COMBINED FINANCIAL STATEMENTS – STATUTORY-BASIS

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

As of and for the Years Ended December 31, 2023 and 2022
and Independent Auditor's Report

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Combined Financial Statements – Statutory-Basis
Years Ended December 31, 2023 and 2022

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Star Insurance Company Lansing, Michigan

Opinions

We have audited the combined statutory-basis financial statements of Star Insurance Company and subsidiaries (the "Company"), which comprise the combined statutory-basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2023, and the related combined statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended, and the related notes to the combined statutory-basis financial statements (collectively referred to as the “statutory-basis financial statements”).

Unmodified Opinion on Statutory-Basis of Accounting

In our opinion, the 2023 statutory-basis financial statements present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in accordance with the accounting practices

prescribed or permitted by the Michigan Department of Insurance and Financial Services (“DIFS”) and the Ohio Department of Insurance described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America section of our report, the statutory- basis financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023, or the results of its operations or its cash flows for the year then ended.

Predecessor Auditor’s Opinions on 2022 Statutory-Basis Financial Statements

The statutory-basis financial statements of the Company as of and for the year ended December 31, 2022, were audited by other auditors whose report, dated March 20, 2023, expressed an opinion that those statutory-basis financial statements were not fairly presented in accordance with accounting principles generally accepted in the United States of America; however, such report also expressed an unmodified opinion on those statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the DIFS and the Ohio Insurance Department described in Note 2.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Statutory-Basis Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by the Company using the accounting practices prescribed or permitted by the DIFS and the Ohio Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the DIFS and the Ohio Department of Insurance. The effects on the statutory-basis financial statements of the variances between the statutory- basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of the statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the DIFS and the Ohio Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory-basis financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Statutory-Basis Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory-basis financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory-basis financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Report on Consolidating Information

Our 2023 audit was conducted for the purpose of forming an opinion on the 2023 statutory-basis financial statements as a whole. The consolidating information on pages 41 through 45 is presented for the purpose of additional analysis of the statutory-basis financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the statutory-basis financial statements. This information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2023 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such consolidating information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such information is fairly stated in all material respects in relation to the 2023 statutory-basis financial statements as a whole.

Report on Supplemental Schedules

Our 2023 audit was conducted for the purpose of forming an opinion on the 2023 statutory-basis financial statements as a whole. The combined supplemental schedule of investment risk interrogatories-statutory- basis, the combined supplemental summary investment schedule-statutory-basis, and the combined supplemental schedule of reinsurance interrogatories-statutory-basis as of and for the year ended December 31, 2023, are presented for purposes of additional analysis and are not a required part of the 2023 statutory- basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2023 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, such schedules are fairly stated in all material respects in relation to the 2023 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

March 26, 2024

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Admitted Assets, Liabilities, and Capital and Surplus – Statutory-Basis

	December 31	
	2023	**2022**
Admitted assets		
Cash and invested assets:		
Bonds	$1,536,500,080	$ 1,599,143,924
Stocks	2,603,400	81,010,554
Properties occupied by the company	-	5,731,171
Cash, cash equivalents and short-term investments	490,409,894	213,434,445
Other invested assets	30,781,918	34,715,287
Receivable for securities	1,354,185	2,113,180
Total cash and invested assets	2,061,649,477	1,936,148,561
Investment income due and accrued	14,542,254	13,370,292
Premiums receivable	89,743,589	94,695,407
Reinsurance recoverables on ceded paid losses	18,838,163	16,605,146
Funds deposited with reinsured companies	388,654	411,769
Federal income tax recoverable	6,717,178	14,143,707
Net deferred tax asset	24,869,021	29,053,330
Receivables from parent and affiliates	8,468,681	-
Other assets	27,047,920	27,050,418
Total admitted assets	$ 2,252,264,937	$ 2,131,478,630
Liabilities		
Losses and loss adjustment expenses	$740,211,935	$ 1,193,461,252
Commissions and other expenses payable	7,942,898	4,407,751
Taxes, licenses and fees	5,408,419	5,978,771
Borrowed money	-	40,000,000
Unearned premiums	319,023,660	283,986,776
Ceded reinsurance premiums payable	26,926,999	31,020,964
Funds held by company under reinsurance treaties	523,800,000	-
Reinsurance payable on paid losses and loss adjustment expenses	636,934	-
Provision for reinsurance	2,810,825	870,800
Amounts retained for account of others	2,520,476	2,507,730
Payable to parent and affiliates	10,321,499	2,658,377
Retroactive reinsurance recoverable	(28,480,199)	(42,267,524)
Other liabilities	3,621,912	4,090,077
Total liabilities	1,614,745,358	1,526,714,974
Capital and surplus		
Segregated surplus on retroactive reinsurance contract	20,000,000	20,000,000
Common stock	5,040,000	5,040,000
Gross paid in and contributed surplus	392,153,691	392,153,691
Unassigned funds (surplus)	220,325,888	187,569,965
Total capital and surplus	637,519,579	604,763,656
Total liabilities and capital and surplus	$ 2,252,264,937	$ 2,131,478,630

See accompanying notes.

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Operations – Statutory-Basis

	Year Ended December 31	
	2023	**2022**
Net premiums earned	$ 704,872,601	$ 621,958,277
Losses and loss adjustment expenses incurred	482,572,807	518,736,654
Other underwriting expenses incurred	255,572,749	207,524,400
Net underwriting loss	(33,272,955)	(104,302,777)
Net investment income earned	51,608,114	60,990,736
Net realized capital gains (losses)	6,044,078	(9,740,868)
Net other income (expense)	67,643	(646,908)
Income before dividends to policyholders and federal income taxes	24,446,880	(53,699,817)
Dividends to policyholders	177,754	170,571
Income before federal income taxes	24,269,126	(53,870,388)
Federal income tax incurred	(8,469,804)	(6,174,724)
Net income (loss)	$ 32,738,930	$ (47,695,664)

See accompanying notes.

