INDEPENDENT EXPERT REPORT

Report of the Independent Expert

The Insurance Business Transfer from Providence Washington Insurance Company to Yosemite Insurance Company

Prepared for:

Oklahoma Insurance Department

Enstar Group Limited

October 30, 2019

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Table of Contents

I. Scope and Intended Purpose

A. Background on the Proposed Insurance Business Transfer

1.1 Enstar Group Limited ("Enstar Group"; "Group"; "EGL") is proposing that its two subsidiaries, Providence Washington Insurance Company ("PWIC"; "Transferring Insurer") and Yosemite Insurance Company ("Yosemite"; "Assuming Insurer") (collectively, the "Companies"), enter into an Insurance Business Transfer ("IBT") at an effective transfer date to be determined in 2019, in accordance with the Oklahoma Insurance Business Transfer Act ("Act"). Effective November 1, 2018 and codified in the Oklahoma Statutes as Sections 1681-1688 of Title 36, this Act was intended to "*…provide a basis for the transfer and statutory novation of policies from a transferring insurer to an assuming insurer without the affirmative consent of policyholders or reinsureds."* The Act requires that the IBT be approved by the Oklahoma Insurance Department Commissioner ("Commissioner") and the District Court of Oklahoma County ("Court").

1.2 The business to be transferred under the IBT ("Transferring Business"; "Subject Business") consists of all of the insurance and reinsurance business underwritten by the Transferring Insurer, including any business underwritten by a predecessor or merged entity, with the exception of the Unigard policies (to be defined later in the Report) and PWIC New York and Massachusetts policyholders (until such time as Yosemite obtains a license in New York and Massachusetts). In order to facilitate the transfer, the Companies have entered into a Net Retained Liabilities Reinsurance Agreement ("NRLA"), effective 12/31/18, whereby PWIC ceded 100% of its net liabilities to Yosemite. The NRLA required and received approval from the insurance departments of each of the Companies' states of domicile.

1.3 In consideration of Yosemite's assuming the liabilities of the Transferring Business, PWIC has agreed to pay $38.5 million to Yosemite as of 12/31/18. This amount reflects net loss reserves and a provision for bad debt. The obligations of the reinsurers protecting the Transferring Business will be unchanged upon the IBT. Lastly, Enstar has committed to ensuring that the capital adequacy of both Companies are maintained at agreed-upon levels, both pre-IBT and post-IBT. The businesses involved in, and the effect of, the proposed IBT are discussed in more detail in Sections IV - XII of this report.

B. Scope of the Report

1.4 This report ("Report"), prepared in accordance with my role as the appointed Independent Expert ("IE"), is required by the Commissioner and the Court so that they may properly assess the impact of the proposed IBT and the likely effects on policyholders of PWIC and Yosemite. These effects include policyholder financial security and levels of administrative service provided to the policyholders. Ultimately, the Commissioner and the Court must consider whether the security of any of the Companies' policyholders are <u>materially adversely affected</u> by the IBT. For purposes of this Report, any adverse impact is deemed to be material if the level of financial security post-IBT would not have been acceptable under the normal constraints with which the company was managed pre-IBT.

1.5 Specifically, the scope of my work as the IE included the following, as directly required per Section 6A paragraph 2. of the Act, applied to the involved Companies:

- Analysis of PWIC's actuarial review of reserves for the business being transferred to determine the reserve adequacy.
- Analysis of the financial condition of each of PWIC and Yosemite.
- Review of the plans or proposals that Yosemite has with respect to its administration of the policies subject to the proposed transfer.
- Determination of whether the proposed transfer has a material, adverse impact on the policyholders and claimants of each of PWIC and Yosemite.
- Analysis of Yosemite's corporate governance structure to ensure that there is proper board and management oversight and expertise to manage the subject business.
- Any other information that the Commissioner requests in order to review the IBT.

1.6 Given the timing of the proposed IBT in 2019, I originally relied on pro-forma 2018 financial information provided by Enstar. Subsequently, given the availability of actual 2018 financial information, I have incorporated this information into my review as appropriate. I have also been provided prior historical information, including audited financial information as of year-end 2017. Lastly, I have relied on pro-forma projections made by the Companies for the years 2019 – 2021, updated for 2018 actuals.

1.7 My review of the liabilities for each of the Companies was based on the actuarial analyses performed by internal and/or external actuaries of the Companies. I have reviewed the appropriateness of the methodologies and the reasonableness of the assumptions underlying these analyses. I have also assessed the key areas of uncertainty related to these liabilities. I have not performed independent tests as part of my review, and I have not performed a detailed check of the Companies' calculations.

1.8 In addition to the liabilities, I have also assessed the appropriateness, in nature and amount, of the assets to be transferred under the proposed IBT. I have also reviewed the capital position of each company both pre-IBT and post-IBT.

1.9 As far as I am aware, there are no material matters which I have not taken into account in my review of the proposed IBT and in preparing this Report.

C. Intended Purpose of the Report

1.10 Per Section 6A of the Act, an IBT Plan must be submitted and approved by the Commissioner and the Court. Specifically, the IBT Plan must include an opinion report from an independent expert which will be used to assist the Commissioner and the Court in their review of the proposed transaction. This Report describes the proposed IBT and its potential effects on policyholders of PWIC and Yosemite. This Report has been prepared solely for the purposes of the proposed IBT and will be included with the proposed IBT Plan application made by the Companies.

D. The Role of the Independent Expert

1.11 Per the Act, the Companies were required to nominate two candidates for potential selection by the Commissioner as the IE. The IE is defined, among other requirements, as an impartial person who has no financial interest in either the Assuming Insurer or Transferring Insurer. The Commissioner selected me, Stephen R. DiCenso, FCAS, MAAA, to serve as the IE in this proposed IBT. Milliman, the Oklahoma Insurance Department ("OID"), PWIC, and Yosemite thereby entered into an Independent Expert Agreement ("Agreement"), dated December 18, 2018.

1.12 Since this is the first-ever proposed IBT in the United States, there is no precedent for my having served in the role of IBT. I am a Principal of Milliman, Inc. ("Milliman"). I have over 30 years of experience in the property and casualty actuarial field, having worked as a lead actuary in various insurance company roles, and having consulted for various insurers, reinsurers, captives, self-insurers, and state insurance departments. I have extensive relevant experience with workers compensation exposures, and I am a member of the American Academy of Actuaries Workers Compensation Committee. I have significant client experience with run-off entities, as well as with asbestos and environmental ("A&E") exposures, the latter occurring primarily through running and managing several risk-focused financial examinations of large insurance companies. In addition, I have access to Milliman's expertise in "Part VII Transfers" in the United Kingdom, the scope of which is similar in nature to the Act, and for which Milliman is a market-leading expert.

1.13 I confirm that I have no personal or financial interest in either PWIC or Yosemite. I note that Milliman has performed selected projects for Enstar and Yosemite over the past several years, but I have not been involved in any of those projects. Based on Milliman's legal interpretation of the Oklahoma IBT statute, Milliman believes that no conflicts of interest exist. I also do not believe that the limited involvement of any Milliman consultants who have worked for Enstar or Yosemite in the past impairs my ability to act independently in reviewing the proposed IBT.

1.14 In my work as an IE, I recognize that I owe a duty to the Commissioner and the Court to assist them with regards to matters within my expertise. This duty overrides any obligation to the Companies. I confirm that I have complied with this duty.

1.15 The use of "I", "me" and "my" in this report generally refers to work carried out by me or by the team operating under my direct supervision. However, when it is used in reference to an opinion, it is mine and mine alone.

E. Limitations on Distribution of the Report

1.16 With the exception of the Companies and the OID, and except as otherwise set forth herein, the IE's Report shall remain confidential until the OID issues an order authorizing the Companies to apply to the Court for approval of the transaction. Except as required by applicable law, the IE Report may not be filed with the SEC or other securities regulatory bodies. Notwithstanding anything to the contrary herein, the IE, who is a Principal of Milliman, consents to release of the Report by the Companies to:

- Their respective parent or affiliates, but only if either (a) the applicable Companies have the full power and authority to bind such parent or affiliate to the terms of this Agreement and do bind such affiliate to the terms, or (b) the parent or affiliate acknowledges in writing that the work of the IE is subject to certain limitations and restrictions contained in this Agreement and that the parent or affiliate acquires no greater rights than are possessed by the Companies under this Agreement;

- The professional advisers retained by the Companies or their parent companies who need to know such information in the performance of their services if (i) the applicable Companies inform each such person of the confidential nature of such work product, and (ii) each such person agrees not to disclose such work product to any other person and to use such work product solely in connection with the performance of its services to the applicable Companies; and
- In accordance with Section 6B, paragraph 7(i) of the Act, such other persons (including any regulatory authorities and impacted policyholders) who are entitled to receive the Report.

1.17 In the event the IE consents to release his work product, it must be provided in its entirety. The IE recommends that any third party recipient have its own actuary or other qualified professional review the work product to ensure that the party understands the assumptions and uncertainties inherent in the estimates. No third party recipient of the IE's work product should rely upon the IE's work product.

1.18 Any reader of this report agrees not to use Milliman's name, trademarks or service marks, or to refer to Milliman directly or indirectly in any third party communication without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

II. Regulatory Background

2.1 Oklahoma's Insurance Business Transfer Act was modeled after a law in the United Kingdom that allows for a "Part VII Transfer." Part VII Transfer legislation is part of the Financial Services and Markets Act of 2000, which allows an insurer to transfer policies to another insurer with court approval, but without explicit policyholder approval. Oklahoma requires OID approval, approval or non-objection from the transferring company's domiciliary regulator, and Oklahoma state court approval.

2.2 While there are similarities in these processes, UK insurers and US insurers operate under different governing requirements. In particular, the most significant differences relative to this Report are in regards to the capital adequacy standards of insurance companies. The majority of UK insurers are required to maintain capital to meet the European Union-wide risk-based capital framework known as Solvency II. Under Solvency II, the Solvency Capital Requirement ("SCR") is a solvency "margin" or "buffer"; it is calculated as the amount of capital required to ensure continued solvency over a 1-year timeframe with a probability of 99.5% (i.e., 1-in-200 year event). The SCR can be calculated using a company's own (approved) internal model or an industry standard model. These models must consider numerous risks (e.g., assets, reserves, catastrophes, credit, market, etc.). This SCR amount of capital is not a minimum amount, as that is determined by the Minimum Capital Requirement ("MCR"). The MCR is calibrated to a probability of 85% and is less risk-sensitive than the SCR.

2.3 In the United States, there are no prescriptive regulations promulgated to determine required capital to maintain a solvency margin. However, the Risk-Based Capital ("RBC") framework established by the National Association of Insurance Commissioners ("NAIC") is the primary means by which regulators assess capital requirements for insurers. RBC is a method of measuring the <u>minimum</u> amount of capital appropriate for an insurer in consideration of its size and risk profile. Similar to Solvency II, RBC considers the major risks to be asset, underwriting, and credit. RBC is also used as an early warning sign to regulators of companies who may require regulatory action.

2.4 Again, RBC is not meant to determine required capital to maintain a solvency margin for capital; rather, it establishes a risk-based minimum capital level. Therefore, regulators typically review a company's capital adequacy in multiples relative to the RBC amount. For example, a 300% RBC ratio signifies that capital is 3 times the required minimum amount indicated by the RBC formula. This minimum is defined as the Authorized Control Level ("ACL"), a level at which a regulator could be authorized to take control of a company. A higher RBC ratio implies a higher level of capital adequacy.

2.5 For purposes of this Report, I will rely on the RBC results of each company in assessing capital adequacy. I will also rely on another commonly-used "rule of thumb" benchmark used by regulators, the "reserves to surplus" ("R/S") ratio. In contrast to the RBC ratio, a lower R/S ratio implies a higher level of capital adequacy.

III. Executive Summary

3.1 Based upon my review, I conclude the following with respect to the proposed IBT:

- Yosemite's total carried reserves upon completion of the proposed IBT (i.e., reflecting the reserves transferred from PWIC) will be adequate to support future payment obligations;
- The financial condition of each company will not be materially adversely impacted by the proposed IBT;
- Yosemite has reasonable and adequate plans to properly administer the policies subject to the proposed IBT;
- The policyholders and claimants of each of PWIC and Yosemite will not be materially adversely impacted by the proposed IBT; and
- Yosemite has a reasonable and adequate corporate governance structure to ensure proper board and management oversight of its business post-IBT.

3.2 As of the date of this Report, I am not aware of any material subsequent events that would impact my conclusions.

3.3 The remainder of this report documents my support for each of the aforementioned conclusions.

IV. Background on Providence Washington Insurance Company

4.1 Providence Washington Insurance Company ("PWIC") is a wholly-owned subsidiary of Enstar Holdings (US) ("Enstar US"), having been acquired in 2010. PWIC is a multi-line property and casualty insurance company that is domiciled in Rhode Island. Prior to 2004, PWIC was a direct writer of both personal and commercial lines of business, including workers compensation ("WC"), commercial multi-peril ("CMP"), and other liability. It also assumed reinsurance business, which was discontinued in 1992. Both its direct and assumed businesses have A&E exposures. In 2004, PWIC ceased writing new business and renewals and began operating in run-off.

4.2 From 2012 to 2015, Enstar acquired various workers compensation books of business from other insurance companies and merged them into PWIC. These businesses included American Physicians Assurance Corporation ("APAC"), AP Specialty Insurance Company and American Healthcare Indemnity Company and related entities ("AP Capital"), The Doctors Company ("AP Doctor I & II"), and Reciprocal of America ("ROA"). PWIC has a book of multi-peril coverage of condominium associations and small commercial business originally written by Capital Assurance Company, Inc. ("CAC"). CAC's business went into run-off in 1996. Enstar acquired CAC in 2008 and then merged CAC into PWIC in 2013.

4.3 PWIC has three retroactive reinsurance agreements in place with an Enstar subsidiary, Fitzwilliam Insurance, Limited ("Fitzwilliam"). (Retroactive reinsurance provides coverage to the ceding company for insured events that have already occurred, as opposed to coverage for events to occur in a future policy period). All of these agreements are fully collateralized. Since these agreements are retroactive reinsurance, the ceded reserves are excluded from loss reserves. Therefore, they are not reflected in Schedule P, but are treated as write-in line items. These agreements apply to 100% of the AP Capital, AP Doctor I & II, and ROA segments. PWIC also has one prospective reinsurance agreement in place with Fitzwilliam for its workers compensation business. This agreement is also fully collateralized.

4.4 In 2015, another affiliate of Enstar, Seaton Insurance Company, was merged into PWIC. Seaton has three categories of discontinued business: a) Assumed Reinsurance ("AR", or "RA")), b) Facultative and Special Risk ("FASR"), and c) the Unigard Insurance Company ("Unigard"). AR includes property and casualty assumed and retrocessional business written from 1969 through 1987. The FASR book consists primarily of casualty business written on a direct basis from 1969 through 1976. The Unigard direct book of business includes asbestos, environmental (or pollution), workers compensation, and other casualty lines in run-off written prior to 1997.

4.5 Other assumed reinsurance business of PWIC included the WC business it assumed from pools administered by the National Council on Compensation Insurance ("NCCI"). PWIC was also a participant in the Excess Casualty Reinsurance Association ("ECRA"), a group of reinsurers who assumed asbestos, environmental, and mass tort claims.

4.6 Later in this report, we refer to the direct personal lines business as "Short Tail" and the remaining business as "Long Tail".

4.7 Table 1 below summarizes PWIC's reserves by segment on both gross and net bases as of 12/31/17.

TABLE 1: PWIC - GROSS & NET RESERVES BY SEGMENT AS OF 12/31/17

AMOUNT IN ($000S)

SEGMENT	GROSS ($)	GROSS (%)	NET ($)	NET (%)
DIRECT WC	18,925	21.9%	0	0.0%
DIRECT CMP AND ALL OTHER	1,717	2.0%	1,332	3.4%
ASSUMED ECRA & ALL OTHER	10,598	12.3%	10,598	27.2%
ASSUMED NCCI	2,782	3.2%	2,782	7.1%
DIRECT ASBESTOS	2,222	2.6%	1,560	4.0%
DIRECT SITES	4,384	5.1%	2,782	7.1%
CAC	137	0.2%	137	0.4%
SEATON RA	12,494	14.5%	12,319	31.6%
SEATON FASR	6,711	7.8%	3,673	9.4%
UNIGARD	21,389	24.8%	0	0.0%
ULAE	4,882	5.7%	3,747	9.6%
TOTAL - SCHEDULE P	86,241	100.0%	38,930	100.0%
RETRO REINS - ASSUMED	101,860	N/A	0	0.0%
RETRO REINS - CEDED	(101,364)	N/A	0	0.0%
TOTAL COMPANY	86,737		38,930	

4.8 Both the Direct WC and Unigard segments are 100% reinsured. The Direct WC book is reinsured by Fitzwilliam, net of all third-party reinsurance. As of 12/31/17, $15 million, or 34.2% of PWIC's reinsurance recoverables, were from Fitzwilliam. PWIC has funds withheld to offset these recoverables. As noted above, Unigard is not part of the Subject Business to be transferred. Since it is 100% ceded to a third party, there is no impact on the proposed IBT other than the gross and ceded reserve balances will remain with PWIC. As of 12/31/17, PWIC had an unsecured recoverable of $21.4 million from Unigard, which is an A-rated carrier, and PWIC's RBC ratios reflect that Unigard business will not be transferred. As of December 31, 2018, the Unigard reinsurance balance was $18.0 million. PWIC has various other third-party reinsurance arrangements in place with multiple carriers. These reinsurance agreements will be transferred to Yosemite upon completion of the IBT.

4.9 Figures 1 and 2 below illustrate the breakdown of PWIC's reserves by risk exposure on both gross and net bases as of 12/31/17.

FIGURE 1

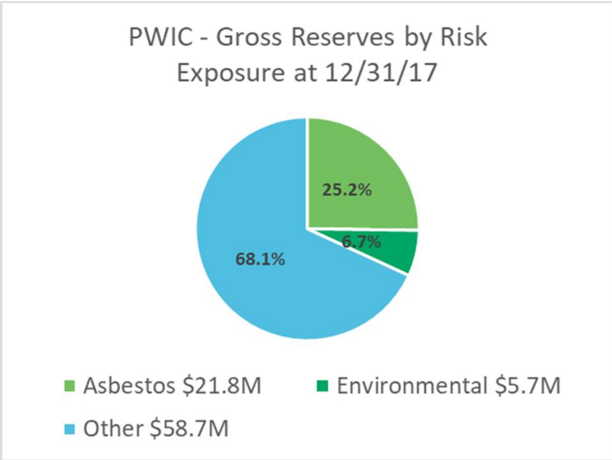
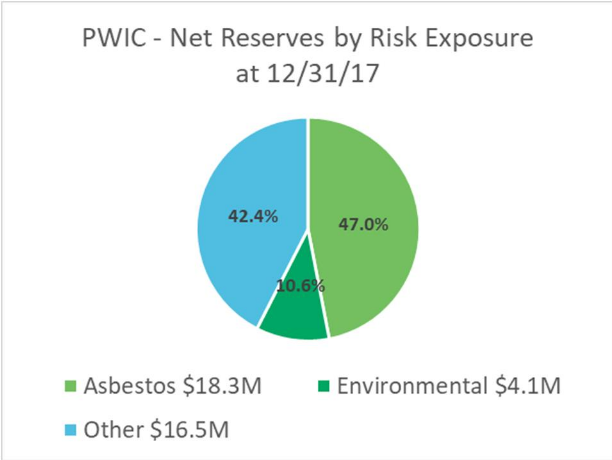


FIGURE 2



V. Background on Yosemite Insurance Company

5.1 Yosemite Insurance Company ("Yosemite") is a multi-line property and casualty insurance company that was domiciled in California from 1964 to 1998 and then re-domiciled to Indiana in 1998. As of September 2019, Yosemite is licensed in 48 states and the District of Columbia (with MA and NY licenses pending) and its portfolio includes credit personal property, credit accident & health, collateral protection, vacant property, inland marine, personal property, automobile physical damage and credit involuntary unemployment insurance ("the Credit Block"). Yosemite also wrote Excess & Surplus ("E&S") assumed reinsurance and general liability business in the 1970s. This E&S business exposed Yosemite to asbestos, environmental, and other mass tort claims ("the A&E Block"). Historically, claims handling for Yosemite's A&E Block was handled by a third-party administrator ("TPA").

