123				
8,281				
427.32%				
1529.28%				
C0060				
149,985				
0				
190,393				
0				
-40,408				
0				



5.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	13,825		
R0020 Counterparty default risk	8,686		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	129		
R0050 Non-life underwriting risk	11,745		
R0060 Diversification	-8,904		
R0070 Intangible asset risk	0		
<b>R0100 Basic Solvency Capital Requirement</b>	<b>25,479</b>		
<b>Calculation of Solvency Capital Requirement</b>			
R0130 Operational risk	7,644		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
<b>R0200 Solvency Capital Requirement excluding capital add-on</b>	<b>33,123</b>		
R0210 Capital add-ons already set	0		
R0211 of which, capital add-ons already set - Article 37 (1) Type a	0		
R0212 of which, capital add-ons already set - Article 37 (1) Type b	0		
R0213 of which, capital add-ons already set - Article 37 (1) Type c	0		
R0214 of which, capital add-ons already set - Article 37 (1) Type d	0		
<b>R0220 Solvency capital requirement</b>	<b>33,123</b>		
<b>Other information on SCR</b>			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
<b>Approach to tax rate</b>			
R0590 Approach based on average tax rate	No		
<b>Calculation of loss absorbing capacity of deferred taxes</b>			
R0640 LAC DT	0		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

For non-life underwriting risk:

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

Yes/No

C0109

No

LAC DT

C0130

5.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations		C0010	Net (of reinsurance /SPV) best estimate and TP calculated as a whole		Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030	
R0010	MCR <sub>nl</sub> Result	4,634			
R0020	Medical expense insurance and proportional reinsurance		772		0
R0030	Income protection insurance and proportional reinsurance		0		
R0040	Workers' compensation insurance and proportional reinsurance		0		
R0050	Motor vehicle liability insurance and proportional reinsurance		0		
R0060	Other motor insurance and proportional reinsurance		68		0
R0070	Marine, aviation and transport insurance and proportional reinsurance		11,082		45
R0080	Fire and other damage to property insurance and proportional reinsurance		20,938		60
R0090	General liability insurance and proportional reinsurance		13,041		0
R0100	Credit and suretyship insurance and proportional reinsurance		685		19
R0110	Legal expenses insurance and proportional reinsurance		0		
R0120	Assistance and proportional reinsurance		0		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		0		
R0140	Non-proportional health reinsurance		0		
R0150	Non-proportional casualty reinsurance		0		
R0160	Non-proportional marine, aviation and transport reinsurance		0		
R0170	Non-proportional property reinsurance		30		0
Linear formula component for life insurance and reinsurance obligations		C0040			
R0200	MCR <sub>l</sub> Result	0			
			Net (of reinsurance /SPV) best estimate and TP calculated as a whole		Net (of reinsurance /SPV) total capital at risk
			C0050	C0060	
R0210	Obligations with profit participation - guaranteed benefits				
R0220	Obligations with profit participation - future discretionary benefits				
R0230	Index-linked and unit-linked insurance obligations				
R0240	Other life (re)insurance and health (re)insurance obligations				
R0250	Total capital at risk for all life (re)insurance obligations				
Overall MCR calculation		C0070			
R0300	Linear MCR	4,634			
R0310	SCR	33,123			
R0320	MCR cap	14,905			
R0330	MCR floor	8,281			
R0340	Combined MCR	8,281			
R0350	Absolute floor of the MCR	4,353			
R0400	Minimum Capital Requirement	8,281			

## Appendix B: Version Control

Version	Key Updates	Responsible	Date
1.0	Board approval	SISE Board	1 April 2025

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Liechtenstein Office  
Zollstrasse 82  
9494 Schaan  
Liechtenstein  
[www.starstone.com](http://www.starstone.com)



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