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Statements of Capital and Surplus – Statutory-Basis

	Year Ended December 31	
	2023	**2022**
Surplus, beginning of year	$ 604,763,656	$ 678,552,672
Net income (loss)	32,738,930	(47,695,664)
Change in net unrealized capital gains or (losses)	5,179,116	(16,061,884)
Change in net deferred income tax	(11,440,261)	3,547,310
Change in nonadmitted assets	8,218,163	(4,209,526)
Change in provision for reinsurance	(1,940,025)	630,750
Dividends to stockholders	-	(10,000,000)
Change in segregated surplus on retroactive reinsurance contract	-	(2)
Change in surplus	32,755,923	(73,789,016)
Surplus, end of year	$ 637,519,579	$ 604,763,656

See accompanying notes.

	Year Ended December 31	
	2023	**2022**
Cash from operations		
Premiums collected net of reinsurance	$ 740,889,192	$ 665,262,796
Net investment income	56,588,540	63,896,237
Miscellaneous income (loss)	67,643	(646,910)
Total	797,545,375	728,512,123
Benefit and loss related payments	732,804,902	339,671,111
Commissions and expenses paid	457,199,366	284,297,090
Dividends paid to policyholders	177,754	55,800
Federal income taxes paid (recovered)	(16,125,108)	4,993,628
Total	1,174,056,914	629,017,629
Net cash from operations	(376,511,539)	99,494,494
Cash from investments		
Proceeds from investments sold, matured or repaid:		
Bonds	188,799,864	251,850,461
Stocks	86,243,700	16,873,053
Real Estate	10,298,090	-
Other invested assets	1,612,907	5,848,032
Net gains on cash, cash equivalents and short-term investments	35,910	2,283
Miscellaneous proceeds	758,995	866,380
Total investment proceeds	287,749,466	275,440,209
Cost of investments acquired (long-term only):		
Bonds	128,152,038	380,035,044
Stocks	53,400	7,908,819
Other invested assets	-	89,678
Miscellaneous applications	1,913,161	4,307,905
Total investments acquired	130,118,599	392,341,446
Net cash from investments	157,630,867	(116,901,237)
Cash from financing and miscellaneous sources		
Borrowed funds	(40,000,000)	-
Dividends to stockholders	-	(10,000,000)
Other cash provided (applied)	535,856,121	(3,099,938)
Net cash from financing and miscellaneous sources	495,856,121	(13,099,938)
Net change in cash, cash equivalents and short-term investments	276,975,449	(30,506,681)
Cash, cash equivalents and short-term investments		
Beginning of year	213,434,445	243,941,126
End of year	$ 490,409,894	$ 213,434,445

See accompanying notes.

1. Nature of Business Operations

Star Insurance Company (Star), a wholly owned subsidiary of AmeriTrust Group, Inc. (ATG), is domiciled in the state of Michigan. Star has three wholly owned insurance subsidiaries, Ameritrust Insurance Corporation (Ameritrust) and Williamsburg National Insurance Company (Williamsburg), both domiciled in the state of Michigan, and Century Surety Company (Century), domiciled in the state of Ohio. ProCentury Insurance Company (PIC) is a wholly owned insurance subsidiary of Century domiciled in the state of Michigan.

ATG was indirectly acquired by Accident Fund Insurance Company of America ("AFICA"), whose ultimate parent is Blue Cross Blue Shield of Michigan Mutual Insurance Company ("BCBSM"), on December 31, 2022. Prior to the acquisition, ATG was a wholly-owned subsidiary of Fosun International Limited. Star and its subsidiaries (Company) maintain its home office in Southfield, Michigan.

The Company provides several types of property and liability insurance coverage, including workers' compensation, multiple peril, auto physical damage, ocean/inland marine, professional liability, garage liability, limited bonding, and other liability coverages.

The Company markets and underwrites specialty property and casualty insurance programs and products on both an admitted and non-admitted basis through a network of independent retail agents, wholesalers, program administrators and general agents. Program business refers to an aggregation of individually underwritten homogeneous risks that have similar characteristics and are distributed through a select group of agents. The insurance companies are licensed either on an admitted or a non-admitted basis in all 50 states and the District of Columbia.

2. Summary of Significant Accounting Practices

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Principles of Combination

The accompanying combined financial statements include the accounts of Star and its wholly owned insurance subsidiaries (Ameritrust, Williamsburg, and Century) and Century's wholly owned insurance subsidiary (PIC) that participate in an intercompany pooling arrangement. In combination, all intercompany transactions have been eliminated.

Basis of Presentation

The Company's financial statements have been prepared principally for filing with regulatory agencies and, as such, are prepared in conformity with accounting practices prescribed or permitted by the insurance department of each subsidiary's respective state of domicile. Prescribed statutory accounting practices include a variety of publications, including the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual (NAIC SAP)*, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The State of Michigan Department of Insurance and Financial Services (DIFS) recognizes only statutory accounting practices prescribed or permitted by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Michigan Insurance Law. NAIC SAP has been adopted as a component of prescribed practices by the State of Michigan. The State of Michigan has adopted certain prescribed accounting practices that differ from those found in NAIC SAP.

The Company has been granted a permitted practice by the State of Michigan DIFS which allows the Company to report bail bond premiums, including unearned premium, net of agent commissions. This is a deviation from standard practices for reporting premiums as described in statutory accounting principle No. 53 (*SSAP 53 P/C Contracts-Premiums*). The permitted practice was granted for reporting periods beginning December 31, 2012. The following table reconciles Gross Premiums to Premiums net of Agent Commissions, shown gross of reinsurance, for the years ended December 31, 2023 and 2022, respectively.