5.2 For its E&S business, Yosemite is protected by two excess of loss reinsurance programs. For these lines, Yosemite retains a very low limit of liability (typically, the first $25,000 or $50,000 of losses). Reinsurance provides coverage from these attachment points up to $1,000,000 for 1971-1975 and up to $3,000,000 for 1976. Various insurance companies and pools provide protection between the attachment point and the policy limit. Enstar has been informed that some of the entities participating in the reinsurance are insolvent. Given this information, that commutations have occurred, and the policy limits of the reinsurance, Yosemite is sometimes exposed to higher layers of loss. To account for these potentially higher layers of loss, Yosemite has booked reasonable reserves that are booked above the actuarial central estimate and significantly higher than the industry survival ratios (see Table 11). Also, Yosemite does not have reinsurance for its assumed treaty book of business, which has only approximately $105,000 in reserves as of 12/31/17.

5.3 Table 2 below summarizes Yosemite's reserves by segment on both gross and net bases as of 12/31/17.

TABLE 2: YOSEMITE - GROSS & NET RESERVES BY SEGMENT AS OF 12/31/17

AMOUNT IN ($000S)

SEGMENT / BUSINESS	GROSS ($)	GROSS (%)	NET ($)	NET (%)
SPRINGLEAF FINANCE				
- INVOLUNTARY UNEMPLOYMENT INSURANCE	1,783	4.4%	1,783	8.5%
- AUTO	725	1.8%	725	3.5%
- OTHER (FIRE, DWELLING, ETC.)	0	0.0%	0	0.0%
EXCESS & SURPLUS	38,248	93.8%	18,385	88.0%
TOTAL	40,756	100.0%	20,893	100.0%

5.4 Figures 3 and 4 below illustrate the breakdown of Yosemite's reserves by risk exposure on both gross and net bases as of 12/31/17.

FIGURE 3

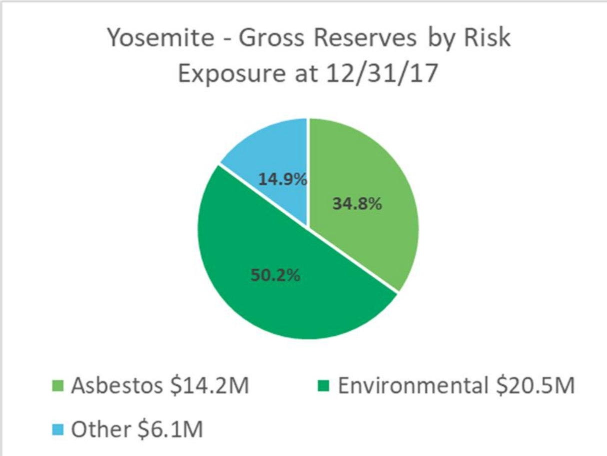
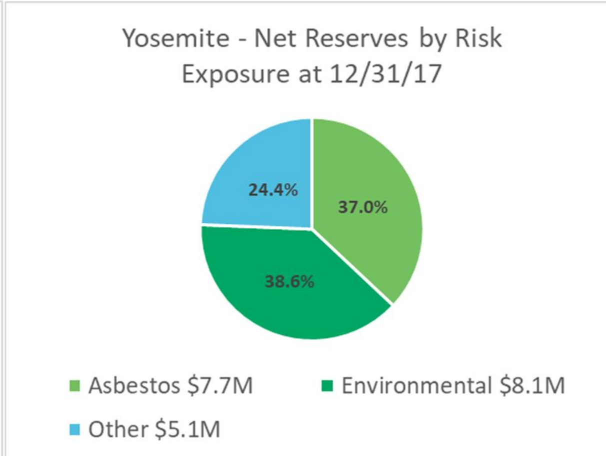


FIGURE 4



5.5 Effective September 30, 2018, Enstar US, part of EGL, acquired Yosemite from its prior owner, Springleaf Finance Corporation ("Springleaf"), via a Share Purchase Agreement ("SPA"). This transaction was approved by the state of Indiana on September 26, 2018, and Yosemite was re-domesticated to Oklahoma effective October 1, 2018. Table 3 below shows a condensed balance sheet for Yosemite as of 12/31/17 (prior to the sale to Enstar US) and as of 9/30/18 (upon closing of the sale to Enstar US).

TABLE 3: YOSEMITE - CONDENSED BALANCE SHEET PRE-SPA VS. POST-SPA

AMOUNT IN ($000S)

	YOSEMITE	
	12/31/2017	9/30/2018
ITEM	PRE-SPA	POST-SPA
ASSETS		
BONDS	90,555,250	28,208,118
CASH AND INVESTED ASSETS	6,763,653	24,278,231
REINSURANCE RECOVERABLES, INCL. RETROACTIVE CONTRACTS	3,532,983	3,532,983
OTHER ASSETS	12,855,081	3,082,342
TOTAL ASSETS	113,706,967	59,101,674
LIABILITIES		
LOSSES & LAE	20,893,127	17,645,248
OTHER PAYMENTS/LIABILITIES	44,682,311	23,380,541
PROVISION FOR REINSURANCE	6,114,600	6,114,600
TOTAL LIABILITIES	71,690,038	47,140,389
CAPITAL & SURPLUS		
COMMON CAPITAL STOCK	5,000,000	5,000,000
GROSS PAID IN/CONTRIBUTED SURPLUS	23,188,433	2,500,000
UNASSIGNED SURPLUS	13,828,496	4,461,285
TOTAL CAPITAL & SURPLUS	42,016,929	11,961,285

5.6 Just prior to the sale on September 30, 2018, Yosemite entered into a 100% indemnity reinsurance agreement for its Credit Block with Triton Insurance Company, a Texas-domiciled affiliate. Triton is owned by One Main Holdings, Inc., which was acquired by Springleaf in 2015. Triton was also appointed to provide all administrative services for this business. This agreement was fully collateralized.

5.7 Yosemite acted as a reinsurer for a portion of PWIC's Seaton FASR book. This intercompany reinsurance deal was commuted in November 2018, and Yosemite was able to extinguish an assumed liability at a discounted price and eliminate some inter-company administration.

5.8 Yosemite retained all exposures related to its A&E Block. The A&E Block comprises the vast majority of its loss reserves, as reserves decreased by only $3.2 million. Capital & Surplus decreased by $30.0 million, given a $42.5 million dividend extracted by Springleaf, offset by $12.5 million of net income from the Credit Book. This dividend is discussed in more detail in section 6.6.

5.9 The figures in Table 3 above for 9/30/18 Post-SPA represents the financial position at the start of Enstar US's ownership of Yosemite.

VI. The Proposed Insurance Business Transfer

Motivation

6.1 Enstar's motivation for the IBT is "*to efficiently support its run-off business model, which is acquiring and managing insurance and reinsurance business in run-off*". Enstar intends "…*to use Yosemite as one of its main vehicles for assumption of insurance entities in run-off, subject to approval by the respective state departments of insurance, and as its main carrier for the transfer of other US-based insurance business using the Oklahoma IBT legislation*." Overall, Enstar believes this is a key step in organizing and streamlining its business model to most efficiently manage its US-based run-off operations.

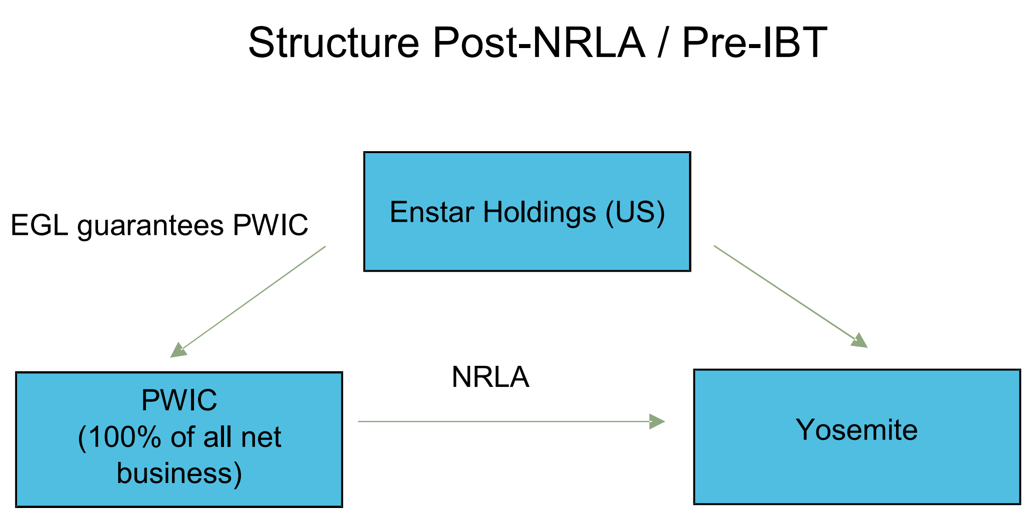
The Proposed IBT

6.2 As noted earlier in this report, the Transferring Business consists of all of the insurance and reinsurance business underwritten by PWIC, the Transferring Insurer, including any business underwritten by a predecessor or merged entity. In order to facilitate the transfer, PWIC and Yosemite entered into a NRLA effective December 31, 2018, whereby PWIC cedes 100% of its net liabilities to Yosemite. The NRLA required approval from the insurance departments of each of the Companies' state of domicile. Both the Oklahoma and Rhode Island departments of insurance regulation have approved the NRLA agreement. This agreement follows the original terms and conditions of PWIC's underlying insurance policies and third-party reinsurance agreements. Under the proposed IBT Plan, PWIC intends to effectively transfer the Subject Business to Yosemite, and all third-party agreements will remain in effect, with Yosemite being the ceding insurer in place of PWIC.

6.3 In addition, EGL provided a parental guarantee in the form of a commitment letter, such that EGL would refund any dividend from PWIC to maintain PWIC's RBC ratio at a level of 300%.

6.4 A summary of the corporate structure of PWIC and Yosemite after the NRLA, but prior to the IBT, is shown in Figure 5 below.

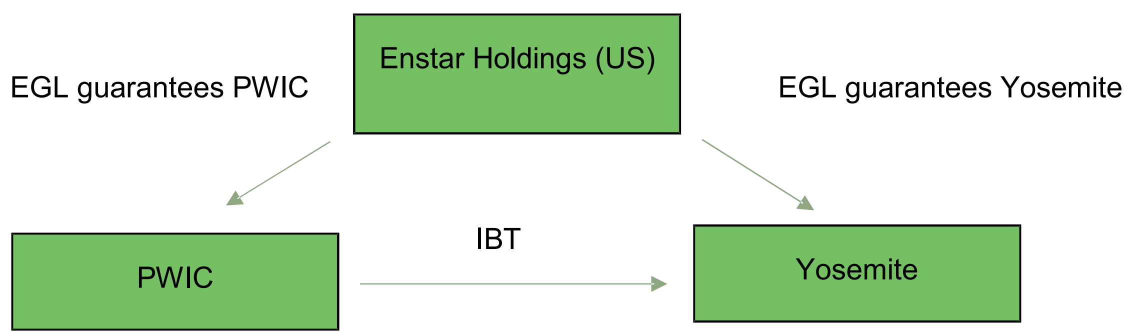
FIGURE 5



6.5 A summary of the corporate structure of Yosemite post-IBT, is shown in Figure 6 below.

FIGURE 6

Structure Post-IBT



6.6 In June 2018, prior to the close of the SPA and to Enstar's ownership, Yosemite and its Board of Directors approved an extraordinary dividend to its prior owner, Springleaf, in a current amount of $42.5 million (and not to exceed $50 million). This dividend was approved by the state of Indiana on August 2, 2018. This cash dividend was to align Yosemite's RBC ratio within a desired ratio of 300% - 350% after the payment of the dividend, as Yosemite RBC ratios were higher than this range historically. This transaction resulted in Yosemite carrying approximately $12 million of surplus.

6.7 As of the IBT transfer date, EGL will provide a commitment letter such that EGL would contribute capital as necessary to ensure Yosemite's RBC ratio does not drop below 300%. All dividends are subject to Oklahoma Holding Company Act and laws regarding payments of dividends.

6.8 Table 4A below summarizes the impact of the proposed IBT on loss reserves, both gross and net of reinsurance.

TABLE 4A: GROSS & NET STATUTORY RESERVES BY COMPANY - POST NRLA, PRE-IBT VS. POST-IBT

AMOUNT IN ($000S)

	PWIC			YOSEMITE		
ITEM	POST-NRLA/PRE-IBT	POST-IBT	CHANGE	POST-NRLA/PRE-IBT	POST-IBT	CHANGE
LOSS & LAE RESERVES						
- GROSS	74,531	23,127	(51,404)	66,149	87,315	21,166
- CEDED	74,531	23,127	(51,404)	19,379	40,545	21,166
- NET	0	0	0	46,770	46,770	0

- Neither PWIC nor Yosemite will have any change in net reserves upon IBT, as Yosemite already assumed the net reserves of PWIC as part of the NRLA.

- Yosemite's gross reserves will increase upon IBT by $21.2 million. This represents the third-party reinsurance ceded from PWIC prior to the NLRA (excluding third party reinsurance related to NY and MA policyholders).

Table 4B below summarizes the balance sheet impact, both gross and net of reinsurance.

TABLE 4B: CONDENSED BALANCE SHEET BY COMPANY - POST NRLA, PRE-IBT VS. POST-IBT

AMOUNT IN ($000S)

	PWIC			YOSEMITE		
ITEM	POST-NRLA/PRE-IBT	POST-IBT	CHANGE	POST-NRLA/PRE-IBT	POST-IBT	CHANGE
ASSETS	117,846	48,141	(69,705)	106,289	175,993	69,705
LIABILITIES	97,426	27,721	(69,705)	67,936	137,640	69,705
CAPITAL & SURPLUS	20,420	20,420	(0)	38,353	38,353	0

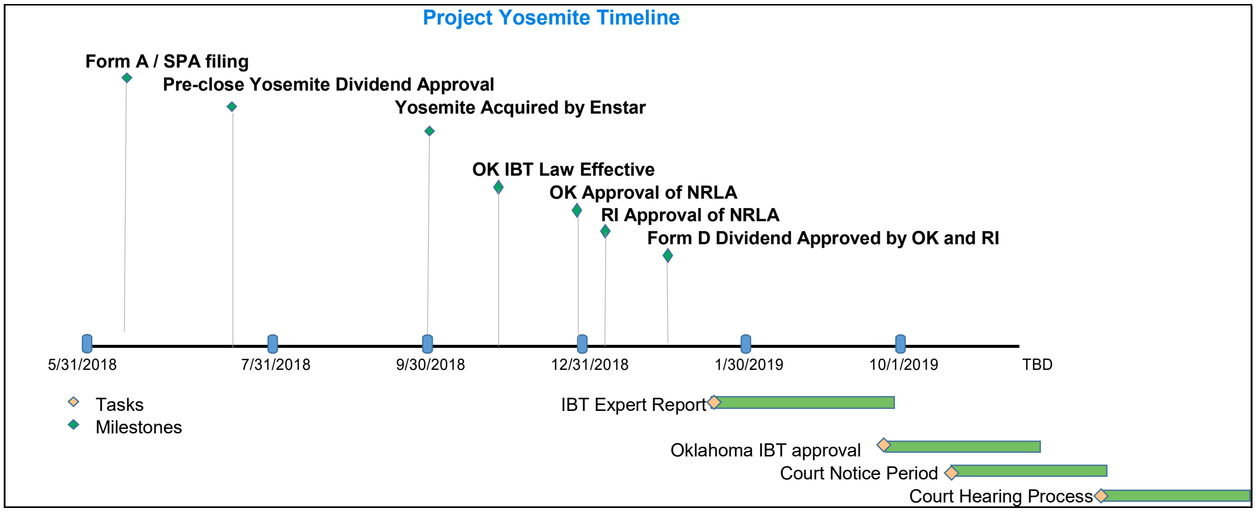
- Upon IBT, there is no change in surplus for Yosemite.
- The large decrease in PWIC assets and liabilities is due to the transfer of funds held for the retroactive reinsurance treaties that will be transferred over to Yosemite.

6.9 Please note that the intention of the IBT is to transfer all of PWIC's business to Yosemite by way of statutory novation; other than Unigard and PWIC New York and Massachusetts policyholders, there will be no remaining policyholders of PWIC after the IBT, and these policyholders will no longer have any rights against PWIC under these policies. However, if for some reason certain policies cannot be transferred due to state licensing requirements or other issues, it is the intention that PWIC and Yosemite will work to effectuate the IBT for these policies at a subsequent date. All future financial transactions arising from the Transferring Business will pertain to Yosemite.

6.10 The IBT transaction itself has no further financial effect on Yosemite's balance sheet, as the NRLA has accomplished the intended financial transfer.

6.11 Figure 7 depicts a timeline of the major events of the proposed IBT process.

FIGURE 7



Administration

6.12 It is important to note that, unlike other typical business transfers that are made between two companies, both of the Companies involved in this proposed IBT are currently wholly owned by Enstar US. PWIC has been owned and operated under Enstar management for over 8 years. Yosemite was acquired by Enstar in 2018, so its risks are less well known to Enstar. As the Assuming Insurer, Yosemite will absorb PWIC's risks.

6.13 Enstar has a long history of successful claims management that contributes to its on-going profitability. Its effective claims handling, including a proactive approach to reinsurance collectability, is a key differentiating strategy and is a core tenet of its business model. Enstar has standardized claims handling guidelines and control procedures in all of its claims units. Enstar also utilizes third-party claims administrators to an extent, closely managing them through claims handling agreements that outline authority levels, compliance requirements, etc.

6.14 As noted previously, claims handling for Yosemite was handled by a TPA. Prior to the acquisition of Yosemite, Enstar reviewed the TPA's claims handling practices and deemed them as not being managed as proactively and effectively as Enstar's own claims handling approach. As a result, Enstar terminated the relationship with the TPA in October 2018 and began managing the claims in-house with an approach consistent with that used for PWIC's liabilities.

6.15 The Companies currently have the same management team; Enstar provided us a list of the directors and officers of each company, and they are identical. All of the Subject Business is currently administered by Enstar US through intercompany services agreements ("ISA"). I have been provided a copy of and reviewed the ISA between Enstar US and Yosemite, which also requires the approval of the OID. The agreement specifies the services required for Enstar US to fully manage and operate Yosemite. Enstar US will remain the administrator of the Subject Business post-IBT, such that the policyholders of PWIC, the Transferring Insurer, will receive the identical service after the transfer to Yosemite, the Assuming Insurer.

6.16 Enstar indicates that new staffing will not be required post-IBT. Thus, having already been acquired by Enstar and begun operating under its management, Yosemite has begun to benefit from a common approach to managing risk.

6.17 The Companies do not expect that the IBT will require any change in the actuarial reserving processes that are currently in place. Enstar will continue to utilize resources from the actuarial consulting firm familiar with the PWIC business with reviews as of either 6/30/XX or 9/30/XX, with roll-forward as of 12/31/XX. Enstar's internal reserving team will perform an analysis of the Yosemite E&S book. Its consulting actuarial firm will continue to perform an analysis of the Credit Book for Yosemite, though this book is 100% ceded.

6.18 As the transferring Insurer, PWIC policyholders are not exposed to any new organizational risks given the transfer is with an affiliated insurance company and the administration is the same for both transferring and receiving insurers. Therefore, certain administrative risks associated with IBTs are not applicable in this instance.

Capital Policy post-IBT

6.19 Being a global organization that operates both on-going underwriting operations and run-off operations, the process by which Enstar manages its capital adequacy is complex. This process is managed within Enstar Group's Enterprise Risk Management ("ERM") framework that outlines the policies and procedures by which risks are assessed and managed. The stated key objectives of the ERM framework are to:

- Work within an established Risk Appetite
- Effectively identify and mitigate risk
- Support good governance of risk, including communication, reporting, and accountability
- Ensure a consistent approach to risk management strategy and policy across the Group.

6.20 Enstar's Risk Management Function is the centralized unit responsible for maintaining these policies, but senior executives are ultimately accountable for managing the identified risks.

6.21 Over 80 identified risks and controls are tracked via a Risk Register, and risks for each regulated entity are reviewed and signed off by control and risk owners on a quarterly basis, with any exceptions noted and flagged for further action. Each jurisdiction also has a Management Risk Committee ("MRC") that meets on a quarterly basis. The MRC is composed of risk managers across the firm who review quarterly ERM reports, monitor Board-approved risk metrics, track breaches through to remediation, and discuss emerging risks that can be escalated to the Group MRC and back downward.

6.22 Enstar performs a Group Solvency Self-Assessment ("GSSA") as part of the ERM framework to ensure that the Group and all of its regulated entities maintain adequate capital to meet the obligations and risks they face. Being a large insurer domiciled in Bermuda, Enstar must file this report to the Bermuda Monetary Authority annually, and it also files it with Delaware, its lead US state regulator.

6.23 As part of its GSSA, Enstar must show adherence to the requirements of the Bermuda Solvency Capital Requirement ("BSCR") model. But, it also performs capital adequacy calculations based on the local models required by the other jurisdictions in which it operates. For example, 55% of Enstar's GSSA capital is determined using the BSCR model, 23% using local internal models, 15% using the Solvency II standard formula, and 6% that is determined using the US RBC model. Ultimately, Enstar does not have one internal group capital model (although the Group is currently reviewing potential developments in this area), but it leverages all of these models to derive its estimated GSSA capital. Enstar undertakes a comparison of its Group capital adequacy using the BSCR model and the GSSA model. Each of these models are "risk-based", such that a capital charge is calculated for each identified risk. This GSSA is discussed in more detail later in this report.

6.24 Enstar's contractual obligation to Yosemite post-IBT is to manage the portfolio such that the RBC ratio does not drop below 300%. Its target RBC ratio is 350%. As discussed later in this Report, this target ratio is relatively consistent with the solvency ratios to which Enstar US currently manages its US-based operations.

Communication to Policyholders

6.25 The intended approach that PWIC and Yosemite plan to take in communicating information about the proposed IBT to the affected policyholders and other parties is described in detail in Section XI – Other Considerations.

6.26 The main objectives of these communications are to:

- Provide policyholders the information they need to understand the proposed changes
- Inform affected policyholders of the implications to them of the proposed changes, including how they may communicate any objections to the proposed changes
- Meet legal and regulatory requirements.

VII. Key Considerations of the Independent Expert

7.1 This Report has been prepared in accordance with the Oklahoma Insurance Business Transfer Act, effective November 1, 2018, codified in the Oklahoma Statutes as Sections 1681-1688 of Title 36. The Act requires that I consider the effects of the proposed IBT on three main groups of policyholders:

a) The policyholders of PWIC whose policies are to be transferred,

b) The current policyholders of Yosemite, and

c) The policyholders and claimants of PWIC whose policies will not be transferred.

7.2 As previously noted, unless there are complications with state filings, all policyholders and claimants of PWIC will be transferred by the IBT, so item c) is not applicable. The effects on these policyholders are discussed in detail in the next two sections, but the following provides context for my review.

Security of Policyholder Benefits

7.3 The Act requires me to consider the security of policyholder benefits. This can be viewed as the likelihood that policyholders will receive their benefits (i.e., their valid claims will be paid). To consider this, I must evaluate the financial strength of each company. Financial strength is derived primarily from:

- The adequacy of loss reserves,
- The amount of capital relative to the risks, and
- Any other support for capital (e.g., guarantees, etc.).

7.4 Insurance companies are complex organizations - there are many facets to their operations and many risks that they face. Therefore, in addition to financial strength, I must also focus on other risks to which a policyholder can be exposed, including:

- The investment profile,
- Corporate strategies that impact these companies' business, and
- Operational strategies (e.g., claims handling).

Materiality

7.5 In addition, the Act requires that I consider whether the security position of policyholders that are affected by the IBT is materially adversely impacted by the IBT. After considering the effects of the proposed IBT on the applicable groups of policyholders, I must reach a conclusion as to whether I believe that the proposed IBT will materially adversely impact that group. It should be noted that the proposed IBT can have varying impacts on policyholders. For any one group, there may be some effects that are positive and other effects that are adverse. But even though some individuals might be adversely affected, this does not necessarily imply that the group has been materially adversely impacted. Some potential adverse effects may be offset by positive effects, or may be immaterial.

7.6 The decision as to whether a group is materially adversely impacted requires actuarial judgment based on the information reviewed. I have reviewed the capital position of the companies both pre-IBT and post-IBT relative to pertinent company capital targets and regulatory solvency requirements. It should be noted that a company may have capital considerably in excess of regulatory solvency requirements, but the company may choose to reduce that level of capital (e.g., via dividend payments) and still leave the company well-capitalized. Thus, in order to determine whether a group has been materially adversely impacted, I have considered whether the degree of financial security afforded the policyholders post-IBT would have been acceptable pre-IBT. Any adverse impact is deemed to be material if the level of financial security post-IBT would not have been acceptable under the normal constraints with which the company's capital position was managed pre-IBT.

Other Considerations

7.7 As the IE, I am also required to comment on:

- The plans that Yosemite has to administer the Subject Business, and
- The corporate governance structure in place for Yosemite, to ensure there is proper board and management oversight and expertise to manage the Subject Business.

7.8 In the following sections, I comment on these considerations of the proposed IBT.

VIII. The Effect of the IBT on the Transferring Policyholders of PWIC

Introduction

8.1 Under the proposed IBT, the Transferring Business will be transferred from PWIC to Yosemite. The key considerations affecting the transferring policyholders of PWIC arise from relative differences in:

- The financial strength of Yosemite post-IBT as compared to the financial strength of PWIC pre-IBT. Financial strength is most typically derived from the adequacy of the carried reserves and of capital and surplus.
- The risk exposures contained in Yosemite compared to those in PWIC.
- The policy servicing levels provided by Yosemite post-IBT compared to those provided by PWIC pre-IBT.

8.2 In this section, I address each of these three issues.

Financial Strength – PWIC Reserves Pre-NRLA

Review of Group Reserving Policy

8.3 Enstar provided me with a copy of its Group Reserving Policy, which has been applied to the recording of PWIC's reserves for many years. The Group's policy for its run-off business is to perform a detailed, full actuarial analysis on an annual basis for portfolios over $10 million in reserves. This work may be performed by Group internal actuaries or external consulting actuaries.

8.4 For the detailed analysis, both standard and bespoke actuarial methodologies are utilized, depending on the nature of the underlying reserve exposure. (Detailed descriptions of the methodologies and assumptions are provided in Section XIV of this report). Other qualitative information from various functional areas (e.g., claims, finance, etc.) is also incorporated. The policy indicates that appropriate industry-standard peer review and documentation are performed.

8.5 At each quarter-end, loss activity during the quarter is reviewed and discussed by internal actuaries and management based on "actual vs expected" analyses performed by the internal actuaries. "Deep-dive" analysis will be performed on smaller portfolios if actual loss experience emerges higher than thresholds set by management for each insurance company. Enstar internal actuaries make recommendations to the US Reserving Committee as to whether reserve levels for the statutory entity should be changed by portfolio based on these analyses. Members of the insurance companies' management team are part of the US Reserving Committee and are responsible for determining the reserves for the statutory insurance company. The Group Reserving Committee is ultimately responsible for making and documenting "management's best estimate" reserve to be recorded in the US GAAP financial statements.

Review of Year-End 2017 Actuarial Report

8.6 Enstar provided me Enstar's year-end 2017 PWIC Actuarial Report ("2017 PWIC Actuarial Report") that supports the PWIC Statement of Actuarial Opinion. Enstar's 2017 PWIC Actuarial Report includes the actuarial report prepared by its actuarial consultant. The actuarial consultant first estimates the gross loss reserves, and the ceded IBNR loss reserves are then calculated based on the ratio of the gross case reserves to gross IBNR ratio. (Please note that, due to the NLRA, PWIC was exempted from the requirement to file a Statement of Actuarial Opinion as of year-end 2018. However, the reserves related to PWIC were similarly reviewed by the consulting actuaries and contained in the draft 2018 Enstar Yosemite Actuarial Report ("2018 Yosemite Actuarial Report") that supports the Yosemite Statement of Actuarial Opinion issued by the Group Chief Actuary. The draft 2018 Yosemite Actuarial Report became available during the course of my review and is discussed in Section XI below).

8.7 As shown earlier, the breakdown of net of reinsurance liabilities by reviewed segment as of 12/31/17 are set out in Table 5 below:

TABLE 5: PWIC - NET RESERVES BY SEGMENT AS OF 12/31/17

AMOUNT IN ($000S)

SEGMENT	NET ($)	NET (%)
DIRECT WC	0	0.0%
DIRECT CMP AND ALL OTHER	1,332	3.4%
ASSUMED ECRA & ALL OTHER	10,598	27.2%
ASSUMED NCCI	2,782	7.1%
DIRECT ASBESTOS	1,560	4.0%
DIRECT SITES	2,782	7.1%
CAC	137	0.4%
SEATON RA	12,319	31.6%
SEATON FASR	3,673	9.4%
UNIGARD	0	0.0%
ULAE	3,747	9.6%
TOTAL	38,930	100.0%

8.8 PWIC's reserve analysis has historically been performed by an external consulting actuary, and then reviewed and accepted by the internal Group actuaries. This work is performed using data evaluated as of either 6/30/XX or 9/30/XX, and a reserve "roll-forward" is performed to adjust reserves to a 12/31/XX basis for financial reporting purposes.

8.9 Enstar reviews the PWIC consulting actuarial firm's analysis. For year-end 2017, it accepted the findings as reasonable. I note that the external consulting actuaries are suitably qualified. In addition, I note that they have performed this review for many years, which allows the actuaries to retrospectively test their own assumptions and detect year-to-year changes in the PWIC book relative to its assumptions.

8.10 I have also undertaken a review of Enstar's 2017 PWIC Actuarial Report in order to satisfy myself that appropriate methodologies and reasonable assumptions are used to estimate the reserves presented in the actuarial report. I have not performed any independent actuarial methodologies or tests of my own. My review focused on assessing the appropriateness of the methodologies and the reasonableness of the assumptions. I also reviewed the potential variability in future loss emergence, given the nature of the coverages involved. As part of this review, I asked questions of Enstar, to which Enstar responded adequately.

8.11 Of the $35.2 million in net reserves (excluding ULAE reserves) as of 12/31/17, $22.4 million (or 63.7%) arise from A&E exposures. The largest segments include: a) Excess Casualty Reinsurance Association ("ECRA") and b) the Seaton segments (RA and FASR). The remainder of the reserves (approximately $12.8 million) is comprised of workers compensation and casualty books of business.

8.12 Estimating A&E reserves is subject to considerably more uncertainty than estimating reserves for standard property and casualty coverages. This is due to many factors, including varying coverage interpretations, limited data, and judicial, statutory and regulatory differences by jurisdiction. Therefore, estimating the loss reserves for these types of exposures requires alternative types of methodologies and significant reliance on industry-based assumptions, adjusted to reflect a company's own risk profile.

Review of Methodology

8.13 As discussed in Section XIV – Reserve Methodologies, the PWIC Actuarial Report uses a number of accepted A&E methods to estimate reserves. Within these methods, reasonable assumptions are used to adjust industry A&E ratios to reflect the type of underlying exposure for PWIC, as well as trends in the underlying PWIC payment and case outstanding loss reserve ("OLR") development patterns. Specifically for asbestos, the assumptions are adjusted to reflect the source of the underlying business (e.g., direct primary insurance, direct excess / reinsurance, etc.). This is especially important in light of the fact that A&E losses can emerge at very different rates based on the unique layers of coverage provided by individual companies.

8.14 For all segments, the 2017 PWIC Actuarial Report typically runs up to nine methodologies from which the ultimate loss will be selected. For Seaton FASR, in addition to the nine aggregate methodologies, a ground-up claims review by claims professionals of the FASR accounts was included as an additional estimate. I cannot evaluate the reasonableness of this claims review within the scope of my work, but performing such a claims review on large accounts to supplement an aggregate actuarial approach is an industry best practice.

Review of Survival Ratios

8.15 A ratio (or metric) used by the consulting actuarial firm which is also commonly tracked in the industry is the survival ratio. This ratio (which can be derived from Note 33 data in the Annual Statement) equals the ratio of reserves to average paid losses, and represents the length of time that this level of reserve can "survive" at a certain annual rate of payment. Table 6 provides a summary of PWIC survival ratios for A&E compared to the overall industry.

TABLE 6: PWIC ASBESTOS AND ENVIRONMENTAL SURVIVAL RATIOS
AMOUNT IN ($000S)

ASBESTOS SURVIVAL RATIOS

COMPANY	AVERAGE ANNUAL PAYMENTS 2015-17	AVERAGE ANNUAL PAYMENTS 2013-17	12/31/17 NET RESERVES	ESTIMATED SURVIVAL RATIO 3 YR	ESTIMATED SURVIVAL RATIO 5 YR
PWIC	1,129	2,572	18,279	16.2	7.1
INDUSTRY	2,527,222	2,421,072	16,801,825	6.6	6.9

ENVIRONMENTAL SURVIVAL RATIOS

COMPANY	AVERAGE ANNUAL PAYMENTS 2015-17	AVERAGE ANNUAL PAYMENTS 2013-17	12/31/17 NET RESERVES	ESTIMATED SURVIVAL RATIO 3 YR	ESTIMATED SURVIVAL RATIO 5 YR
PWIC	2,156	2,124	4,127	1.9	1.9
INDUSTRY	691,525	707,295	4,646,373	6.7	6.6

8.16 A comparison of company vs. unadjusted industry survival ratios includes uncertainty, as the nature of a client's business (e.g., primary insurance vs. excess / reinsurance) impacts the expected payment patterns. As noted above, appropriate adjustments for these issues were contained in the actuarial analysis. Per the figure above, PWIC's asbestos survival ratio is very conservative relative to industry, while its environmental survival ratio is much lower than industry. However, environmental survival ratios for PWIC are subject to a much higher level of variability given its smaller reserve level. In addition, the latest 3-year and 5-year average environmental payment levels are impacted by two large claim settlements that occurred in calendar year 2017: $1.875 million related to Large Claim #1 (in Seaton FASR) and $1.521 million related to Large Claim #2 (in Seaton RA).

Review of Net Incurred Losses to Beginning Reserve Ratios

8.17 Another metric which I reviewed as a check for the reasonableness of the assumptions used by PWIC in recording reserves is the ratio of Net Incurred Losses to Beginning Reserve. (Net Incurred is defined as the Company carried ultimate losses and LAE). A ratio greater than zero signifies adverse loss development during the calendar year. This ratio can also be derived directly from Note 33. Table 7 provides a retrospective summary of PWIC's Note 33 incurred losses compared to the overall industry for the years 2013-17, along with a 5-year average.

TABLE 7: RATIO OF NET INCURRED TO BEGINNING NET RESERVES

ASBESTOS

COMPANY	2013	2014	2015	2016	2017	AVERAGE
PWIC	-10%	-28%	-21%	27%	8%	-5%
INDUSTRY	10%	8%	9%	8%	10%	9%

ENVIRONMENTAL

COMPANY	2013	2014	2015	2016	2017	AVERAGE
PWIC	-14%	-11%	15%	17%	-17%	-2%
INDUSTRY	15%	12%	16%	15%	13%	14%

8.18 Both asbestos and environmental show much lower (favorable) ratios for PWIC than the industry over the 5-year period. While one metric is not a full-proof means of evaluating the reasonableness of reserves, this indicates that PWIC A&E reserves have developed favorably relative to the industry's A&E reserves.

Review of Ceded Reinsurance

8.19 I also performed a limited review of the amount and quality of the ceded reinsurance upon which PWIC relies. The PWIC SAO as of 12/31/17 indicates that no reinsurance collectability problems were noted. PWIC has 52.7% of its ceded reinsurance loss reserves recoverable from reinsurers rated A- or higher by A.M. Best, 34% recoverable from affiliated entity Fitzwilliam (treated as retroactive reinsurance, as noted earlier), 4% from authorized pools, and the remaining 8.7% recoverable from reinsurers either not rated or rated B+ or below.

8.20 The Company undergoes a regular review of its bad debt provision, and it often supplements the statutory Schedule F provision with its own bad debt provision. The Company provided us evidence of the meetings held to estimate this additional bad debt provision. In 2017, the Company booked $1.5 million statutory Provision for Reinsurance, per Schedule F, and has also booked a $2.3 million bad debt provision. It also wrote off $0.2 million in reinsurance recoverable in 2017. While I have not performed a full review of the financial condition of the Company's reinsurers, my review indicates that the Company has taken reasonable steps to manage the level of risk associated with uncollectible reinsurance.

Conclusion

8.21 **Overall, for the PWIC reserve analysis as of 12/31/17, I have concluded that the methodologies are appropriate and the assumptions are reasonable. PWIC carries reserves within a reasonable range of the actuarial central estimate contained in the Enstar 2017 PWIC Actuarial Report. Therefore, I believe that PWIC's carried reserves as of 12/31/17 are reasonable.**

Financial Strength – Yosemite Reserves Pre-NRLA

Review of Year-End 2016 and 2017 Actuarial Reports

8.22 Enstar provided me the year-end 2016 and 2017 SAO and actuarial reports prepared by the external consulting actuarial firm for Yosemite. I note that these actuarial reports and SAOs were written prior to Yosemite being acquired by Enstar on 9/30/18, and prior to the NRLA effective as of 12/31/18. (Similar to PWIC, Yosemite's year-end 2018 actuarial report became available during the course of my review. For this section, I focus on the Yosemite actuarial report performed as of 12/31/17).

8.23 The breakdown of net of reinsurance liabilities by reviewed segment as of 12/31/17 are shown below in Table 8:

TABLE 8: YOSEMITE - NET RESERVES BY SEGMENT AS OF 12/31/17

AMOUNT IN ($000S)

SEGMENT / BUSINESS	NET ($)	NET (%)
SPRINGLEAF FINANCE		
- INVOLUNTARY UNEMPLOYMENT INSURANCE	1,783	8.5%
- AUTO	725	3.5%
- OTHER (FIRE, DWELLING, ETC.)	0	0.0%
EXCESS & SURPLUS	18,385	88.0%
TOTAL	20,893	100.0%

8.24 The vast majority of the net reserves as of 12/31/17 relate to the E&S Block, which includes asbestos, environmental, and other hazards.

8.25 I note that the external consulting actuary for Yosemite is suitably qualified to perform this analysis. The actuarial analyses were performed by the same actuary at both 12/31/16 and 12/31/17.

Review of Methodology

8.26 I have performed a review of the external consulting firm's actuarial analysis for Yosemite in order to satisfy myself that appropriate methodologies and reasonable assumptions are used to estimate the reserves presented in the actuarial report. I have not performed any independent actuarial methodologies or tests of my own. My review focused on assessing the appropriateness of the methodologies and the reasonableness of the assumptions. I also reviewed the potential variability in future loss emergence, given the nature of the coverages involved. As part of this review, I asked questions about these actuarial analyses to Enstar, and Enstar provided satisfactory responses to my questions.

8.27 Detailed descriptions of the methodologies and assumptions in the Yosemite actuarial analysis are provided in Section XIV of this report.

8.28 The consulting actuarial firm uses three generally accepted A&E methods to estimate reserves. Within these methods, the consulting actuarial firm utilizes appropriate industry sources, such as reviewing survival ratios for 11 other large insurance companies with A&E exposures, as well as A&E information from A.M. Best. Its low, central, and high selections are based on historical data for both Yosemite and the industry. Its selections for environmental are reasonable, based on a review of the latest five year history of survival ratios for Yosemite, as well as the industry data noted above. Its selections for asbestos are conservative yet still deemed reasonable given the inherent volatility and uncertainty of the coverage and the relatively small level of reserves. This determination was based on a similar review of survival ratios for asbestos exposures.