Premiums Written:	2023	2022
Gross Bail Bond Premiums Written	$ 96,300	$ 21,838
Less: Agent Commissions	86,863	18,925
Net Bail Bond Premiums Written	9,437	$ 2,913
Premiums Earned:		
Gross Bail Bond Premiums Earned	$ 96,300	$ 21,838
Less: Agent Commissions	86,863	18,925
Net Bail Bond Premiums Earned	9,437	$ 2,913

A reconciliation of the Company's surplus between NAIC SAP practices prescribed or permitted by the State of Michigan is shown below.

	2023	2022
Net Income, State of Michigan basis	$ 32,738,930	$ (47,695,664)
Effect of Bail Bond Permitted Practice	-	-
Net Income, NAIC SAP basis	$ 32,738,930	$ (47,695,664)
Statutory surplus, State of Michigan basis	$ 637,519,579	$ 604,763,656
Effect of Bail Bond Permitted Practice	-	-
Statutory surplus, NAIC SAP basis	$ 637,519,579	$ 604,763,656

Differences Between Statutory and Generally Accepted Accounting Principles

Statutory principles differ in some respects from generally accepted accounting principles (GAAP). The more significant differences are as follows: (a) certain assets designated as "nonadmitted assets" (principally deferred tax assets and overdue receivable balances) are excluded from the statement of admitted assets, liabilities, and capital and surplus by direct charges to unassigned surplus; (b) the costs of acquiring and renewing business are charged to operations as incurred rather than being deferred and amortized; (c) a liability is established, by a direct charge to unassigned surplus, for amounts due from unauthorized reinsurers that are not fully collateralized; (d) deferred income taxes are admitted only to the extent that they are expected to be realized for a period not to exceed three years of the statement of admitted assets, liabilities, and capital and surplus date; in accordance with GAAP, this admissibility test is not required, but is subject to a valuation allowance; (e) the unpaid loss and loss adjustment expense reserves and unearned premium reserves are presented net of reinsurance; (f) bonds and redeemable preferred stocks are reported principally at amortized cost rather than reporting bonds and redeemable preferred stocks at fair value; (g) unaffiliated common stocks are valued at fair value with related unrealized capital gains or losses reflected through policyholder surplus instead of through income; (h) goodwill is calculated as the difference between the cost of acquiring an entity and the reporting entity's share of the historical book value of the acquired entity and results in either positive or negative goodwill. Pushdown accounting is not permitted. Under GAAP, goodwill is calculated as the difference between the cost of acquiring an entity and the fair value of the assets received and liabilities assumed and is pushed down to the acquiring entity. Under NAIC SAP, the amount of goodwill recorded as an admitted asset is subject to limitations and amortized over a period not to exceed 10 years. Under GAAP, positive goodwill is amortized on a straight-line basis over a 10-year period and goodwill is evaluated for impairment if a triggering event occurs. Under GAAP, negative goodwill is recognized as an immediate gain in the statement of operations; and (i) comprehensive income is not presented in the accompanying financial statements in accordance with the Accounting Standards Codification (ASC) 220, *Comprehensive Income*.

Investments

Investment-grade bonds (NAIC 1 and 2) are stated at amortized cost. Bonds rated below investment grade (NAIC 3 through 6) are stated at the lower of amortized cost or fair value.

Common stock of affiliates is recorded at the equity in the underlying statutory-basis net assets of the affiliates. Common stock of non-affiliates is recorded at fair value.

Short-term investments are stated at cost, which approximates fair value, and include investments whose maturities, at the time of acquisition, are one year or less.

Prepayment assumptions for loan-backed and structured securities are periodically obtained from third parties and evaluated as to the impact based on the current interest rate and economic environment. Loan-backed securities are stated at amortized cost. Significant changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method. Loan-backed securities with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.

The fair values for bonds, unaffiliated common stocks, and short-term investments are stated at values obtained either by using an accepted securities pricing provider, broker/dealer quotes, or matrix pricing if quoted prices are not available.

Investments are regularly reviewed for other-than-temporary impairment with any credit-related impairment recognized as a realized loss in the combined statement of operations.

The Company does not engage in direct subprime residential mortgage lending. The Company's exposure to subprime lending is limited to investments within the fixed maturity investment portfolio, which contains securities collateralized by mortgages that have characteristics of subprime lending such as adjustable-rate mortgages and alternative documentation mortgages. At December 31, 2023 and 2022, the total carrying value of these investments comprised approximately less than 0.7% of the overall portfolio.
Investment income is recorded when earned. Due and accrued investment income that is determined to be in default is written-off and future accruals cease to be reported (admitted).

Policy Acquisition Costs

Costs of acquiring business are charged to expense when incurred while the related premiums are earned over the periods covered by the policies.

Nonadmitted Assets

Nonadmitted assets, which consist primarily of certain deferred tax assets, prepaid expenses, and receivable balances over 90 days, were $14,333,934 and $22,552,097 at December 31, 2023 and 2022, respectively.

Losses and Loss Adjustment Expenses

The liability for losses and loss adjustment expenses represents (1) case-basis estimates of reported losses on direct business, (2) estimates received from ceding reinsurers on assumed business, and (3) estimates based on past experience of incurred but unreported losses, the total of which is reduced for amounts ceded to other insurers. Such liabilities are necessarily based upon estimates. While management believes the amount is adequate, the ultimate liability may be greater or less than the amount provided. The methods for making such estimates and for establishing the resulting reserves are continually reviewed, and any adjustments are reflected in current operations.