Review of Survival Ratios

8.29 Table 9 provides a summary of Yosemite's survival ratios for A&E compared to the industry.

TABLE 9: YOSEMITE ASBESTOS AND ENVIRONMENTAL SURVIVAL RATIOS

AMOUNT IN ($000S)

ASBESTOS SURVIVAL RATIOS

	AVERAGE ANNUAL PAYMENTS			ESTIMATED SURVIVAL RATIO	
COMPANY	2015-17	2013-17	12/31/17 NET RESERVES	3 YR	5 YR
YOSEMITE	140	146	7,735	55.3	52.8
INDUSTRY	2,527,222	2,421,072	16,801,825	6.6	6.9

ENVIRONMENTAL SURVIVAL RATIOS

	AVERAGE ANNUAL PAYMENTS			ESTIMATED SURVIVAL RATIO	
COMPANY	2015-17	2013-17	12/31/17 NET RESERVES	3 YR	5 YR
YOSEMITE	949	1,702	8,069	8.5	4.7
INDUSTRY	691,525	707,295	4,646,373	6.7	6.6

8.30 The consulting actuarial firm did not make similar adjustments to industry data to reflect the nature of the company's business, as was done in the Enstar 2017 PWIC Actuarial Report. (According to Enstar, making these adjustments is an improvement that will occur post-IBT).

8.31 On an unadjusted basis per above, and similar to PWIC, Yosemite has very strong survival ratios for asbestos. Enstar indicated that, in the direct asbestos portfolio, there are only nine known insureds with asbestos exposures. Five of these insureds have high-layer excess policies, with attachment points in the $25 million to $50 million range, and with $5 million limits. Combined with the assumed asbestos book, there have been very limited payments to-date and Yosemite's exposure will begin to pay later in the asbestos life cycle. Yosemite also holds environmental survival ratios near industry levels.

Review of Net Incurred Losses to Beginning Reserve Ratios

8.32 Similar to what I reviewed for PWIC, I reviewed the ratio of Net Incurred Losses to Beginning Reserve for Yosemite. Table 10 below provides a retrospective summary of Yosemite's Note 33 incurred losses compared to the overall industry for the years 2013-17, along with a 5-year average.

TABLE 10: RATIO OF NET INCURRED TO BEGINNING NET RESERVES

ASBESTOS

COMPANY	2013	2014	2015	2016	2017	AVERAGE
YOSEMITE	1%	3%	-3%	8%	0%	2%
INDUSTRY	10%	8%	9%	8%	10%	9%

ENVIRONMENTAL

COMPANY	2013	2014	2015	2016	2017	AVERAGE
YOSEMITE	9%	9%	14%	23%	16%	14%
INDUSTRY	15%	12%	16%	15%	13%	14%

8.33 Asbestos shows a much lower (favorable) ratio than the industry over the 5-year period. Environmental shows a similar ratio to industry. While one metric is not a full-proof means of evaluating the reasonableness of reserves, this indicates that Yosemite's A&E reserves on a combined basis have developed somewhat favorably relative to the industry's A&E reserves.

Review of Enstar's 9/30/18 Analysis

8.34 I also reviewed Enstar's "take-on" reserve memo relating to Yosemite's loss reserves as of 9/30/18. Enstar compares actual loss payments for the first nine months of calendar year 2018 on an annualized basis (about $1.1 million) and compares these to the selected annualized payments in the report as of 12/31/17 (about $1.4 million). Because actual payments are less than projected payments, Enstar concludes that there is no need to increase reserve levels at 9/30/18. Enstar elects to keep the same ultimate losses as the consulting actuary and to roll-forward the reserves. Based on my review of this memo and the data presented within, I conclude that the 9/30/18 reserve levels are reasonable.

Review of Credit Block Segment

8.35 As noted previously, Yosemite has a Credit Block segment; this business accounts for 12% of gross reserves and 0% of net. I have performed a limited review of the appropriateness of the methodologies and the reasonableness of the unearned premium and the loss reserve assumptions for the Credit Block. The external consulting firm utilized generally accepted actuarial methods and made assumptions that appear reasonable based on the data and information presented in the reports.

Review of Ceded Reinsurance

8.36 I also performed a limited review of the amount and quality of the ceded reinsurance upon which Yosemite relies. The Yosemite SAO as of 12/31/17 comments on the potential reinsurance collectability of the company. Yosemite has 80% of its ceded reinsurance loss reserves recoverable from reinsurers rated A- or higher by A.M. Best and the remaining 20% are with reinsurers that are not rated. All of the $3.5 million of recoverable on paid losses is over 120 days past due and there are $2.15 million in disputed recoverables. All of these recoverables related to the A&E Block business. It is not uncommon for there to be a delay in settling asbestos and environmental claims. Yosemite believes that most of the reinsurance will be collected, but it has established a $6.1 million provision for reinsurance collectability as a cushion for any potential collectability problems.

8.37 For the Credit Block, Yosemite cedes 100% to Triton Insurance Company, a Texas-domiciled former affiliate. I have reviewed the reinsurance agreement, and Triton is obligated to cover all of Yosemite's Credit Block liabilities. Triton was rated B by A.M. Best as of 12/31/17 with a stable outlook. Its rating increased to B+ by A.M. Best as of 12/31/18 and continues to have a stable outlook. Based on these recent credit ratings, I assume that Triton is financially stable and presents no credit risk to Yosemite. The balances are fully collateralized by a trust agreement.

8.38 While I have not performed a full review of the financial condition of Yosemite's reinsurers, my review indicates that the Yosemite has taken reasonable steps to manage the level of risk associated with uncollectible reinsurance.

Conclusion

8.39 **Overall, for the Yosemite reserve analysis, I have concluded that the methodologies are appropriate and the assumptions are reasonable. Since Yosemite carries reserves as of 12/31/17 within a reasonable range of the external consulting actuary's actuarial central estimate of reserves on both gross and net bases, I believe that Yosemite's carried reserves as of 12/31/17 are reasonable.**

Financial Strength – Yosemite Reserves Post-NRLA, Pre-IBT

8.40 The main risk to be considered in evaluating the proposed IBT is that the liabilities of PWIC or Yosemite deteriorate to such an extent that Yosemite's solvency is threatened post-IBT. This event would be materially adverse to Yosemite policyholders, and also to policyholders of PWIC who may have remained secure had the IBT not taken place.

8.41 The amount of loss reserves to be transferred by PWIC to Yosemite as of 12/31/18 (the date of the NRLA) is $36.1 million. These liabilities, which are recorded at the actuarial central estimate, are being transferred on an undiscounted basis, so there is no financial gain/(loss) recorded on a statutory basis. Yosemite's total reserves as of 12/31/18 are $66.1 million on a gross basis and $46.8 million on a net basis. Figures 8 and 9 show the breakdown by risk exposure of these gross and net reserves, respectively:

FIGURE 8

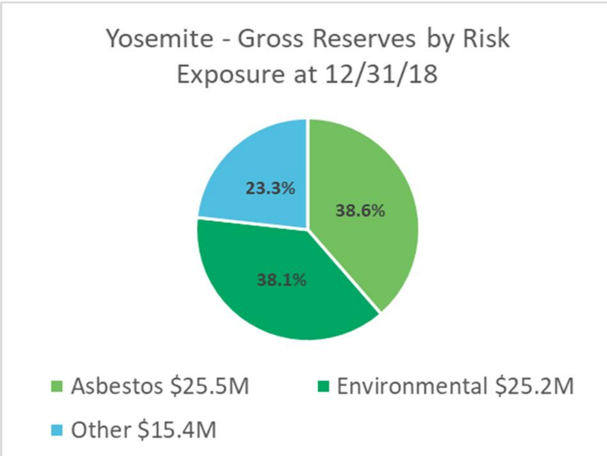
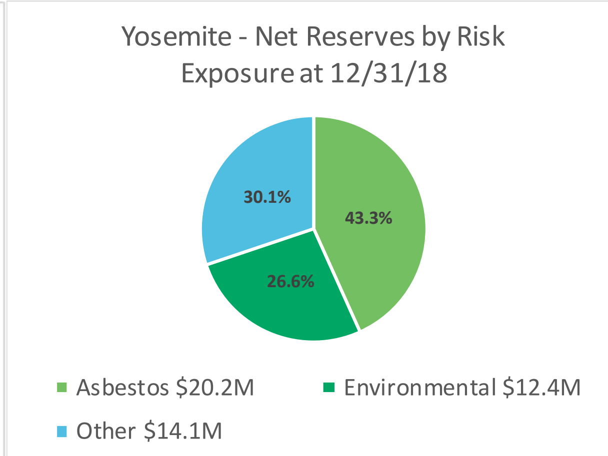


FIGURE 9



Review of Survival Ratios

8.42 Table 11 below shows Yosemite survival ratios using 2018 data (i.e., post-NRLA). (All historical paid losses and reserves for PWIC and Yosemite are included in Table 11 as reflected in Note 33. But, please note that PWIC paid losses in calendar year 2018 are not reflected in Yosemite's financial statements, as reserves were transferred as of 12/31/18).

TABLE 11: YOSEMITE ASBESTOS AND ENVIRONMENTAL SURVIVAL RATIOS

AMOUNT IN ($000S)

ASBESTOS SURVIVAL RATIOS

	AVERAGE ANNUAL PAYMENTS			ESTIMATED SURVIVAL RATIO	
COMPANY	2016-18	2014-18	12/31/18 NET RESERVES	3 YR	5 YR
YOSEMITE	644	439	20,230	31.4	46.1
INDUSTRY	2,196,316	2,361,464	14,921,455	6.8	6.3

ENVIRONMENTAL SURVIVAL RATIOS

	AVERAGE ANNUAL PAYMENTS			ESTIMATED SURVIVAL RATIO	
COMPANY	2016-18	2014-18	12/31/18 NET RESERVES	3 YR	5 YR
YOSEMITE	502	853	12,429	24.8	14.6
INDUSTRY	697,011	703,757	4,014,986	5.8	5.7

8.43 The asbestos survival ratio continues to be significantly higher than industry, though not as much so as for PWIC pre-NRLA. The environmental survival ratios are now much higher than industry. This is largely due to favorable paid loss emergence in environmental in 2018. Therefore, overall, PWIC's pre-NRLA survival ratios are very strong post-NRLA.

Review of Net Incurred Losses to Beginning Reserve Ratios

8.44 I note that the metric of Net Incurred Loss to Beginning Reserve is not useful for evaluation purposes, given the movement of all of PWIC's reserves into Yosemite during calendar year 2018.

8.45 The proposed IBT in 2019 will not be impacted by any further transfers of net reserves from PWIC to Yosemite. At this time, I have not reviewed any further results for Yosemite in 2019.

Conclusion

8.46 **Therefore, in light of the above conclusion on the adequacy of both PWIC's and Yosemite's reserves pre-NRLA, I believe Yosemite's reserve levels are reasonable post-NRLA and pre-IBT.**

Financial Strength – Capital

Review of GSSA

8.47 As noted previously, Enstar performs the GSSA to support its capital adequacy process. Enstar provided me its GSSA as of year-end 2017. This document reflects Enstar's assessment of all reasonably foreseeable material risks, and the level of capital required to support these risks. It addresses its overall solvency needs, taking into consideration its ever-changing risk profile and how actual results deviate from underlying modeling assumptions. It reviews these in light of its internal controls and risk management processes, as well as its risk appetite and tolerances.

8.48 Enstar's GSSA model uses the following risk categories:

- Reserve Risk and Premium Risk (combined as Insurance Risk)
  - Reserve Risk relates to the risk that actual loss payments will be greater than the reserves carried on the balance sheet
  - Premium Risk relates to the risk that policies are priced inadequately
- Credit (reinsurance counterparty) Risk
  - Relates to the risk that a counterparty is unable to pay amounts in full when due
- Market (i.e., investment) Risk
  - Relates to risks arising from the financial markets, including changes in interest rates, stock market values, and foreign exchange rates
- Operational Risk (50 individual risks pertaining to business and IT)
  - Relates to the risk of being in business, including control failures, reputational risk, poor business decisions, lack of responsiveness to industry changes, etc.

8.49 In addition, a diversification benefit is derived that serves to reduce required capital.

8.50 Enstar reviews the required capital by risk for each model and compares changes over time. The indicated required capital results of the GSSA and BSCR models are similar.

Review of Stress Tests

8.51 Led by its Capital Modeling team, Enstar also performs various “stress (or scenario) tests” to assess the impact on required capital of extreme events. These tests include those prescribed by Bermuda, as well as other internal tests. These tests encompass many different underlying risks (e.g., runaway inflation, stock market decline, change in credit spreads, adverse loss reserve development, catastrophes, etc.). These tests also include “reverse stress” tests that aim to identify scenarios that could lead to capital exhaustion. These types of tests are reasonable, and I feel that it is reasonable for me to rely on them. Overall, these tests as of 12/31/17 did not indicate any areas of concern for Enstar, in that the likelihood of any event(s) leading to capital exhaustion was sufficiently remote.

Review of Capital Adequacy

8.52 As previously noted in Section II, in the United States there are no prescriptive regulations promulgated to determine capital adequacy, and RBC was a methodology developed for measuring the minimum amount of risk-based capital appropriate for an insurer in consideration of its size and risk profile. Since RBC is required and is commonly reviewed by boards, management and regulators, it will be the primary metric by which I evaluate capital adequacy. As previously noted, I will also rely on another commonly used benchmark, the R/S ratio. Lastly, I will discuss the Group’s approach to managing its capital adequacy. The manner in which the Group as a whole maintains its capitalization ratios is an important consideration in reviewing the policyholder security for the proposed IBT.

Review of RBC Ratio

8.53 As of 12/31/17, Enstar US recorded an RBC ratio of 410%. In other words, Enstar has 4.1 times as much capital as would be required to be at an ACL. A higher ratio implies more policyholder security. Per Figure 10 below, this ratio has been relatively consistent for Enstar over time, and is also consistent with the GSSA. Based on my review of industry data, Enstar’s ratio is lower than the industry RBC ratio for companies of comparable size. But, the industry as a whole is generally accepted to be more than adequately capitalized. As a result, it is my opinion that an RBC ratio of 410% signifies a very well-capitalized company.

Review of R/S Ratio

8.54 As of 12/31/17, Enstar US recorded a R/S ratio of 1.34. In contrast to the RBC ratio, a higher R/S ratio implies less policyholder security. This ratio also implies that Enstar has a surplus to reserves ratio of 0.75 (= 1.0 / 1.34), which indicates it has enough surplus on hand to withstand a 75% adverse deviation in its reserves. Per Figure 11 below, this ratio has also been relatively consistent for Enstar over time. While there are no official standards in place for a R/S ratio, a R/S ratio below 2.0 would, all else equal, signify a well-capitalized company.

FIGURE 10

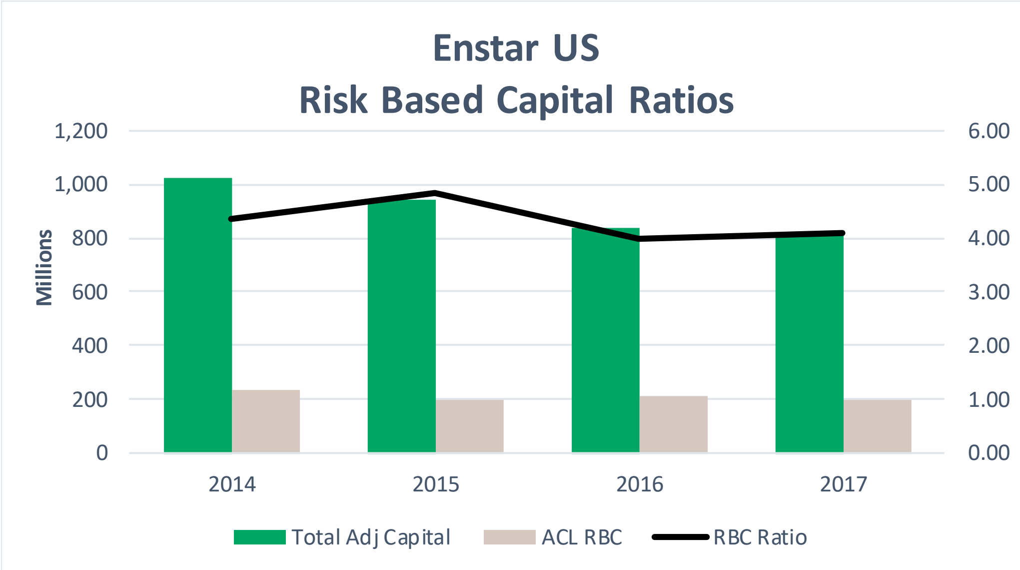
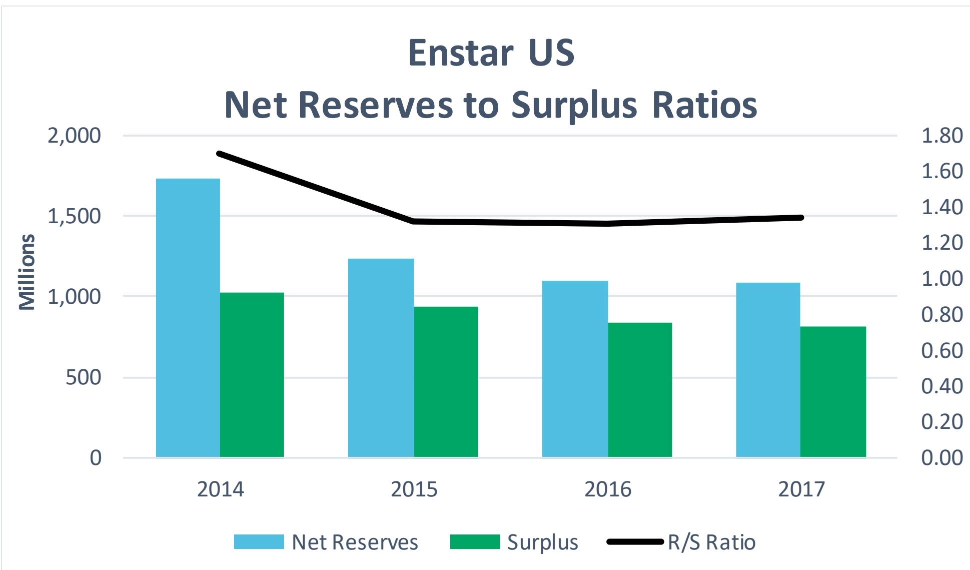


FIGURE 11



Conclusion

8.55 **In sum, I would conclude that Enstar US is a well-capitalized company.** Within this group context, I now focus on each of the two entities involved in the proposed IBT.

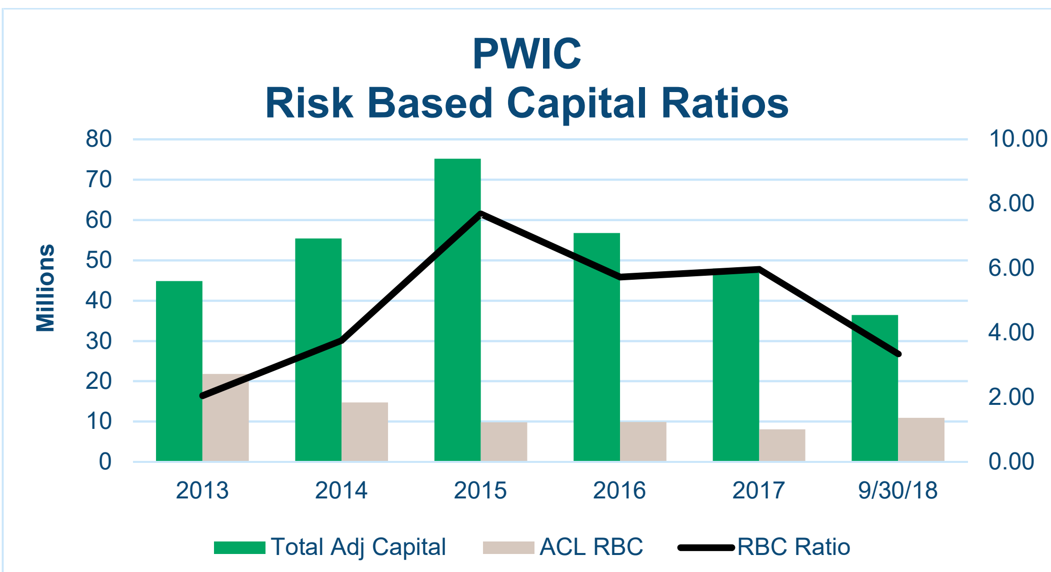
Financial Strength – PWIC Capital pre-NRLA

8.56 Enstar has owned PWIC's book of business since 2010 and has managed its capital adequacy as part of its GSSA process. In addition, PWIC's mix of exposures is quite similar to the majority of Enstar's book of non-life run-off business. As a result, it is fair to compare the solvency ratios of PWIC to Enstar as a whole.