Amounts for anticipated salvage and subrogation deducted from the liability for losses and loss adjustment expense were $15,394,000 and $14,127,000 at December 31, 2023 and 2022, respectively.

Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time the assessments are levied or in the case of premium-based assessments, at the time the premiums are written, or in the case of loss-based assessments, at the time the losses are incurred.

The Company has accrued a liability for guaranty fund and other assessments of $3,249,011 and $2,980,474 and a related premium tax benefit asset of $437,308 and $459,201 as of December 31, 2023 and 2022, respectively. The liability is included in other liabilities and is typically paid within 1 to 3 years. The asset is included in other admitted assets. The amounts represent management's best estimates based on information received from the states in which the Company writes business and may change due to many factors, including the Company's share of the ultimate cost of current insolvencies.

Unauthorized Reinsurance

The liability for unauthorized reinsurance represents unearned premiums and unpaid losses and loss adjustment expenses in excess of funds held on business reinsured with insurance companies not authorized to do business in Michigan. The change in the liability is charged or credited directly to unassigned surplus.

Premiums

Premiums written are recognized on a pro rata basis over the life of the policy term. Certain premiums are subject to retrospective premium adjustments. Bail bond premium is reported net of agent commissions due to a permitted practice granted by the State of Michigan DIFS. The estimated ultimate premium is recognized over the term of the insurance contract. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force, after deduction for reinsurance ceded to others. Provisions for unearned premiums on reinsurance assumed from others are made on the basis of ceding reports received from those entities.

Income Taxes

For 2023, the Company, as a qualifying taxable subsidiary, files as part of a consolidated federal income tax return with BCBSM. Each taxable subsidiary is responsible for its own federal tax liability and BCBSM has a master tax-sharing agreement in place with each respective subsidiary, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. For 2022, the Company was part of the ATG tax allocation agreement whereby allocation was made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the combined tax return.

Premium Deficiency Reserves

Premium deficiency reserves are required for the amount of the anticipated losses, loss adjustment expenses, commissions and other acquisition costs and maintenance costs that have not previously been expensed and are in excess of the recorded unearned premium reserve on existing policies and anticipated investment income. No premium deficiency reserve was recorded at December 31, 2023 or 2022.

High Deductibles

The Company has no high deductibles on amounts billed as of December 31, 2023 or 2022.

3. Investments

The book/adjusted carrying value, gross unrealized gains, gross unrealized losses, and estimated fair values of long-term bonds and unaffiliated common stock, at December 31, 2023 and 2022, were as follows:

	Book/Adjusted Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2023				
Debt securities:				
U.S. governments	$ 118,514,774	$ 29,027	$ (477,170)	$ 118,066,631
States, territories, and possessions	23,095,190	101,302	(742,838)	22,453,654
Political subdivisions of states, territories, and possessions	25,180,679	98,177	(1,538,485)	23,740,371
Special revenue and mortgage-backed securities	168,162,440	467,331	(13,071,362)	155,558,409
Industrial and miscellaneous	1,166,207,927	360,137	(104,101,246)	1,062,466,818
Bank loans	35,339,070	338,122	(152,208)	35,524,984
Total debt securities	$ 1,536,500,080	$ 1,394,096	$ (120,083,309)	$ 1,417,810,867
Common stock – unaffiliated	2,603,400	-	-	2,603,400
Total securities	$ 1,539,103,480	$ 1,394,096	$ (120,083,309)	$ 1,420,414,267

	Book/Adjusted Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2022				
Debt securities:				
U.S. governments	$ 9,109,673	$ 4,374	$ (526,872)	$ 8,587,175
States, territories, and possessions	26,191,942	32,279	(1,190,047)	25,034,174
Political subdivisions of states, territories, and possessions	24,710,505	28,438	(2,248,058)	22,490,885
Special revenue and mortgage-backed securities	189,560,335	281,480	(17,793,905)	172,047,910
Industrial and miscellaneous	1,301,930,737	206,123	(143,179,670)	1,158,957,190
Bank loans	47,640,732	118,890	(96,511)	47,663,111
Total debt securities	$1,599,143,924	$ 671,584	$(165,035,063)	$1,434,780,445
Common stock – unaffiliated	85,117,166	3,509,771	(7,616,383)	81,010,554
Total securities	$1,684,261,090	$ 4,181,355	$(172,651,446)	$1,515,790,999

At December 31, 2023 and 2022 there were no preferred stock securities held by the Company.

The book/adjusted carrying value and estimated fair value of net admitted long-term bonds at December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because certain borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Book Adjusted Carrying Value	Estimated Fair Value
Due in one year or less	$ 98,356,607	$97,695,802
Due after one year through five years	528,420,584	511,469,249
Due after five years through ten years	331,305,049	291,672,305
Due after ten years through fifteen years	109,625,766	94,414,220
Due after fifteen years through twenty years	1,816,118	1,615,325
Due after twenty years	5,902,879	5,274,531
Asset Backed Securities	308,347,391	285,384,652
Mortgage-Backed Securities	152,725,686	130,284,783
	$1,536,500,080	$1,417,810,867

Proceeds from the sales of bonds during 2023 were $110,861,257. Gross gains of $266,631 and gross losses of $1,206,068 were realized on these sales. Proceeds from the sales of bonds during 2022 were $131,361,596. Gross gains of $112,933 and gross losses of $3,460,677 were realized on these sales.

The Company has pledged long-term bonds with an aggregate carrying value of $899,909,135 and $986,956,319 in connection with various statutory deposit requirements and reinsurance agreements at December 31, 2023 and 2022, respectively.