Review of RBC Ratio

8.57 Figure 12 below displays PWIC's capital level and RBC ratio over the last five years and including the 9/30/18 SPA, when Yosemite, who would be the Assuming Insurer of PWIC's Subject Business to be transferred, was acquired by Enstar US via SPA. The RBC ratio line indicated significant improvement in the RBC ratio since 2013. The RBC ratio has declined somewhat since 2015 as PWIC's book of business has continued to run off, but reflects somewhat higher proportions of higher hazard latent exposures. The 9/30/18 RBC ratio of 335% is slightly lower than Enstar US's overall RBC ratio of 410%.

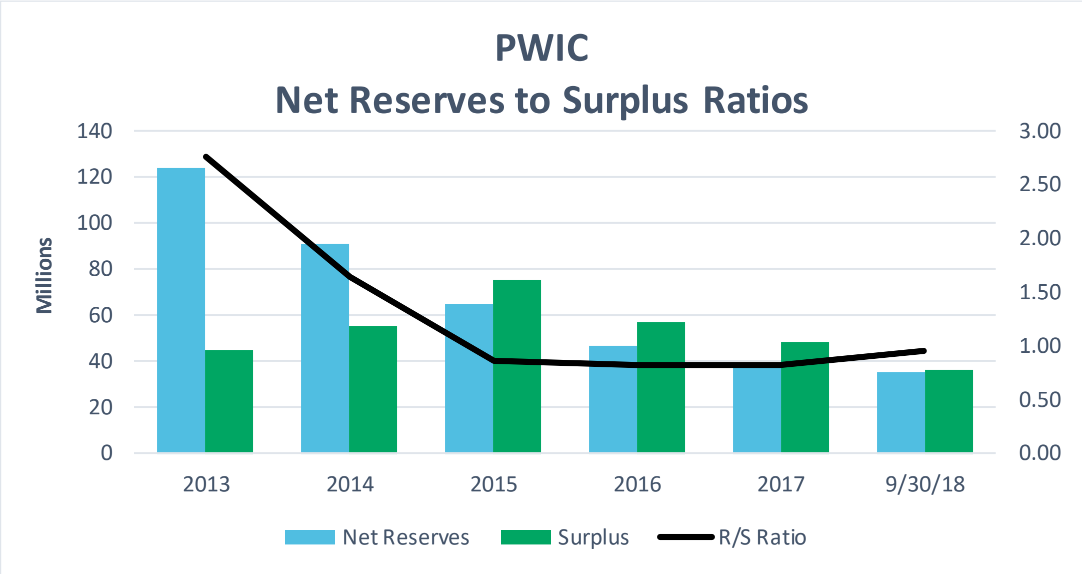
FIGURE 12



Review of R/S Ratio

8.58 Figure 13 below displays PWIC's net R/S ratio over the last five years and including the 9/30/18 valuation. The declining ratio is a sign of increasing capitalization strength. PWIC's 9/30/18 R/S ratio of approximately 0.96 is lower (stronger) than Enstar US's overall R/S ratio of 1.34.

FIGURE 13



Review of Pro Forma Financial Projections

8.59 Enstar initially prepared pro-forma financial statements for each of PWIC and Yosemite pre-NRLA, with estimates post-NRLA and post-IBT. Table 12 below compares balance sheets for PWIC on the following bases:

- SPA effective 9/30/18
- Estimated 12/31/18, pre-NRLA
- Effects of the dividend and the NRLA
- Estimated 12/31/18, post-NRLA
- Actual 12/31/18

This presentation best depicts how PWIC's financials were estimated to be impacted by the dividend and NRLA since the acquisition of Yosemite on 9/30/18.

TABLE 12: PWIC BALANCE SHEET EFFECTS

ITEM	PWIC SPA 9/30/18	PWIC PRE-NRLA*	PRO-FORMA REINSURANCE TO YOSEMITE	PRO-FORMA PWIC DIVIDEND TO YOSEMITE	PRO-FORMA PWIC NRLA TO YOSEMITE	PRO-FORMA PWIC POST-NRLA**	PWIC 12/31/2018
ASSETS							
BONDS	96,195,277	94,149,505	(461,019)	(17,937,433)	(22,992,009)	53,220,063	95,744,846
CASH AND INVESTED ASSETS	17,445,835	17,087,656			(11,264,902)	5,822,755	14,657,784
REINSURANCE RECOV, INCL. RETRO CONTRACTS	2,444,245	2,295,283			(2,295,283)	-	5,189,839
OTHER ASSETS	8,742,752	6,322,167			(3,617,023)	2,705,144	2,253,197
TOTAL ASSETS	124,828,109	119,854,611	(461,019)	(17,937,433)	(40,169,216)	61,747,962	117,845,666
LIABILITIES							
LOSSES & LAE	34,934,658	34,155,686			(34,155,686)	-	-
REINSURANCE PAYABLE ON PAID LOSSES AND LAE	4,103,425	4,132,339			(4,132,339)	-	3,946,475
OTHER PAYMENTS/LIABILITIES	16,745,021	16,082,832			(467,100)	15,615,732	25,114,812
FUNDS HELD	27,891,539	26,833,271			-	26,833,271	70,114,971
RETROACTIVE REINSURANCE RESERVES - ASSUMED	86,587,430	81,061,338			(81,061,338)	-	-
RETROACTIVE REINSURANCE RESERVES - CEDED	(83,620,466)	(80,600,318)	(461,019)		81,061,338	461,019	(410,463)
BAD DEBT PROVISION - REINSURANCE	1,767,691	1,414,091			(1,414,091)	-	(1,340,045)
TOTAL LIABILITIES	88,409,298	83,079,238	(461,019)	-	(40,169,216)	42,910,022	97,425,750
CAPITAL & SURPLUS						-	
COMMON CAPITAL STOCK	5,021,200	5,021,200			-	5,021,200	5,021,200
GROSS PAID IN/CONTRIBUTED SURPLUS	98,267,261	98,267,261		(17,937,433)	-	80,329,828	80,329,828
UNASSIGNED SURPLUS	(66,869,650)	(66,513,088)			-	(66,513,088)	(64,931,112)
TOTAL CAPITAL & SURPLUS	36,418,811	36,775,373	-	(17,937,433)	-	18,837,940	20,419,916

* Estimated as of 12/31/18

** Effective 12/31/18

8.60 PWIC requested approval of an extraordinary cash dividend payment to Enstar Holdings (US) in the amount of $17.9 million. This dividend was sourced from excess collateral on PWIC's retroactive reinsurance policies, and was intended to allow PWIC to maintain its RBC ratio at or above a 300% threshold. This dividend was subsequently paid directly by PWIC to Yosemite in cash.

8.61 Other assumptions incorporated into the financial pro-formas were:

- A fixed Income investment yield of 3.2%, with no change in market value
- Changes in the 2018 RBC calculations, per NAIC requirements, related to the inclusion of a 3% operational risk charge and changes to the counterparty credit risk factor
- There is a decrease in Invested Assets of approximately $11 million. Enstar indicated that Yosemite will be re-allocating $11 million of the NRLA transfer amount into a longer-duration fixed-income asset class of joint venture/partnership/limited liability corporation. Enstar indicated that it intentionally plans to slightly increase the asset risk of the portfolio, given recent changes in investment strategies within the Group, due to recent acquisitions and re-domestications.
- The State of Rhode Island's request to include retroactive reinsurance ceded liabilities (AP Doctors 1& 2, ROA) in RBC reserve risk calculation. Given the noted change in the credit risk calculation in the RBC formula, Enstar indicated that it used a "blended 2017 and 2018" approach to ensure conservatism in this calculation.

Conclusion

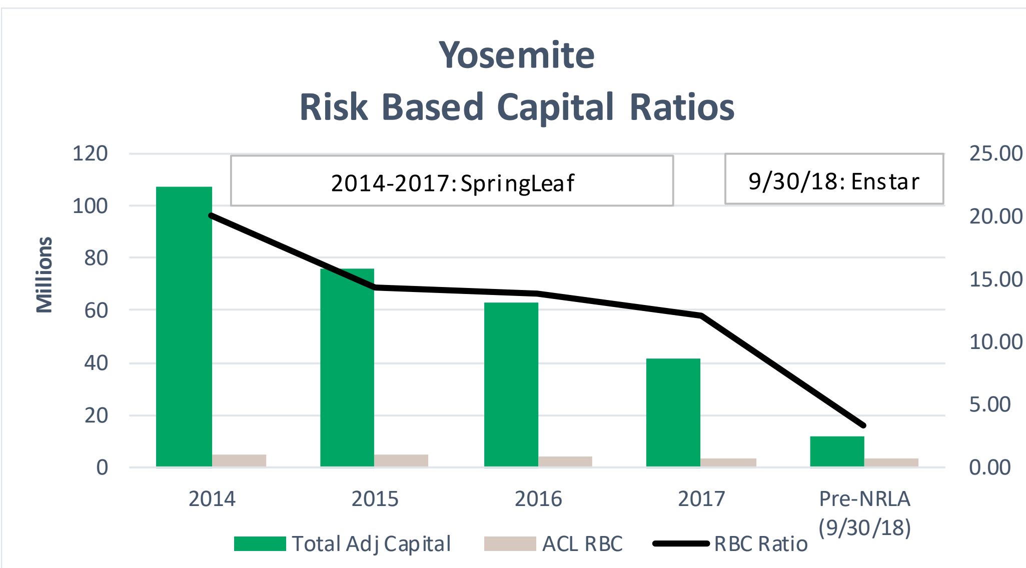
8.62 **Given the relatively stronger capitalization ratios of PWIC vs. Enstar US, which is already a well-capitalized company, and in light of the rigorous GSSA process described above and the guarantee provided by EGL, I conclude that the policyholders of PWIC currently benefit from a well-capitalized company.**

Financial Strength – Yosemite Capital pre-NRLA

Review of RBC Ratio

8.63 Figure 14 displays Yosemite's available capital and RBC ratio over the last five years and including the 9/30/18 SPA valuation when Yosemite was acquired by Enstar Holdings (US). The RBC ratio line indicates significant decreases in the RBC ratio since 2014. As previously noted, Springleaf had issued dividend payments in prior years, given Yosemite's excellent record of profitability over this period. All of these dividends were approved by Indiana and paid prior to the SPA. Since the Triton agreement took effect immediately after the SPA, the appropriate starting point for evaluating Enstar's RBC ratio is as of 9/30/18. Yosemite's 9/30/18 RBC ratio of 3.31 is consistent with that of PWIC's.

FIGURE 14

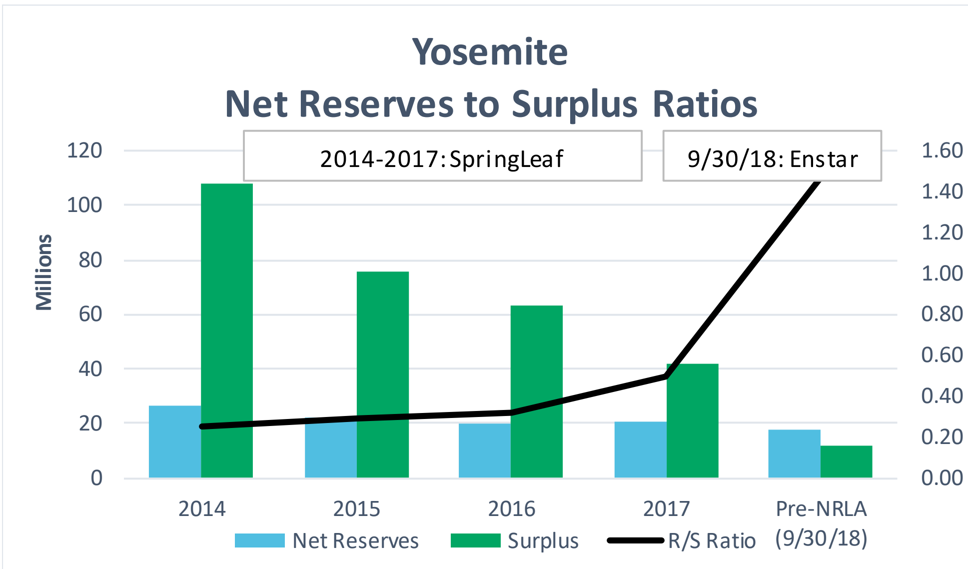


8.64 As noted previously, Yosemite cedes 100% of its Credit Block business to Triton Insurance Company. This credit risk is reflected in the RBC ratios shown above.

Review of R/S Ratio

8.65 Figure 15 displays Yosemite's R/S ratio over the last five years and including the 9/30/18 SPA valuation. The ratio increased steadily from 2013-2017 due to the declining surplus level from the dividend payments. Again, this is a sign of financial strength, as Yosemite's 2017 R/S ratio of approximately 0.5 is lower than Enstar US's R/S ratio of 1.34 and very strong relative to industry benchmarks. At 9/30/18, Yosemite's R/S ratio increased to 1.48, which is slightly higher but in line with than Enstar US's ratio of 1.34.

FIGURE 15



8.66 I have not been provided any information regarding how Yosemite's former parent, One Main Financial, performed capital adequacy assessments. My review above indicates that Yosemite was in a very strong capital position upon the acquisition by Enstar in 2018. Since Yosemite is now part of Enstar Group, it will be incorporated into the GSSA process. In addition, Yosemite's remaining net exposures (i.e., its E&S segment) are quite similar in nature to the majority of Enstar US's book of non-life run-off business. As a result, it is fair to compare the solvency ratios of Yosemite to Enstar US as a whole.

Conclusion

8.67 **Given the relatively stronger capitalization ratios of Yosemite vs. Enstar US, which is already a well-capitalized company, and in light of the rigorous GSSA process described above and the guarantee provided by Enstar, I conclude that the policyholders of Yosemite currently benefit from a very well-capitalized company.**

Financial Strength – Yosemite Capital post-NRLA and pre-IBT

8.68 During this preparation phase, actual year-end 2018 results became available. Table 13 below compares balance sheets for Yosemite on the following bases:

- SPA effective 9/30/18
- Estimated 12/31/18 pre-NRLA
- Effects of the dividend and the NRLA
- Estimated 12/31/18 post-NRLA
- Actual 2018

This presentation best depicts how Yosemite's financials were estimated to be impacted by the dividend and NRLA since the acquisition of Yosemite by Enstar on 9/30/18.

TABLE 13: YOSEMITE BALANCE SHEET EFFECTS

		PRO-FORMA			
ITEM	YOSEMITE SPA 9/30/18	YOSEMITE PRE-NRLA*	DIVIDEND AND NRLA EFFECTS	YOSEMITE POST-NRLA**	YOSEMITE ACTUAL 2018
ASSETS					
BONDS	28,208,118	28,208,118	23,453,028	51,661,146	28,618,676
CASH AND INVESTED ASSETS	24,278,231	1,049,911	17,937,433	18,987,344	10,112,250
REINSURANCE RECOV, INCL. RETRO CONTRACTS	3,532,983	5,164,122	2,295,283	7,459,405	3,197,583
FUNDS HELD					38,307,730
OTHER ASSETS	3,082,342	475,771	14,881,925	15,357,696	26,333,676
TOTAL ASSETS	59,101,674	34,897,922	58,567,668	93,465,590	106,569,915
LIABILITIES					
LOSSES & LAE	17,645,248	14,569,221	34,155,686	48,724,907	46,769,216
REINSURANCE PAYABLE ON PAID LOSSES AND LAE					-17,292
OTHER PAYMENTS/LIABILITIES	23,380,541	116,761	6,474,549	6,591,310	16,248,904
PROVISION FOR REINSURANCE	6,114,600	5,503,140		5,503,140	2,257,309
BAD DEBT PROVISION - REINSURANCE					4,017,556
TOTAL LIABILITIES	47,140,389	20,189,122	40,630,235	60,819,357	69,275,693
CAPITAL & SURPLUS					
COMMON CAPITAL STOCK	5,000,000	5,000,000	0	5,000,000	5,000,000
GROSS PAID IN/CONTRIBUTED SURPLUS	2,500,000	2,500,000	17,937,433	20,437,433	2,500,000
UNASSIGNED SURPLUS	4,461,285	7,208,800	0	7,208,800	29,794,222
TOTAL CAPITAL & SURPLUS	11,961,285	14,708,800	17,937,433	32,646,233	37,294,222

8.69 Yosemite's assets and liabilities decreased by approximately $23 million from SPA to Pre-NRLA due to a ceded premium payable to Triton that was made in that period.

8.70 Yosemite's results were opposite to PWIC's in terms of the dividend and NRLA effect. I previously noted the impact of the $17.9 million dividend on Yosemite's surplus. This dividend was intended to also allow Yosemite to maintain its RBC ratio above 300%. I also noted the premium paid for the NRLA, as well as the increase in long-term assets. Here are some additional observations:

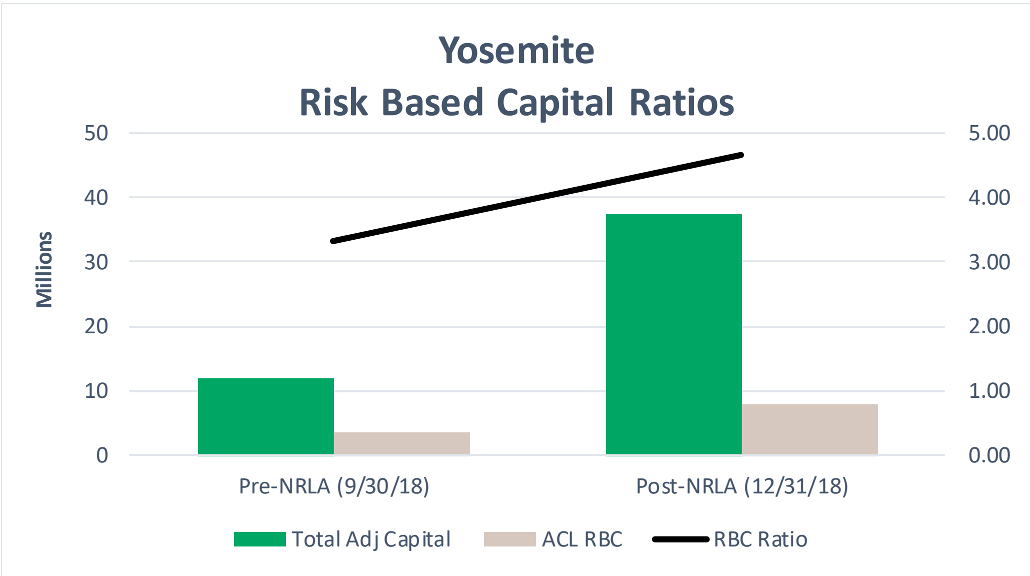
- This $17.9 million capital contribution was declared in 2018 and paid on February 15, 2019.

- The NRLA premium was not paid prior to year-end, and thus the premium was recorded as funds withheld for actual 2018 results. In addition, the re-allocation of $11 million of premium into longer-term assets had not been made as of 12/31/18, but is planned to be done by the end of 2019.
- There was some favorable run-off of loss and LAE reserves, due to two offsetting factors – 1) some adverse development on the PWIC book, and 2) savings related to an internal commutation. See Section XI for more details.
- PWIC pension liabilities are now reflected in the actual financials, whereas they had not been reflected in the estimated pro-forma financials.
- Other changes in Schedule F.