Other-than-temporary impairment (OTTI) losses result in a permanent reduction to the cost basis of the investment and are included in the net realized loss on investments in the accompanying combined statements of income. For the year ended December 31, 2023 the Company did not record an aggregate impairment. For the year ended December 31, 2022 the Company recorded an aggregate impairment of $9,829,532.

Positive evidence considered in reaching the Company's conclusion that the bond investments in an unrealized loss position are not other than temporarily impaired consisted of the following: 1) absence of a significant rating downgrade or other credit event; 2) all interest payments are current; 3) there were no significant changes in the financial condition and near-term prospects of the issuer; and 4) the Company's intent and ability to retain the investment for a period of time sufficient to allow for a recovery in value.

The following is the fair value and amount of unrealized losses segregated by the time period the investment has been in an unrealized loss position:

	Less Than 12 Months		**Greater Than 12 Months**	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2023				
Debt securities:				
U.S. government	$ 59,741,176	$ (144,894)	$ 6,056,413	$ (332,276)
States, territories, and possessions	1,855,283	(9,739)	11,452,057	(733,099)
Political subdivisions of states, territories, and possessions	873,710	(6,154)	16,874,113	(1,532,331)
Special revenue and mortgage-backed securities	1,411,028	(6,459)	134,449,760	(13,064,903)
Industrial and miscellaneous	55,500,379	(541,654)	879,072,613	(103,559,592)
Bank loans	17,605	(1,753)	296,284	(150,455)
Total debt securities	**119,399,181**	**(710,653)**	**1,048,201,240**	**(119,372,656)**
Common stock – unaffiliated	-	-	-	-
Total securities	**$ 119,399,181**	**$ (710,653)**	**$1,048,201,240**	**$ (119,372,656)**

	Less Than 12 Months		Greater Than 12 Months	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2022				
Debt securities:				
U.S. government	$ 4,149,504	$ (186,528)	$ 3,814,570	$ (340,344)
States, territories, and possessions	15,335,337	(482,049)	6,809,636	(707,998)
Political subdivisions of states, territories, and possessions	7,881,192	(447,894)	11,063,677	(1,800,164)
Special revenue and mortgage-backed securities	75,120,363	(6,448,851)	84,714,676	(11,345,054)
Industrial and miscellaneous	684,345,439	(75,750,826)	332,179,219	(67,428,845)
Bank loans	1,659,096	(96,511)	-	-
Total debt securities	**788,490,931**	**(83,412,659)**	**438,581,778**	**(81,622,405)**
Common stock – unaffiliated	45,486,968	(7,616,384)	-	-
Total securities	**$ 833,977,899**	**$ (91,029,043)**	**$438,581,778**	**$ (81,622,405)**

For loan-backed and structured securities, the Company's accounting vendor uses a proprietary model for loss assumptions and widely accepted models for prepayment assumptions in valuing mortgage-backed and asset-backed securities. Inputs come from major third-party data providers. Credit loss analysis, resulting effective analytics (spreads, duration, convexity) and cash-flows are reported to clients on a monthly basis. Model assumptions are specific to asset class and collateral types and are regularly evaluated and adjusted where appropriate.

For loan-backed and structural securities, a credit OTTI is determined to exist when the Company does not have the intent to sell and has the ability to hold to recovery, but the anticipated future cash flows are less than the amortized cost.

At December 31, 2023 and 2022, the Company had 208 and 210 loan-backed and structured securities, respectively, that were in an unrealized loss position. Of the securities held at December 31, 2023, 12 were in an unrealized loss position for less than 12 months and 196 were in an unrealized loss position for greater than 12 months. Of the securities held at December 31, 2022, 141 were in an unrealized loss position for less than 12 months and 69 were in an unrealized loss position for greater than 12 months.

	Less Than 12 Months		Greater Than 12 Months	
	Fair Value of Investments With Unrealized Losses	**Gross Unrealized Losses and Non-Credit OTTI**	**Fair Value of Investments With Unrealized Losses**	**Gross Unrealized Losses and Non-Credit OTTI**
December 31, 2023				
Loan-backed and structured securities:				
Residential mortgage-backed	$ 3,642,473	$(20,161)	$65,907,602	$(9,885,892)
Commercial mortgage-backed	1,992,679	(8,764)	54,415,443	(12,708,364)
Asset-backed securities	8,090,842	(160,376)	250,387,573	(23,103,294)
Total loan-backed and structured securities	$13,725,994	$(189,301)	$370,710,618	$(45,697,550)
December 31, 2022				
Loan-backed and structured securities:				
Residential mortgage-backed	$ 41,630,230	$(4,684,359)	$34,710,324	$(7,994,547)
Commercial mortgage-backed	24,145,129	(4,170,495)	33,600,702	(11,234,031)
Asset-backed	143,239,650	(15,901,146)	131,502,560	(21,440,983)
Total loan-backed and structured securities	$209,015,009	$(24,756,000)	$199,813,586	$(40,669,561)

The Company did not recognize an OTTI on loan-backed and structured securities for the year ending December 31, 2023. The Company recognized one loan-backed and structured security with a $0.9 million credit related OTTI loss for the year ending December 31, 2022.

There are several factors that are considered in determining an OTTI, including, but not limited to, effect of interest rates, volatility, prepayment speeds, credit ratings, defaults rates, sector analytics, liquidity, expected earnings, and the present value of projected future cash flows associated with these investments.

4. Fair Value of Financial Instruments

Fair value measurement accounting guidance establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity’s own assumptions about market participants’ assumptions (unobservable inputs). The hierarchy level assigned to each security in the Company’s portfolio is based upon its assessment of the transparency and reliability of the inputs used in the valuation as of the measurement date. The levels of the fair value hierarchy for assets measured at fair value on a recurring basis are as follows:

- Level 1 – Valuations that are based on unadjusted quoted prices in active markets for identical securities. The fair values of the money market mutual funds included in the Level 1 category were based on quoted prices that are readily and regularly available in an active market and are thus classified as Level 1.

- Level 2 – Valuations that are based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair values of securities included in the Level 2 category were based on market values obtained from a third-party pricing service. They were evaluated using pricing models that vary by asset class and incorporate available trade, bid, and other observable market information. The third-party service monitors market indicators as well as industry and economic events. The Level 2 category includes corporate bonds, government and agency bonds, asset-backed, residential mortgage-backed, and commercial mortgage-backed securities, and municipal bonds.
- Level 3 – Valuations that are derived from techniques in which one or more of the significant inputs are unobservable and/or involve management judgment and/or are based on non-binding broker quotes.

The tables below provide information as of December 31, 2023 and 2022, about the Company's financial assets measured at fair value.

	Fair Value Measurements Using:			
	Total	**Level 1**	**Level 2**	**Level 3**
December 31, 2023				
Assets at fair value:				
Debt securities:				
Industrial and miscellaneous	$ 56,486,163	$ -	$ 55,125,130	$ 1,361,033
Bank Loans - unaffiliated	19,622,072	-	19,622,072	-
Equity securities:				
Common stock – unaffiliated	2,603,400	-	-	2,603,400
Cash equivalents & short-term investments	455,098,429	455,098,429	-	-
Total	$533,810,064	$455,098,429	$ 74,747,202	$ 3,964,433
December 31, 2022				
Assets at fair value:				
Debt securities:				
Industrial and miscellaneous	$ 51,768,992	$ -	$ 50,338,636	$ 1,430,356
Bank Loans - unaffiliated	37,948,420	-	37,948,420	-
Equity securities:				
Common stock – unaffiliated	81,010,554	78,460,554	-	2,550,000
Cash equivalents & short-term investments	108,941,610	108,941,610	-	-
Total	$279,669,576	$187,402,164	$ 88,287,056	$ 3,980,356

At the end of each reporting period, the Company evaluates whether any event has occurred, or circumstances have changed that would cause an instrument to be transferred between levels or disclosed at fair value. During the years ended December 31, 2023 and December 31, 2022 respectively no transfers between levels occurred.

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method. The fair values are also categorized into the three-level fair value hierarchy as described above.

	December 31, 2023				
	Total Admitted Value	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt Securities:					
U.S. Governments	$ 118,514,774	$ 118,066,631	$ -	$ 118,066,631	$ -
States, territories, and possessions	23,095,190	22,453,654	-	22,453,654	-
Political subdivisions of states, territories, and possessions	25,180,679	23,740,371	-	23,740,371	-
Special revenue and mortgage-backed securities	168,162,440	155,558,409	-	155,558,409	-
Industrial and miscellaneous	1,166,207,927	1,062,466,818	-	1,060,688,642	1,778,176
Bank loans	35,339,070	35,524,984	-	35,524,984	-
Total debt securities	$1,536,500,080	$1,417,810,867	$ -	$1,416,032,691	$1,778,176
Common stock	2,603,400	2,603,400	-	-	2,603,400
Total securities	$1,539,103,480	$1,420,414,267	$ -	$1,416,032,690	$4,381,576

	December 31, 2022				
	Total Admitted Value	Total Fair Value	Level 1	Level 2	Level 3
Debt Securities:					
U.S. Governments	$ 9,109,672	$ 8,587,174	$ -	$ 8,587,174	$ -
States, territories, and possessions	26,191,942	25,034,173	-	25,034,173	-
Political subdivisions of states, territories, and possessions	24,710,505	22,490,885	-	22,490,885	-
Special revenue and mortgage-backed securities	189,560,335	172,047,910	-	172,047,910	-
Industrial and miscellaneous	1,301,930,738	1,158,957,190	-	1,157,132,883	1,827,307
Bank loans	47,640,732	47,663,110	-	47,663,110	-
Total debt securities	$1,599,143,924	$1,434,780,442	$ -	$1,432,956,135	$1,827,307
Common stock	81,010,554	81,010,554	78,460,554	-	2,550,000
Total securities	$1,680,154,478	$1,515,790,996	$78,460,554	$1,432,956,135	$4,347,307

The table below provides information as of December 31, 2023, about the Company's roll forward of fair value measurements in Level 3.

	Significant Unobservable Inputs – Level 3
Balance as of January 1, 2022	$ 5,329,052
Total gains or (losses):	
Included in surplus	(1,183,546)
Purchases, issuances, sales, and settlements:	
Purchases	(165,150)
Transfers between fair value and cost, net	-
Balance as of January 1, 2023	$ 3,980,356
Total gains or (losses):	
Included in surplus	69,851
Purchases, issuances, sales, and settlements:	
Purchases	(85,774)
Transfers between fair value and cost, net	-
Balance as of December 31, 2023	$ 3,964,433

The estimated fair values of the Company's investments are based on prices provided by third-party pricing services. The prices provided by these services are based on quoted market prices (when available), non-binding broker quotes, or matrix pricing. The Company has not historically adjusted security prices.

For corporate, government, and municipal bonds, the third-party pricing service utilizes a pricing model with standard inputs that include benchmark yields, reported trades, issuer spreads, two-sided markets, benchmark securities, market bids/offers, and other reference data observable in the marketplace. The model uses the option-adjusted spread methodology and is a multi-dimensional relational model. All bonds valued under these techniques are classified as Level 2.