Review of RBC and R/S Ratios

8.71 Figure 16 below displays Yosemite's available capital and RBC ratio pre-NRLA (9/30/18) to post-NRLA (12/31/18).

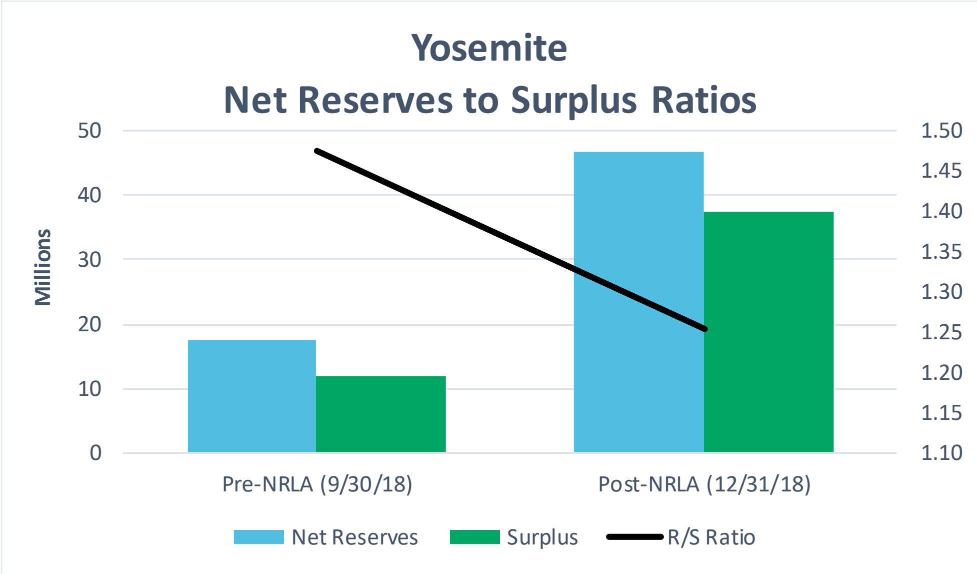
FIGURE 16



8.72 The RBC ratio as of 12/31/18 of 465% is higher than the 9/30/18 RBC ratio of 331%. An RBC ratio of 465% signifies a very well-capitalized company. (Enstar also indicated that Yosemite's RBC reflects that Triton posted full collateral amounts on its reinsurance of Yosemite's Credit Book).

8.73 Figure 17 below displays Yosemite's R/S ratio pre-NRLA (9/30/18) to post-NRLA (12/31/18).

FIGURE 17



8.74 The R/S ratio as of 12/31/18 is 1.25, which is lower (more favorable) than the pre-NRLA R/S ratio as of 9/30/18 for Yosemite of 1.48.

8.75 From both measures considered, Yosemite has a higher degree of capital post-NRLA vs. pre-NRLA. Compared to PWIC pre-NRLA, Yosemite has a lower degree of capital strength when reviewing the R/S ratio (as of 9/30/18, PWIC had a R/S ratio of 0.96; as of 12/31/18, Yosemite had an R/S ratio of 1.25), but it has a higher degree of capital strength when reviewing the RBC ratio (as of 9/30/18, PWIC has an RBC ratio of 335%; as of 12/31/18, Yosemite has an RBC ratio of 465%). The R/S ratio comparison alone, without consideration of the parental guarantee, would imply that the policyholders of the Transferring Business could arguably be in a reduced (though still adequate) capital position if the IBT were approved. But, the addition of the parental guaranteed strengthens the capital position of Yosemite. The assessment that I need to make is whether Yosemite is sufficiently strong such that the policyholders of the Transferring Business will not be materially adversely impacted by the proposed IBT.

8.76 Both Post-NRLA and post-IBT, Enstar has committed to maintain Yosemite's RBC ratios at a target of 350% and no lower than 300%. As of year-end 2018, the RBC ratio is 465%. This target ratio is above Enstar US's RBC ratio of 410%, and is also well within accepted industry ratios for a well-capitalized company. Yosemite's 2018 R/S ratio of 1.25 is similar to Enstar US's ratio of 1.34, and is very strong in comparison to a ratio that could commonly require company action (e.g., 4.0-5.0 or higher).

Conclusion

8.77 **Given the existing strong capitalization ratios and the parental guarantee in place, I am satisfied that Yosemite is in a strong financial position as of 12/31/18. And given that Yosemite is a well-capitalized company, the planned increase in fixed-income asset duration does not present a material increase in the risk profile of the company. I have therefore concluded that the security of the policyholders of the Transferring Business is not materially reduced as a result of the NRLA.**

Financial Strength – Yosemite Capital post-IBT

8.78 Table 14 below shows the expected balance sheet effect assuming the IBT is approved in 2019, and reflects Enstar's assumptions for Yosemite business in each of 2019, 2020, and 2021.

TABLE 14: YOSEMITE FUTURE BALANCE SHEETS POST-IBT (PROJECTED YEAR-END)

		YOSEMITE	
ITEM	**2019**	**2020**	**2021**
ASSETS			
BONDS	91,121,008	88,002,075	83,726,934
CASH AND INVESTED ASSETS	6,811,186	6,061,584	6,398,012
REINSURANCE RECOVERABLES, INCL. RETROACTIVE CONTRACTS	5,110,132	4,596,949	4,123,346
OTHER ASSETS	14,779,725	14,008,385	13,815,078
TOTAL ASSETS	117,822,051	112,668,992	108,063,370
LIABILITIES			
LOSSES & LAE	41,191,454	37,920,352	34,903,173
REINSURANCE PAYABLE ON PAID LOSSES AND LAE	4,006,263	3,958,747	3,836,627
RETROACTIVE REINSURANCE RESERVES - ASSUMED	73,950,002	68,356,586	64,083,645
RETROACTIVE REINSURANCE RESERVES - CEDED	(73,562,855)	(68,041,582)	(63,833,143)
OTHER PAYMENTS/LIABILITIES	5,950,243	5,897,764	5,640,970
FUNDS HELD BY COMPANY UNDER REINSURANCE	26,138,434	23,749,428	21,835,828
PROVISION FOR REINSURANCE	3,108,517	2,743,818	2,423,667
TOTAL LIABILITIES	80,782,058	74,585,114	68,890,766
CAPITAL & SURPLUS			
COMMON CAPITAL STOCK	5,000,000	5,000,000	5,000,000
GROSS PAID IN/CONTRIBUTED SURPLUS	2,500,000	2,500,000	2,500,000
UNASSIGNED SURPLUS	29,539,993	30,583,878	31,672,603
TOTAL CAPITAL & SURPLUS	37,039,993	38,083,878	39,172,603

8.79 The following are the key assumptions underlying the post-IBT Yosemite pro-forma financials:

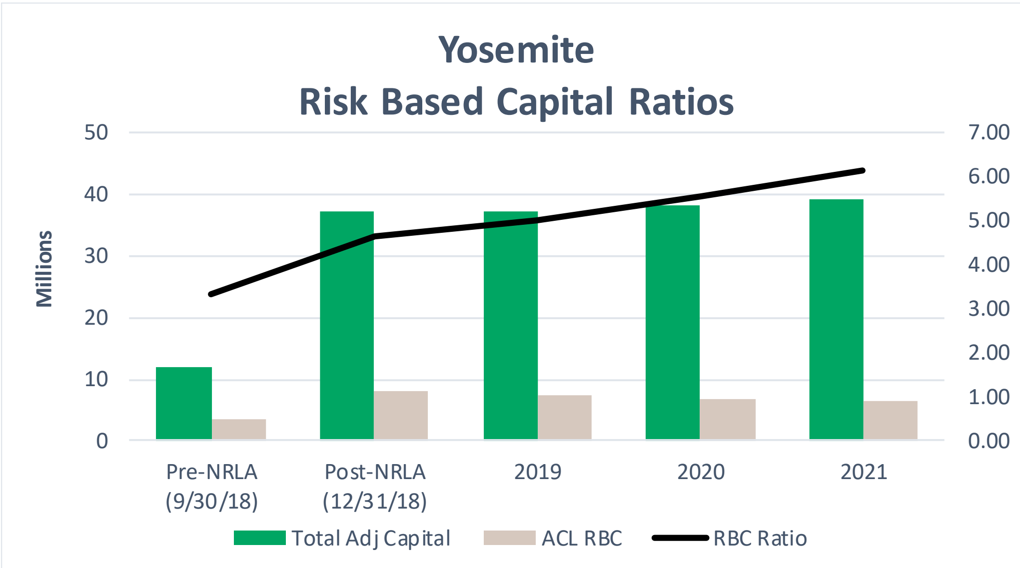
- 2019-21 results are based on Enstar's Plan forecasts, updated for 2018 actuals. These assumptions include:
  - Maintain >=300% RBC ratio via dividends of amounts above this threshold;
  - 10% expense reduction,
  - 5% savings relative to carried reserves, due to Enstar's business model of proactive claims management, commutations, etc.
  - 2.7% investment rate of return, with no material change in market value
  - 21% tax rate on net income (reflecting Tax Cuts and Jobs Act of 2017 change in US tax law).

8.80 The assumptions related to expenses, reserves and investments appear to be reasonable in light of historical Enstar results upon acquisition of new blocks of run-off business.

Review of RBC and R/S Ratios

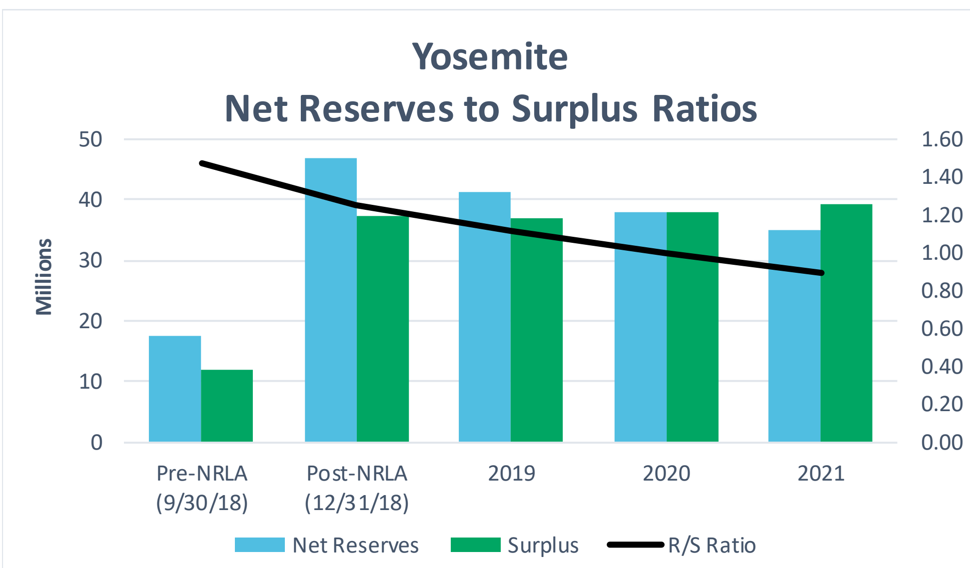
8.81 Figures 18 and 19 display Yosemite's RBC and R/S ratios, respectively, for a five-year period that includes 9/30/18 (SPA), actual 2018 (post-NRLA), and the projected three years post-IBT. These figures reflect that the Unigard policyholders and New York and Massachusetts policyholders will not be part of the Subject Business.

FIGURE 18



8.82 The RBC ratio continues to increase (improve) based on Plan assumptions.

FIGURE 19



8.83 The R/S ratio continues to decrease (improve) based on Plan assumptions.

8.84 Post-IBT, EGL has committed to maintain Yosemite's RBC ratio at a target of 350% and no lower than 300%. This target ratio is somewhat below Enstar US's RBC ratio of 410%, but is also well within accepted industry ratios for a well-capitalized company. As noted earlier, Yosemite's 2018 R/S ratio of 1.25 is similar to Enstar US's ratio of 1.34, and it is very strong in comparison to a ratio that could commonly require company action (e.g., 4.0-5.0 or higher).

Conclusion

8.85 When comparing the post-IBT capital ratios to the pre-IBT ratios, it is apparent that they are broadly unchanged, if not improving. Therefore, the IBT will not have any significant effect on the capital of Yosemite. The policyholders of PWIC transferring to Yosemite will continue to benefit from the capital adequacy of Yosemite post-IBT as they did pre-IBT but post-NRLA. **I am therefore satisfied that the policyholders of Yosemite, including those policyholders of PWIC transferring as part of the IBT, will continue to enjoy a level of security afforded by a well-capitalized company if the IBT is approved.**

The Change in Risk Exposures due to the IBT

8.86 The portfolio to be transferred from PWIC to Yosemite consists primarily of A&E claims. While it is difficult to compare specific asbestos and/or environmental risks with one another, these risk exposures are generally similar in nature to those contained within the Yosemite portfolio pre-IBT. **Therefore, I am satisfied that the proposed IBT will not lead to a material change in risk exposures of the policyholders of the Transferring Business, and will not have a materially adverse effect on the security of the Transferring Policyholders.**

The Change in Policy Servicing due to the IBT

8.87 As noted earlier, unlike other typical business transfers that are made between two companies, both of the Companies involved in this proposed IBT are currently wholly-owned by Enstar US. Enstar provided us a list of the directors and officers of each company, and they are identical. All of the Subject Business is currently administered by Enstar US. Enstar US will remain the administrator of the Subject Business post-IBT, such that the policyholders of PWIC, the Transferring Insurer, will receive the identical service after the transfer to Yosemite, the Assuming Insurer. Enstar indicates that new staffing will not be required post-IBT. Thus, having already been acquired by Enstar and begun operating under its management, Yosemite has already begun to benefit from a common approach to managing risk. In addition, should the IBT not be implemented, there will be no difference in the administration of the Transferring Business.

8.88 **Therefore, I believe that the proposed IBT will not have a materially adverse effect on the policy servicing levels enjoyed by the policyholders of the Transferring Business compared to both their current positions and their projected positions as of the effective date of the IBT.**

IX. The Effect of the IBT on the Yosemite Policyholders

Introduction

9.1 Under the proposed IBT, Yosemite's policyholders will remain in Yosemite and will be joined by the policyholders of PWIC. Similar to the effect on the transferring PWIC policyholders, the key considerations affecting the policyholders of Yosemite arise from changes in:

- The financial strength of Yosemite as a result of the IBT
- The risk exposures in Yosemite
- The policy servicing levels of the business of Yosemite

9.2 In this section, I address each of these three issues.

Financial Strength – Yosemite Capital (post-IBT)

9.3 In the prior section, I considered the pre-IBT reserve strength and capital adequacy of Yosemite. I concluded that Yosemite is reasonably reserved and well-capitalized. I also considered the post-IBT reserve strength and capital adequacy of Yosemite. Since the NRLA was effective as of 12/31/18, and the resulting reserve and capital ratios remain similar, if not improve somewhat, upon the effective date of the proposed IBT in 2019, Yosemite will continue to be a well-capitalized company post-IBT.

9.4 **Therefore, I believe that the IBT will not have a materially adverse impact on the financial strength enjoyed by the current policyholders of Yosemite.**

The Change in Risk Exposures due to the IBT

9.5 The portfolio to be transferred from PWIC to Yosemite consists primarily of A&E claims. While it is difficult to compare specific asbestos and/or environmental risks with one another, these risk exposures are generally similar in nature to those contained within the Yosemite portfolio pre-IBT. **Therefore, I am satisfied that the proposed IBT will not lead to a change in risk exposures of the policyholders of the Assuming Insurer, Yosemite, and will not have a materially adverse effect on the security of these policyholders.**

The Change in Policy Servicing due to the IBT

9.6 As noted earlier, both of the Companies involved in this proposed IBT are currently wholly owned by Enstar US. Enstar provided us a list of the directors and officers of each company, and they are identical. All of the Subject business is currently administered by Enstar US. Enstar US will remain the administrator of the Subject Business post-IBT, such that the policyholders of Yosemite will receive the identical service to before the proposed IBT.

9.7 **Therefore, I believe that the proposed IBT will not have a materially adverse effect on the policy servicing levels enjoyed by the policyholders of the Assuming Insurer, Yosemite, compared to its current position and its projected position as of the effective date of the IBT.**

X. The Effect of the IBT on the Non-Transferring Policyholders of PWIC

10.1 It is intended that all of the policyholders of PWIC except the Unigard and state of New York and Massachusetts policyholders will transfer to Yosemite upon the implementation of the proposed IBT.

10.2 The NRLA is silent on termination of the agreement, so it is my understanding that there is no contractual mechanism to cancel it.

10.3 As of 12/31/18, there were no net loss reserves on PWIC's balance sheet. PWIC capital was $20.4 million, which is being held largely based on state regulatory deposit requirements. However, as noted above, Unigard and New York and Massachusetts policyholder's claims gross and ceded reserves will remain on PWIC's balance sheet post-IBT. Unigard has reserves of $19.1 million and New York and Massachusetts policyholder's claims have reserves of $3.3 million, for a total of $22.5 million in gross and ceded reserves that will remain on PWIC's balance sheet post-IBT. As a result of this "carve-out" of the Subject Business, we note that there will be an increased credit risk reflected in PWIC's RBC ratio post-IBT. This also results in a reduced amount of available dividend from PWIC (in excess of the 350% RBC ratio EGL threshold). Specifically, Enstar has calculated an increased ACL RBC amount of $0.38 million and a reduced amount of available dividend as $1.1 million. Neither of these changes materially reduces the capital position of PWIC post-IBT.

10.4 If for some reason certain other policies cannot be transferred due to state licensing requirements or other issues, it is the intention that PWIC and Yosemite will work to effectuate the IBT for these policies at a subsequent date.

10.5 Overall, **there will be an immaterial effect of the proposed IBT on non-transferring policyholders of PWIC.**

XI. Other Considerations

Review of Reserves Evaluated as of 12/31/18 - PWIC

11.1 Enstar allowed me to review on-site a draft copy of the Enstar 2018 Yosemite Actuarial Report prepared in support of the statutory Yosemite Statement of Actuarial Opinion signed by the Group Chief Actuary. Similar to the Enstar 2017 PWIC Actuarial Report, PWIC's actuarial consultant estimated the gross loss reserves, and they were provided with Enstar's estimate of ceded reserves to arrive at the net loss reserves generated from the PWIC exposures reinsured by Yosemite.

11.2 There were no material changes to the assumptions or methods used.

11.3 The loss emergence for the workers compensation business developed quite favorably; however, this business is 100% ceded. The loss emergence for four segments with A&E exposures was unfavorable relative to expectations. Enstar increased its estimate of ultimate losses as follows:

a) Asbestos - Direct: $1.0 million

b) Sites - Direct (environmental): $2.1 million

c) ECRA (mix of asbestos and environmental): $0.3 million

d) Seaton Environmental: $0.5 million.

11.4 The increase in b) was impacted by a settlement related to one of its insureds. As noted earlier, there is a high level of uncertainty related to estimating reserves for A&E exposures, and this uncertainty level is much higher for only an annual period, especially when large settlements occur. In addition, the reserve level for PWIC environmental business is quite low (less than $5 million), which adds to the uncertainty in estimation. **Given these factors, I do not believe that these developments alter my opinion that the reserves associated with the PWIC business as of 12/31/18 are based on reasonable methods and appropriate assumptions.**

Review of Reserves Evaluated as of 12/31/18 - Yosemite

11.5 Enstar allowed me to review an on-site copy of the in-house analysis that its reserving actuarial team prepared as of 12/31/18 for the Assuming Insurer, Yosemite. This is the first time that Enstar has prepared this analysis.

11.6 Enstar employed the following set of industry-standard benchmark methodologies to each of asbestos, environmental and other mass tort exposures:

- Survival ratio
- Market share
- Reserve to paid ratio

11.7 In addition, Enstar fitted statistical curves to its own historical paid loss data, both on a cumulative basis (i.e., to derive a development factor) and an incremental basis (i.e., to derive a decay ratio).

11.8 All of these methods were based on gross of reinsurance paid loss data only (no OLR data was used). Large losses were included in the data, which is a conservative assumption (the prior actuarial consulting firm for Yosemite had excluded certain large claims). Selections were primarily based on longer-term averages of 8-15 years. Enstar then estimated ceded reserves by averaging two ratios: a) ceded incurred / gross incurred, b) ceded case (OLR) to gross case reserves. Net reserves were calculated as gross reserves minus ceded reserves.