For asset-backed, residential mortgage-backed, and commercial mortgage-backed securities, the third-party pricing service valuation methodology includes consideration of interest rates, new issue data, monthly remittance reports, and other pertinent data that is observable in the marketplace. This information is used to determine the cash flows for each tranche and identifies the inputs to be used, such as benchmark yields, prepayment assumptions, and collateral performance. All asset-backed, residential mortgage-backed, and commercial mortgage-backed securities valued under these methods are classified as Level 2.

For all assets where readily observable pricing methods are not available, the third-party investment manager will price the asset using a combination of non-binding broker-dealer quotes, benchmarking techniques, and sector specific knowledge. All assets priced using this methodology are classified as Level 3.

5. Debt

In 2011, the Company became a member of the Federal Home Loan Bank of Indianapolis ("FHLBI") primarily for the purpose of participation in its mortgage-collateralized loan advance program. Membership requires the Company to purchase and hold a minimum amount of FHLBI capital stock. The Company is also required to purchase additional capital stock based on advances taken by the Company. Advances are in the form of interest payment only funding agreements issued by FHLBI. As of the year ended December 31, 2023 the Company did not have any outstanding advances with FHLBI.

The Company has the ability to increase its borrowing capacity through purchasing additional FHLBI capital stock and pledging additional collateralized residential mortgage-backed securities. Collateral and capital stock requirements are periodically reviewed by FHLBI and adjusted by the Company per the requirements of the advance agreement. The Company retains all the rights and privileges regarding the pledged collateralized residential mortgage-backed securities. The Company remained in compliance with all debt terms and covenants during 2023 and 2022.

The table below indicates the total amount of assets and liabilities related to the agreement with FHLBI as of December 31.

	2023	2022
FHLBI Capital Stock		
Membership Stock		
Class B Stock purchased / owned	$ 2,603,400	$ 2,550,000
Amount eligible for redemption	-	-
Fair Value of Collateral Pledged	-	56,607,413
Carrying Value of Collateral Pledged	-	62,946,144
Authorized borrowing capacity	80,000,000	80,000,000
Available borrowing capacity	80,000,000	40,000,000

6. Liability for Losses and Loss Adjustment Expenses

	2023	2022
Unpaid losses and LAE at beginning of year	$1,193,461,252	$1,064,187,234
Losses and LAE incurred in current year:		
Current year losses and LAE	473,484,897	423,561,103
Prior year losses and LAE	9,087,910	95,175,551
Total incurred	482,572,807	518,736,654
Losses and LAE paid in current year:		
Current year losses and LAE	118,918,441	113,141,206
Prior year losses and LAE	816,903,683	276,321,430
Total paid	935,822,124	389,462,636
Unpaid losses and LAE at end of year	$740,211,935	$1,193,461,252

Effective March 31, 2023, Star entered into an Adverse Development Cover Excess of Loss (ADC) reinsurance contract with Woodward Straits Insurance Company (WSIC), a wholly-owned subsidiary of BCBSM and an affiliated party. The ADC agreement is further described below (in Note 7). The contract resulted in a large increase in the prior year paid losses and LAE and a large decrease in the unpaid losses and LAE at end of the year. The accounting of the ADC contract resulted in $523.5 million of premium recorded as net paid Loss and LAE. $500.00 million of the premium was withheld by the Company and credited to the Funds Withheld Account. The current estimated ultimate Loss and LAE that will cede to WSIC is $500.0 million.

Prior accident year ultimate loss estimates during 2023 increased $9.1 million. Ultimate loss estimates on Auto Liability and General Liability business consolidated decreased by $12.0 million, Short Tail Lines increased by $6.4 million, Workers Compensation increased by $6.7 million, and the Public Entity Excess runoff increased by $14.0 million. All other lines of business decreased by $6.0 million.

On December 31, 2022, ATG was indirectly purchased by AFICA. Upon completion of the transaction, an increase of $87.3 million was made to management's best estimate of gross and net prior accident year ultimate loss estimates. The increase in the best estimate helps align management's reserve estimation processes across the AFICA enterprise. The increase impacted accident years 2021 and prior and varied by Annual Statement Line of Business and contributed to the $95.2 million increase in prior accident year ultimate loss estimates during 2022. Ultimate loss estimates on Auto Liability and General Liability business consolidated increased by $26.0 million, the Public Entity Excess runoff increased by $29.0 million, and Short Tail Lines increased by $3.8 million. This was offset by a $3.5 million decrease on Workers Compensation business. All other lines of business increased by $39.9 million. Analysis performed in 2022 showed additional exposure to claims that have loss potential in excess of reinsurance limits. All other lines include the resulting increase to the prior year ultimate loss estimates from this exposure.

7. Reinsurance

Star has historically maintained an allowance for the potential uncollectibility of certain reinsurance balances due from some risk-sharing partners, some of which may be in dispute. At the end of each quarter, an analysis of these exposures is conducted to determine the potential exposure to uncollectibility. At December 31, 2023 and 2022, the allowance was $0.5 million. To date, the Company has not, in the aggregate, experienced material difficulties in collecting balances from its risk-sharing partners. No assurance can be given, however, regarding the future ability of reinsurers to meet their obligations.

Star maintains a reinsurance structure designed to protect against large or unusual loss and loss adjustment expense activity. Star determines the appropriate amount of reinsurance based primarily on Star's evaluation of the risks accepted, but also considers analysis prepared by consultants and reinsurers, along with market conditions including the availability and pricing of reinsurance. However, no assurance can be given regarding the future ability of any of Star's reinsurers to meet their obligations.

Star also assumes insurance from other domestic insurers and reinsurers under pro rata contracts.