11.9 Enstar's actuarially indicated net reserve estimates were lower than Yosemite's reserve estimates as of 12/31/17, but Enstar elected not to reduce its carried reserves.

11.10 Enstar did record a reduction in Yosemite net ultimate losses of $7.5 million as of 12/31/18. This was due to two reasons:

- $4.8 million reduction in net ultimate losses related to an internal commutation between PWIC (Seaton FASR) and Yosemite. Yosemite reinsured Seaton FASR on various facultative certificates, with the majority of exposure relating to A&E, and primarily from one of its large accounts. Enstar wanted to finalize this intercompany deal at PWIC's discounted best estimate amount, extinguish an assumed liability of Yosemite at a discount, and eliminate inter-company administration efforts. Based on a detailed claims review, which is a common approach underlying a commutation process, Yosemite paid a consideration of $2.4 million and reduced reserves by $9.2 million on a gross basis (i.e., a gross reduction in ultimate losses of approximately $6.8 million). Ceded reserves were reduced by $2.0 million to true-up to the result of the commutation, resulting in a reduction in net ultimate losses of $4.8 million.
- $2.7 million due to a claims review of carried ceded Yosemite reserves. These reductions were related to paid declaratory judgment costs that Enstar estimates can be recovered from the reinsurers, and ALAE expenses that should also be recovered. These types of recoveries are a fundamental value-added component of Enstar's business model. Enstar uncovered this opportunity in pursuing reinsurance recoveries, which will ultimately be accretive to surplus as they are recovered, providing policyholders with additional security.

11.11 Lastly, purely from a statutory financial statement standpoint, I note that the NRLA causes adverse development on Yosemite's Schedule P Part 2 (and offsetting favorable development on PWIC's), due to the reserve transfer occurring on 12/31/18 with no re-statement of the reserve history. This does not signify true adverse development.

11.12 **As a result, it is my opinion that the reserves associated with the Yosemite business as of 12/31/18 are based on reasonable methods and appropriate assumptions.**

Expenses

11.13 Given that Enstar US is already administering the PWIC business, and no changes in staffing structure are anticipated post-IBT, the on-going administrative costs of Yosemite post-IBT are not expected to change.

11.14 **As a result, it is my opinion that the transferring policyholders of PWIC and the existing Yosemite policyholders are not likely to be adversely affected by a change in ongoing expense levels as a results of the IBT**.

Asset Risk

11.15 I have reviewed the composition of the assets of both PWIC and Yosemite, both pre-IBT and post-IBT. Each company has historically maintained a conservative investment profile. The vast majority of each company's assets are in fixed income securities, including bonds (including mortgage-backed securities) and other debt securities. Neither of the Companies has exposure to the stock markets.

11.16 Table 15 below shows the invested assets by investment category for PWIC and for Yosemite as of the NRLA (pre-IBT) and post-IBT.

TABLE 15: INVESTED ASSET DISTRIBUTIONS

ASSETS	PWIC						YOSEMITE					
	NRLA/PRE IBT	%	POST IBT	%	CHANGE	%	NRLA/PRE IBT	%	POST IBT	%	CHANGE	%
BONDS												
- US TREASURIES & GOV'T	9,891	9%	9,891	22%		0%	9,804	25%	9,804	9%		0%
- NON-US GOV'T		0%		0%		0%		0%		0%		0%
- STATES/TERRITORIES	788	1%	788	2%		0%	52	0%	52	0%		0%
- MORTGAGE-BACKED SECURITIES	20,974	19%	8,917	20%	(12,057)	19%	3,809	10%	15,867	15%	12,057	19%
OTHER FIXED INCOME		0%		0%		0%		0%		0%		0%
- US SECURITIES	47,885	43%	8,953	20%	(38,932)	60%	13,551	35%	52,483	51%	38,932	60%
- NON-US SECURITIES	16,207	15%	2,899	6%	(13,308)	20%	1,402	4%	14,710	14%	13,308	20%
CASH	3,494	3%	2,776	6%	(718)	1%	10,112	26%	10,830	10%	718	1%
OTHER INVESTED ASSETS	11,164	10%	11,164	25%		0%		0%		0%		0%
TOTAL INVESTED ASSETS	110,403	100%	45,388	100%	(65,015)	100%	38,731	100%	103,746	100%	65,015	100%

11.17 As noted previously, as part of the NRLA, Enstar indicated that Yosemite will be re-allocating $11 million of the NRLA transfer amount into a longer-duration fixed-income asset class of joint venture/partnership/limited liability corporation. This $11 million investment is represented in the Post-IBT figures shown above. As a result, Yosemite will have somewhat higher investment risk as bonds and cash become a smaller % of assets relative to securities.

11.18 **Based on my review of the assets associated with the Transferring Business, I am satisfied that they do not generate any material additional risk to the security of the policyholders of Yosemite, including the policyholders of PWIC.**

Effect of the IBT on Reinsurance

11.19 I have considered the likely effects of the IBT on the reinsurers whose reinsurance contracts are to be transferred under the IBT from PWIC to Yosemite. The NRLA proposes that Yosemite assumes the PWIC reserves on a net of reinsurance basis. PWIC will still carry ceded reserves related to third-party reinsurance, internal reinsurance (i.e., Fitzwilliam) and to Yosemite. The NRLA will follow the original terms and conditions of the underlying policies and reinsurance agreements. It is my understanding that the reinsurance agreements associated with PWIC will continue to protect the Transferring Business and no obligations of the reinsurers shall change as a result of the NRLA. Therefore, the amount of the reinsurance liabilities of each reinsurer of PWIC and Yosemite will not change as a result of the IBT.

11.20 **For the reasons discussed above, I am satisfied that the IBT will not have a materially adverse effect on the reinsurers of PWIC whose reinsurance contractual obligations are unchanged by the IBT.**

The Approach to Communication with Policyholders and Reinsurers

11.21 The Act requires a communication regarding the proposed transfer to be sent to every policyholder by the parties to the IBT, except as otherwise permitted or directed by the Court or the Commissioner. PWIC has taken into account the age of the policies in the above blocks of businesses and the associated claims activity in determining if insureds will be directly notified. Given that most of this business has been in run-off in excess of 15 years and in some cases for over 40 years, it will be quite difficult and perhaps ineffectual to send a notice to all of these policyholders. Therefore, policyholders have been categorized as either "**Active Policyholders**" or "**Inactive Policyholders**." Active Policyholders include policyholders with open claims; they will be provided direct notice. Inactive Policyholders include former insureds that do not have any open claims and those that have a remote likelihood of filing a new claim. This remote likelihood was determined based on prior claims experience and the statute of limitations in filing a claim. Inactive policyholders will receive notice through a publication notice as well as through the notice to regulators and other interested parties. Furthermore, all policies will continue to be administered by the same administrator, Enstar, and all policyholders' rights to make a claim or otherwise exercise their rights under their respective policies will be fully preserved against Yosemite.

11.22 The direct notices to Active **Policyholders** shall, within fifteen (15) days of receipt from the Court of the scheduling order setting a hearing on the petition for implementation of the IBT, be transmitted by the Transferring Insurer by United States mail, first-class postage prepaid to those policyholders described above, to either (i) their last-known address as indicated by the records of the Transferring Insurer, or to the address to which policy documents are sent or, in the event such address information is not available, (ii) the principal office address for the insured as located by the Transferring Insurer through internet research, as the case may be.

11.23 To protect the interests of the Inactive Policyholders in evaluating the Yosemite's reserve adequacy, at the same time, notice will also be provided to each of the following constituencies:

- **Agents.** To agents or brokers of record on the PWIC Long Tail policies (dating back to 1958, the date of the latest open claim on this block) and Seaton FASR policies (dating back to 1970, the date of the latest open claim on this block) at the address for communications included in PWIC's records.
- **Regulators**. By first-class mail, postage prepaid to the chief insurance regulator in each jurisdiction in which PWIC holds or has ever held a certificate of authority, and in which policies that are part of the Subject Business were issued or policyholders currently reside; this will include notice to the chief insurance regulator in all 50 states and the District of Columbia.
- **Insurance Guaranty Associations**. By certified first-class mail, postage prepaid to the National Conference of Insurance Guaranty Funds, the National Organization of Life and Health Insurance Guaranty Associations and all state insurance guaranty associations for the states in which PWIC holds or has ever held a certificate of authority, and in which policies that are part of the Subject Business were issued or policyholders currently reside; this will include the state insurance guaranty associations for each of the 50 states.
- **Reinsurers**. To reinsurers of PWIC pursuant to the notice provisions of the reinsurance agreements applicable to the policies that are part of the Subject Business, or where an agreement has no provision for method of delivery, by internationally recognized delivery service.

- **Publication Notice**. PWIC will also provide notice by publication in a newspaper of general circulation in the state of Rhode Island, where PWIC has its principal place of business, and given that the policyholders are distributed throughout the United States, in the Wall Street Journal or in such other publications that the Commissioner requires.

11.24 I am informed by Enstar that the following process was considered as to the notification requirements for PWIC, the Transferring Insurer:

- **Direct Short Tail Business**. There are no open claims on PWIC's Short Tail exposures. Given that no new policies or renewals were written after 2004, and although the possibility that any claims will be asserted under such policies is remote, these are Inactive Policyholders and only public notice will be provided to these policyholders.
- **PWIC Direct Long Tail Business**. Since 1958, a total of 58,037 PWIC Direct Long Tail policies were written. The holders of these policies are considered Active Policyholders. Of these Active Policyholders, 98 policyholders currently have 120 open claims. Notice will mailed to the Active Policyholders at the last known address in the Transferring Insurer's records.
- **PWIC Reinsurance Business**. Notice of the IBT will be provided by PWIC to all 63 cedents, who are considered Active Policyholders, at the last known address for such cedents or their respective brokers or other intermediaries, as reflected in the respective governing contracts or as otherwise indicated in PWIC's records.
- **Reciprocal of America, In Receivership ("ROA")**. Due to the transfer of this business in connection with the receivership of ROA, PWIC functions as the direct writer of this business. PWIC will mail notice to all 251 policyholders of ROA with open claims which were transferred to PWIC (all of which are considered Active Policyholders) provided that these claims have not either been fully settled and released or denied pursuant to final court adjudication.
- **Seaton Assumed Reinsurance**. The notice of the IBT Plan will be provided by PWIC to all 322 cedents, who are considered Long Tail Active Policyholders, at the last known address for such cedents, or their respective brokers or other intermediaries on behalf of such cedents, as reflected in respective governing contracts or as otherwise indicated in PWIC's records.
- **Seaton FASR**. The FASR book is considered Long Tail business. For Active Policyholders, there are a total of 616 insureds with a FASR policy since 1970, and only 19 open claims associated with 12 different policies, the oldest of which dates back to 1970. Notice will be provided to the last known address indicated on PWIC's records for all 12 holders of FASR policies with open claims. Notice will also be provided as described below to at least 531 of the remaining 604 insureds with policies dating back to 1970. Although PWIC does not have mailing addresses for the 604 FASR policyholders since 1970, other than the ones with open claims, through extensive internet research, PWIC was able to locate principal office address information for 531 of such insureds and will mail a notice to the addresses of these 531 insureds. For Inactive Policyholders, PWIC has been unable to locate an address for the remaining 73 insureds. Given that Enstar has not received any claims on a policy issued prior to 1970 in over 10 years, the possibility that a claim would be asserted under such policies is remote. Notice will be provided to these insureds through a publication notice as well as through the notice to regulators and other interested parties. Furthermore, all policyholders' rights under their respective policies to make a claim or otherwise exercise their rights will be fully preserved against Yosemite.

- **Seaton/Unigard.** These policyholders are not part of the Subject Business being transferred..
- **Assumed Reinsurance Portfolios**. Notice of the IBT Plan will be provided by PWIC to each of APAC, AP Capital, AP Doctor I & II, NCCI and ECRA in accordance with the operative reinsurance contracts.
- **Summary of Active Policyholders (59,209)**

  PWIC Direct Long Tail Business – 58,037
  PWIC Assumed Reinsurance Business – 63
  Reciprocal of America – 251
  Seaton Assumed Reinsurance – 322
  Seaton FASR – 531
  Assumed Reinsurance Portfolios – 5

11.25 Even though the Act does not require Direct Notice of the proposed IBT Plan be provided to existing policyholders of the Assuming Insurer, existing Yosemite policyholders will receive publication notice of this proposed IBT. Once the IBT becomes effective, the only policyholders remaining with PWIC (except the Unigard policyholders) will be those who could not be transferred until such time as Yosemite obtains a necessary license, which includes, as of the date of Enstar's communication plan, Massachusetts and New York. To the extent that a policyholder remains with PWIC pending receipt of an insurance license by Yosemite, such policyholder shall nonetheless be treated, for administrative purposes and with respect to payment of any claims, as if it were a transferring policyholder (in accordance with above). Even though the Act does not require notice be given to the Unigard policyholders, Yosemite will provide notice to Unigard Insurance Company.

11.26 I have reviewed a sample copy of the policyholder notification provided by Enstar and find it to be reasonable.

11.27 **Based on my review, I am not aware of anything in the proposed communication plan that would materially adversely impact any policyholders. I am also satisfied that the proposed approach to communication with policyholders in respect of the IBT is both proportionate and reasonable**.

XII. Conclusions

12.1 Based upon my review, I conclude the following with respect to the proposed IBT:

- Yosemite's total carried reserves upon completion of the proposed IBT (i.e., reflecting the reserves transferred from PWIC) will be adequate to support future payment obligations;
- The financial condition of each company will not be materially adversely impacted by the proposed IBT;
- Yosemite has reasonable and adequate plans in place to properly administer the policies subject to the proposed IBT;
- The policyholders and claimants of each of PWIC and Yosemite will not be materially adversely impacted by the proposed IBT; and
- Yosemite has a reasonable and adequate corporate governance structure in place to ensure proper board and management oversight of its business post-IBT.
- As of the date of this Report, I am not aware of any material subsequent events that would impact my conclusions.

12.2 Lastly, I want to extend my thanks to Enstar personnel and to Enstar's consulting actuaries, who were all very helpful in answering questions.

XIII. Disclosures and Limitations

A. Acknowledgement of Qualifications

13.1 I, Stephen R. DiCenso, am a Principal and Consulting Actuary of Milliman, based in its Wakefield, MA Casualty practice. I am a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. I meet the qualification standards of the American Academy of Actuaries to provide the actuarial opinions provided in this assignment.

B. Data and Information

13.2 In performing this review, I have relied on data and other information provided by the Companies. Please see Appendix A for a complete list of the data I utilized in my review.

13.3 Given the timing of the proposed IBT, I have primarily relied on actual (audited) financial information as of 12/31/17, including some prior historical information. I reviewed unaudited financial information as of 9/30/18. I have also performed a review of actuarial reports as of 12/31/18 and audited financial information as of 12/31/18, and I have also relied on pro-forma projections made by the Companies for the years 2019 – 2021. See Appendix A for a complete list of data I have reviewed.

13.4 I have not audited or verified this data and information. If the underlying data or information is inaccurate or incomplete, the results of my review may likewise be inaccurate or incomplete. In that event, the results of my review may not be suitable for the intended purpose.

13.5 I performed a limited review of the data used directly in my analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of my assignment.

C. Uncertainty

13.6 Actuarial estimates are intended to approximate the expected value of an inherently variable process. Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Actual loss, premium, expense and investment income levels in any given year may differ from actuarial estimates. Such variations could have a significant effect on the conclusions contained in this Report. No warranty is given by Milliman or me that the assumptions and resulting conclusions on which this Report is based will be reflected in actual future experience.

13.7 Specific items that increase the uncertainty of actuarial estimates in this case include, but are not limited to, the following:

- The actuarial reports for each of the Companies relied on applicable insurance industry data where deemed appropriate. In particular, the use of industry development patterns implicitly assumes that the Companies' claim management practices (including case reserving and claim settlement practices) are broadly consistent with industry claim management practices. To the extent the Companies' claim management practices differ from industry averages, the uncertainty inherent in my estimates is increased.

- There is an increased level of uncertainty associated with asbestos and environmental claims. Estimation of ultimate liabilities for these claims is unusually difficult due to outstanding issues such as whether coverage exists, definition of an occurrence, determination of ultimate damages and allocation of such damages to financially responsible parties. Any changes in the legal interpretation of liability in this area could cause unforeseen results. The increased uncertainty associated with these exposures produces a wide range of reasonable estimates.

D. Other Disclosures

13.8 My review of reinsurance matters was performed in line with NAIC-promulgated instructions for Statements of Actuarial Opinion. As a result, I did not review all of the actual reinsurance contracts of either company, but relied on summaries of the terms of the contracts provided by Enstar. I also have not performed a detailed review of the potential for uncollectable reinsurance, as that would require performing a substantial amount of additional work beyond the scope of my assignment.

13.9 This Report is not intended to be an audit of the Companies.

13.10 I am not providing any accounting, legal, tax, or investment advice.

XIV. Reserve Methodologies

14.1 The following section describes the methods used in the Enstar actuarial report supporting the Actuarial Statement of Opinion for estimating each of PWIC and Yosemite's reserves. The Enstar PWIC actuarial report includes a gross reserve analysis prepared by a consulting firm as of 6/30/XX and then rolled forward to 12/31/XX. Please also refer to Appendix B for a glossary of terms that may be helpful in reviewing this section.

PWIC – Loss and ALAE

14.2 Enstar's actuarial reports I reviewed were prepared as of 12/31/16 and 12/31/17. (I also performed a limited review on-site of the 12/31/18 work papers. As noted in item 11.2, I found no material changes to the assumptions or methods used). The PWIC consulting actuarial firm's report is prepared by two fully credentialed actuaries. Both are Fellows of the Casualty Actuarial Society and Members of the American Academy of Actuaries. One actuary has been preparing the PWIC actuarial report since 2011, and the other actuary has been preparing it since 2014.

14.3 It uses data net of commutations to provide more stability in its estimates. This makes a comparison of the analysis data to Annual Statement data more difficult, but Enstar has provided a reconciliation of these amounts to us.

14.4 It splits its analysis of reserving segments into two primary categories: 1) attritional loss development, and 2) latent claim analysis. Category 1) segments employ traditional actuarial approaches used for standard lines of coverage; category 2) segments employ approaches used specifically for latent claims, such as asbestos, environmental, etc.

14.5 The reserving segments by category are as follows (as applicable to PWIC):

- Attritional
  - Workers Compensation – Direct
  - Direct CMP and all other
  - Assumed National Council on Compensation Insurance ("NCCI")
  - Capital Assurance
  - Seaton – General Casualty
- Latent Claim
  - Seaton asbestos
  - Other asbestos
  - Seaton environmental
  - Other environmental
  - Assumed ECRA and all other
- Seaton FASR

14.6 The report sometimes refers separately to Seaton segments (i.e., when Seaton was merged into PWIC) and "Legacy" segments (i.e., original PWIC segments).

14.7 The following actuarial methodologies for the **Attritional** category are used:

- Paid Loss Development
- Incurred Loss Development
- Outstanding Loss Reserve ("OLR") Loss Development
- Incurred but not Reported ("IBNR") to OLR
- Aggregate OLR Run-off Method
- Recursive Method
- Exposure Method
- Life Expectancy Method (for WC only)

14.8 These methods are described in more detail later in this report.

14.9 For each segment, weights are assigned to each method differently based on the relative predictive value of each method's results. For all segments, the consulting firm relied largely on paid and incurred loss development methods. At times, a smaller weight was given to the recursive results (e.g., Seaton - General Casualty), or from the prior review (e.g., Direct WC, CMP, NCCI). For Capital Assurance, the consulting firm relied solely on IBNR / case ratios.

14.10 The report utilizes industry patterns and ratios to supplement PWIC data. The industry ratios are adjusted to reflect the type of underlying exposure as well as trends in the underlying payment and OLR development patterns. Tail factors were based on Inverse Power Curve fits or industry (Reinsurance Association of America) data.

14.11 For the **Latent Claim** category, aggregate benchmarks are used based on the consulting firm's own data from other clients, industry data, adjusted for the reporting lag of PWIC. The latent claim methods utilized are:

- Survival ratio
- Market Share
- Reserve to Paid Ratio
- IBNR to OLR
- IBNR to Incurred
- Decay Factor
- Reserve Runoff
- IBNR to OLR Decrement

14.12 These methods are described in more detail later in this report.

14.13 For Seaton asbestos, the analysis is further refined into three segments: a) active claims; b) non-active settled claims, and c) other non-active claims. For a), the Latent Claim methods listed above are used. For b), no IBNR is required, as OLR accounts for future development. For c), an IBNR to OLR factor of 1.3 was used was based on historical results.

14.14 For the Seaton FASR segment, various exposures to loss scenarios were modeled. The consulting firm relied on a claim review performed by its claims professionals for accounts deemed to have a "major" exposure to loss. The "major" reserves were set by account based on detailed discussions between claims and management personnel. The reserves for "non-major" accounts were set using an average reserve per account based on historical data. This also included estimates for late-reported ("pure" IBNR) claims and for declaratory judgment costs that are not contemplated in the reserve estimates by account or the aggregate approaches described above.

PWIC – ULAE

14.15 ULAE (also known as Adjusting & Other ("A&O")) reserves were estimated by Enstar using a traditional paid-to-paid ratio method. This method applies a selected ratio of paid ULAE to paid loss and ALAE to loss and ALAE reserves. The selected ULAE ratio was based on historical data, adjusted for applicable retroactive reinsurance payments. The ratio is applied to the sum of a) 50% of case reserves, b) 50% of "incurred but not enough " reported ("IBNER") reserves, and c) 100% of incurred but not yet reported ("IBNYR") reserves. This method relies on the industry-standard assumption that 50% of the cost of handling a claim occurs when it is opened and 50% occurs when it is closed. Enstar assumed that 90% of the IBNR reserves are IBNER, and 10% are IBNYR.

14.16 I note that the paid ULAE amounts reflect the Paid A&O for PWIC as a whole, including Paid A&O related to segments accounted as retroactive reinsurance. However, the indicated ULAE reserve of $4.9 million excludes these segments. An additional ULAE reserve of $1.5 million is recorded for the retroactive reinsurance contracts.

Yosemite – Loss and DCCE

14.17 The external consulting firm's actuarial reports I reviewed were prepared as of 12/31/16 and 12/31/17. It is my understanding that this fully-credentialed consulting actuary has been engaged by Yosemite for these two years. I also performed a limited on-site review of the in-house Enstar reserve analysis prepared as of 12/31/18 for Yosemite. This was the first time that Enstar had prepared this analysis. This was described in 11.5 – 11.12.

14.18 The actuarial analysis is split into two sections: (1) Springleaf business, or the Credit Block, and (2) E&S, or the A&E Block. As noted previously, the Credit Block business was 100% ceded prior to the NRLA in 2018, so Yosemite does not currently retain any net exposure to the Credit Block.

14.19 For SLF business, it estimates liabilities for losses and A&O, but there is no liability for Defense and Cost Containment Expenses ("DCCE"), as Yosemite classifies all of its loss adjustment expenses as A&O.

14.20 For SLF, losses are analyzed by the following coverages: (1) Fire, (2) Involuntary Unemployment Insurance ("IUI"), and (3) Auto Collateral Protection Insurance ("Auto"). Based on the nature of Fire coverage, any losses will be reported and paid quickly. Therefore, it estimates $0 liability for Fire.

14.21 For each of IUI and Auto, it uses the following three methods to estimate ultimate losses: (1) Paid Loss Development, (2) Paid Bornhuetter-Ferguson using Loss Ratios, and (3) Loss Ratio. These methods are described in more detail later in this report. It assigns weights to each method based on the relative predictive value of each method's results. It relies on the Paid Loss Development method for the older years and on a blend of all the methods for the more recent years. Paid loss development factors are selected based on historical company experience. The initial expected loss ratio for the Paid Bornhuetter-Ferguson method is selected based on a review of recent historical experience coupled with considerations on any changes in the emerging experience and premium adequacy.

14.22 Estimated loss reserves are calculated by subtracting paid losses from estimated ultimate losses. Reserve amounts are low due to the fast-settling nature of these types of claims. Gross and net reserves are equal for the SLF business, as there is no reinsurance.

14.23 For E&S business, it estimates liabilities for losses and DCCE on a combined basis. The E&S business consists of asbestos, environmental, and other hazard exposures and each exposure is analyzed separately.

14.24 For each of asbestos and environmental, it uses the following three methods to estimate net reserves: (1) Paid Survival Ratio, (2) Paid Survival Ratio Method based on A.M. Best Data, and (3) Market Share Method. These methods are described in more detail later in this Report. It assigns weights to each method based on the relative predictive value of each method's results. It reviews the survival ratios of eleven other insurance companies that have significant A&E exposures as well as the information published in the A.M. Best Special Report on A&E exposures. It also reviews Yosemite's annual A&E payments to that of the overall industry.

14.25 For other hazards, it reviews the resulting net IBNR to case reserve ratios for asbestos and environmental exposures and then selects a ratio. This selected ratio is then applied to net case reserves for other hazards to estimate net IBNR reserves. Total net reserves are then calculated as the sum of net case reserves and estimated net IBNR reserves.

14.26 To estimate gross reserves, ratios of gross to net case reserves and gross-to-net paid losses are calculated for each E&S segment and then ratios are selected for each one. These selected ratios are then applied to estimated net IBNR reserves in order to estimate gross IBNR reserves. Finally, total gross reserves are calculated as the sum of gross case reserves and estimated gross IBNR reserves.

Yosemite – A&O

14.27 For each of the SLF and E&S segments, it estimates AOE reserves using a traditional paid-to-paid ratio method. This method applies a selected ratio of paid A&O to paid loss and DCCE reserves to estimated loss reserves. The selection A&O ratio was based on historical data. The ratio is applied to the sum of 100% of estimated IBNR reserves and 50% of case reserves.

Description of Methods

PWIC - Attritional

14.28 *Incurred Loss Development Method* – This loss development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative reported losses (paid losses plus OLR) by a cumulative development factor. This method relies on the stability of claim reporting and settlement rates, as well as the consistency of OLR levels. OLR do not have to be adequately stated for this method to be effective; they only need to have a fairly consistent level of adequacy at all ages of maturity.

14.29 Ultimate losses are estimated by applying development factors to reported losses as of the evaluation date. These LDFs estimate future loss payments on open, unreported, and reopened claims. The selection of development factors is based on historical loss payment patterns (data triangles). Development beyond the maturity of the historical data triangles is estimated by selecting a “tail” LDF.

14.30 *Paid Loss Development Method* – The paid loss development method is similar to the incurred loss development method described above. The paid method does not rely on OLR or claim reporting patterns in making estimates.

14.31 *IBNR to OLR Method (ratio of IBNR to case reserves)* – This method utilizes an expected relationship between IBNR, including both development on known claims (IBNER) and losses on true late-reported claims (IBNYR), and OLR. This method is also useful where experience is incomplete and only the OLR amounts are available.

14.32 *Aggregate OLR Run-off Method* – This method relies on the assumption that ultimate losses can be estimated on the run-off of OLR and the payments related to those OLR. This method is appropriate when there is a long history of incremental paid and incurred losses available.

14.33 *Recursive Method* – The recursive method relies on the assumption that the relationship of change in paid loss to change in OLR is consistent. This method is appropriate when incremental loss data is available or when aggregate calendar year losses for all exposure years are available. Historical calendar year changes in paid loss to changes in OLR ratios are selected. Estimates of required reserves at various evaluation points can then be calculated based on the OLR evaluated at different points in time and the selected change in paid to change in OLR ratio.

14.34 *Exposure Method* – This involves a claim file review on a sample, the conclusions from which are extrapolated to the rest of the book of business. The file review method was described above for the Seaton FASR segment review.

14.35 *Life Expectancy Method (for WC only)* – This method considers the aggregate calendar year payments and the current average claimant age for open claims. The unpaid liability estimate is the product of a selected future annual payment and the expected average claimant lifetime. The future annual payment is selected based on the historical aggregate payment history, and the expected lifetime of claimants was based on a standard US life expectancy table. This method also includes a provision reflecting potential late-reported IBNYR claims.

PWIC - Latent

14.36 *Survival Method* – This method uses the formula:

- Expected Reserve = (Expected future average yearly paid amount) * (Expected survival period)
- This method assumes that reserves are a function of selected average calendar year payments and a selected survival period. The selected for survival period is based on the firm's Industry Asbestos Ultimate and historical industry payments. The firm categorizes each segment into a selected lag based on the nature of the insured business (e.g., direct primary insurance, direct excess / reinsurance, etc.).

14.37 *Market Share Method* – This method uses the formula:

- Expected Reserve = (company market share) * (Expected future industry payments),
- Or, Expected Reserve = (company market share) * (Expected industry ultimate losses) – company cumulative paid.
- This method assumes that the company's future payments (or ultimate losses) are a fraction of the firm's Industry Asbestos Ultimate future payments (or ultimate losses), adjusted for lag.
- A review is performed of ratios of company to industry calendar year historical payments and a representative ratio is selected, which is called the "company market share". The selected ratios are applied to the lag-adjusted Industry Products Asbestos projected future payments (or ultimate losses).
- In the first alternative, industry paid to-date losses are subtracted from the Industry Asbestos Ultimate to obtain Industry Products Asbestos future paid losses. Multiplying by the company's market share yields the company's future paid losses. In the second alternative, the company's market share is applied directly to the Industry Asbestos Ultimate, resulting in an estimate of the company's ultimate losses. Subtracting paid to date Company losses yields an estimate of future company paid losses.

14.38 Selections between the two methods is based on judgement as to whether the company's future losses could better be assessed directly through a comparison to the industry's future losses or whether the company's ultimate losses could be determined from the estimate of industry ultimate losses.

14.39 *Reserve to Paid Ratio Method* – This method uses the formula:

- For all years: Expected Reserve = (Ratio of Industry Products Asbestos Reserve to cumulative paid amount) * (company cumulative paid amount)
- For a selected number of years: Expected Reserve = (Ratio of Industry Products Asbestos Reserve to paid amounts during most recent selected number of years) * (company paid amount during most recent selected number of years)
- These methods assume that the required reserve is related to past payments, either all-time, or a selected number of years, depending on observed trends in the company's payment patterns. The ratio of the Industry Asbestos Reserve to the selected industry historical payments, adjusted for lag, is applied to the comparable company historical payments.

14.40 *IBNR to OLR Method* – This method uses the formula:

- Expected Reserve = (Industry IBNR to OLR ratio) * (company OLR Reserve)
- This method applies a selected IBNR-to-OLR ratio, adjusted for lag, to the company's OLR reserves to estimate the company's IBNR. The ratios are based on industry data and judgmental selections. The underlying assumption may be adjusted if the company-specific reserve adequacy is observed to be different from industry.

14.41 *IBNR to Incurred Method* – This method uses the formula:

- Expected Ultimate Loss = (Industry Products Asbestos Ultimate to cumulative incurred loss ratio) * (company cumulative incurred losses to-date)
- This method applies a selected incurred loss development factor, adjusted for lag, to the company's incurred losses to estimate the company's IBNR. The factors are based on the relationship of the industry ultimate to industry incurred losses. The underlying assumption may be adjusted if the company-specific reserve adequacy is observed to be different from the industry.

14.42 *Decay Factor Method* – This method uses assumptions similar to those used to derive the Industry Products Asbestos Ultimate; however, the selected decay factors are directly applied to company data. An initial decay rate ("the first order decay") is applied to the estimated 2017 annual payment, selected based on a review of the company's data and industry data. Future decay rates increase each year by a "second order decay" of .9975, consistent with the factor used in its projection of the Industry Asbestos Ultimate. The decay factors were selected based on a review of company and industry decay ratios. This method is most useful where the company's data shows a consistent decay pattern.

14.43 *Reserve Runoff Method* – This method uses the formula:

- Expected Reserve = Prior Year Reserves – Paid in most recent year
- This method uses the assumption that the prior year reserve estimate was accurate, and no changes are expected in the ultimate loss estimate this year. The only difference is the amount paid out in the last year. This method serves as an "actual vs. expected" measure, whereby the user can compare the indicated reserves by the other methods against the prior year's reserve estimate implied for this year.

14.44 *IBNR to OLR Decrement Method* – This method uses the formula:

- Expected Reserve = Prior year IBNR-to-OLR Ratio x 1 Year Decrement Factor x company OLR at Year End
- This method is similar to the IBNR-to-OLR method which applies an IBNR-to-OLR ratio to the company's OLR. In this case, the IBNR-to-OLR ratio is decremented from the company's prior year indicated IBNR-to-OLR ratio. The decrement factor is selected based on a review of the historical decaying rate in the smoothed industry's IBNR-to-OLR ratio, which typically decreases at a rate between 90% and 95%.

Yosemite – Credit Block

14.45 The external consulting actuary for Yosemite utilizes the following reserving methodologies for the Credit Block.

- Paid Loss Development – described above in PWIC section.
- Paid Bornhuetter-Ferguson Method – this method is a blend of the paid development method and an a priori loss estimate. LDFs selected from the paid loss development method are used to determine the expected unreported losses based on the a priori loss estimate. The ultimate loss estimate is calculated as the sum of the actual reported losses plus the expected unreported losses. The B-F approach is more useful for more immature years because of its relative stability compared to the paid loss development method.
- Loss Ratio Method – this method assumes that future losses will develop based on an expected loss ratio. The ultimate loss is the product of the expected loss ratio and the earned premium. The loss ratio method is not responsive to actual paid losses, so it tends to be used only used for recent, immature accident years.

Yosemite – A&E Block

14.46 The external consulting actuary for Yosemite utilizes the following reserving methodologies for the A&E Block: (1) Paid Survival Ratio, (2) Paid Survival Ratio Method based on A.M. Best Data, and (3) Market Share Method. For other hazards, it uses a net IBNR-to-case reserve ratio. These methods were described above in the PWIC section.

XV. Appendices

Appendix A – Key Sources of Data

In writing this report, I relied upon the accuracy of certain documents and spreadsheets provided by Enstar. These included, but are not limited to:

Reserving

- PWIC and Yosemite Statements of Actuarial Opinion as of Year-End 2016, 2017, and 2018
- PWIC Actuarial Reports from Consulting Actuary as of Year-End 2017 and 2018
- Yosemite Actuarial Opinion Summary as of Year-End 2018
- Yosemite Actuarial Reports from Consulting Actuary as of Year-End 2016 and 2017
- Answers to questions on PWIC and Yosemite Actuarial Reports, including numerous supporting schedules
- Enstar Internal Reserve Report for Yosemite as of 12/31/18
- Enstar Reserving Policy
- PGAAP Yosemite Reserve Memo dated 8/26/18
- Enstar memo related to Yosemite claims handling pre-acquisition by Enstar
- PWIC Reinsurance Asset Meeting Minutes

Financial

- PWIC Annual Statements as of Year-End 2016, 2017 and 2018
- PWIC and Yosemite Invested Asset Schedule Post-NRLA/Pre-IBT vs. Post-IBT
- PWIC Pro Forma Financial Projections for 2018 to 2021
- PWIC Audited Financial Statements as of Year-End 2016 and 2017
- Report on Examination of PWIC as of Year-End 2013
- Yosemite Annual Statements as of Year-End 2016, 2017 and 2018
- Yosemite Pro-Forma Financial Projections for 2018 to 2021
- Yosemite Audited Financial Statements as of Year-End 2016,2017 and 2018
- Report on Examination of Yosemite as of Year-End 2016
- PWIC – Yosemite Commutation
    - Internal Memo Approval 5001712
    - Form D Filing to OID
    - OID Approval

Capital

- PWIC 3-Year Projected 2018 to 2021, both prior to 2018 actual and once 2018 actual became available
- Yosemite 3-Year Projected 2018 to 2021, both prior to 2018 actual and once 2018 actual became available
- PWIC Risk Based Capital Statement as of Year-End 2017 and 2018
- Yosemite Risk Based Capital Statement as of Year-End 2017 and 2018
- Group Solvency Self-Assessment as of Year-End 2017
- Appendix 4 – Enterprise Risk Management Framework 2018
- Appendix 5A – Group Risk Register Report as of Q4 2017
- Appendix 5B – Risk Owners Summary - EGL
- Appendix 5C – Risk Owner Summary by Subsidiary/Register
- Appendix 7 – Business Continuity Plan Framework
- Appendix 8A – Information Security Policy Library
- Appendix 8B – Information Security Policy Framework

Documents Related to the IBT

- IBT Plan Document
- IBT Communications Plan and Policyholders Notice
- Form D – Quota Share Agreement: Yosemite and PWIC
- Form D Filing – PWIC Request for Extraordinary Cash Dividend Payment
- Form D Filing - PWIC Intercompany Reinsurance Agreement (Net Retained Liabilities Agreement)
- Form D – Capital Contribution: Enstar
- Payment of Dividend by Yosemite
- Enstar Commitment Letter to PWIC
- Net Retained Liability Reinsurance and IBT Agreement
- Share Purchase Agreement Between Enstar and Springleaf Finance Corporation
- Yosemite Share Purchase Agreement Estimated Closing Statement
- Reinsurance Agreement between Yosemite and Triton
- Exhibit C – Seller Retained Business Administrative Services Agreement between Yosemite and Triton
- Share Purchase Agreement between Enstar and Springleaf
- Yosemite Dividend Pro Forma for August to September 30, 2018
- Approval of Yosemite Extraordinary Cash Dividend Payment

Appendix B – Glossary of Terms

Actuarial Central Estimate. An actuarial central estimate represents an expected value over the range of reasonably possible outcomes. As such, it is conceptually similar to an estimate of the mean. Since the range of reasonably possible outcomes may not include all conceivable outcomes, an actuarial estimate is not technically a true statistical mean. For example, the range of reasonably possible outcomes may exclude conceivable extreme events whose contribution to the true statistical mean is not reliably estimable.

Reserves. The use of the term “reserves” is common in the insurance industry. All references to estimated reserves in this report indicate the estimated liability for unpaid loss and LAE amounts on claims incurred as of the accounting date, and should not be construed as indicating a value carried on the Companies’ financial statements. The amounts carried on a company’s financial statements are traditionally referred to as the “carried” or “booked” reserves.

Case Reserves and IBNR Reserves. Total loss reserves consist of case reserves (claims administrator’s estimates of future payments on individual reported claims) and incurred but not reported (“IBNR”) reserves. As used in this report, the terms “IBNR reserves” and “unreported losses” refer to the difference between ultimate losses and case incurred losses to date. As such, they are a provision for unreported claims, changes in incurred values on open claims, and future payments on reopened claims.

Loss Adjustment Expenses (“LAE”). LAE is classified as allocated loss adjustment expenses (“ALAE”) and unallocated loss adjustment expenses (“ULAE”). Generally, ALAE includes claims settlement costs directly assigned to specific claims, such as legal fees, and ULAE includes other claims administration expenses.

Incurred (“Paid Plus Case”) Losses. Incurred losses are the sum of all paid losses and case reserves for a particular period at a specific point in time. Incurred losses are also referred to as case incurred losses.

OLR (“Outstanding Loss Reserve”). Case reserves set by claims adjusters.

Retroactive Reinsurance. Retroactive reinsurance is a reinsurance agreement that provides payment to the ceding company for insured events that have already occurred, as opposed to payments for events to occur in a future policy period.

Tail Factor. A tail factor is a final development factor that is applied to losses (or claims) to develop to an ultimate basis. Tail factors provide for development beyond the maturities represented in the historical development triangles.

Trend Factors. Trend factors adjust historical values for inflationary effects and any other underlying trends that are expected to produce changes over time (e.g., an indemnity trend factor accounts for expected growth in indemnity benefits as compared to wages, a medical trend factor accounts for expected growth in medical costs).

Ultimate Losses. Ultimate losses are the final settlement values for all claims. Until all claims are closed with no possibility of reopening, ultimate losses can only be estimated. At any prior time, an estimate of ultimate losses is equal to the sum of paid losses, case reserves, and estimated IBNR reserves.