A reconciliation of direct to net premiums, on both a written and earned basis, for 2023 and 2022 follows:

	2023		2022	
	Written	Earned	Written	Earned
Direct	$820,305,835	$785,094,101	$723,406,761	$701,481,114
Assumed	6,393,552	6,778,105	6,908,287	7,634,561
Ceded	(86,789,902)	(86,999,605)	(87,402,572)	(87,157,398)
Net premiums	$739,909,485	$704,872,601	$642,912,476	$621,958,277

The following amounts have been deducted in the accompanying financial statements as a result of reinsurance ceded:

	2023	2022
Unpaid losses and loss adjustment expenses	$1,052,038,717	$536,151,687
Losses and loss adjustment expenses incurred	39,304,875	50,364,110
Unearned premiums	4,140,039	4,349,742
Ceding commissions	14,171,382	11,460,676

At December 31, 2023, the aggregate total of unsecured, unaffiliated reinsurance recoverables in excess of 3% of policyholder surplus with any one individual reinsurer was $270,685,729. The unsecured reinsurance balances in excess of 3% of policyholder surplus with any one reinsurer included:

Individual Reinsurers Who Are Not Members of a Group

Reinsurer Name	Unsecured Amount
Hannover Ruck SE	$ 123,376,172
Lloyds #2003 - CATLIN	$ 44,628,845
Lloyds #4472 - LIBERTY	$ 43,329,044
Lloyds #2987 - BRIT	$ 27,075,479

Individual Reinsurers Who Are Members of a Group

Group Code	Reinsurer Name	Unsecured Amount
0181	Swiss Reinsurance Corporation	$ 32,276,189

All Members of the Groups Shown Above with Unsecured Reinsurance Recoverables

Group Code	Reinsurer Name	Unsecured Amount
0181	Swiss Reinsurance Corporation	$ 32,276,189

The above-mentioned reinsurer unsecured amounts are all due to Star. These reinsurers are authorized in the state of Michigan.

Star entered into a Quota Share Reinsurance Agreement on June 1, 2002 with the Berkley Insurance Company (Berkley) to provide coverage for 90% of the first $1,000,000 of loss and 100% of the next $4,000,000 of loss for excess and umbrella policies.

Included in the terms of the agreement is a profit contingency between Star and Berkley based upon three-year rating periods beginning with June 1, 2002 through May 31, 2005 and each subsequent three-year period. The profit contingency to be paid is equal to 25% of the difference between the amount of ceded earned premium during the rating period less ceded losses incurred (defined as ceded paid losses plus ceded case losses and LAE including IBNR) less actual ceding commission paid less a ceded expense factor of 15% less any deficit carryforward from any previous three-year rating periods. As of December 31, 2023 and 2022, Star accrued an outstanding profit contingency, net of cash settled, due to Berkley of $643,373 and $667,848 respectively.

The net amount of return commissions recoverable at December 31, 2023, if all external, unaffiliated assumed and ceded reinsurance was cancelled is as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserves	Commission Equity	Unearned Premium Reserves	Commission Equity	Unearned Reserves	Commission Equity
Subsidiaries	$ 238,736,872	$ -	$ 238,736,872	$ -	$ -	$ -
Non-subsidiaries	1,188,117	5,030	4,140,039	938,119	(2,951,922)	(933,089)
Total	$ 239,924,989	$ 5,030	$ 242,876,911	$ 938,119	$ (2,951,922)	$ (933,089)

Direct unearned premium reserve $ 321,975,582

The net amount of return commissions recoverable at December 31, 2022, if all external, unaffiliated assumed and ceded reinsurance was cancelled is as follows:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Unearned Premium Reserves	Commission Equity	Unearned Premium Reserves	Commission Equity	Unearned Reserves	Commission Equity
Subsidiaries	$200,552,111	$ -	$ 200,552,111	$ -	$ -	$ -
Non-subsidiaries	1,572,670	107,194	4,349,742	701,153	(2,777,072)	(593,960)
Total	$ 202,124,781	$ 107,194	$ 204,901,853	$ 701,153	$ (2,777,072)	$ (593,960)

Direct unearned premium reserve $ 286,763,848

In 2023 and 2022, there were no reinsurance commutations transacted.

Adverse Development Cover

Effective March 31, 2023, Star entered into an ADC reinsurance contract with WSIC, a wholly-owned subsidiary of BCBSM and an affiliated party. Under the terms of the contract, WSIC is liable for 100% of ultimate net loss of $500.0 million in excess of the Company's retention of $571.3 million of ultimate net loss. The Company retains a loss corridor equal to the next $57.3 million of ultimate net loss; this loss corridor does not erode WSIC's limit of liability. WSIC is then liable to the Company for up to $200.0 million of ultimate net loss in excess of the loss corridor. WSIC retrocedes the ADC losses to Premia Reinsurance Ltd. using mirror terms.

As consideration for this contract, WSIC was due a premium of $523.5 million. $500.0 million of the premium was withheld by the Company and credited to the Funds Withheld Account. This $500.0 million had an impact on the Statements of Cash Flows – Statutory-Basis by increasing the Benefit and loss related payments line in the Cash from operations section as well as increasing the Other cash provided (applied) line in the Cash from financing and miscellaneous sources section for 2023. The remaining balance of the premium, $23.5 million, was paid in full to WSIC on April 3, 2023. This contract is a retroactive reinsurance contract. Star is accounting for this contract using prospective accounting based on the requirements of SSAP 62R, paragraph 36(d), which requires prospective accounting treatment for intercompany reinsurance agreements among companies 100% owned by a common parent or ultimate controlling person provided there is no gain in surplus as a result of the transaction. In accordance with SSAP 62R, this contract is reported on Schedule F and Schedule P for annual statement purposes.

Retroactive Reinsurance

On October 1, 2015, Star entered into two ADC reinsurance contracts: one supported by Peak Reinsurance Company Limited ("Peak Re") and one supported by Hannover Re Limited-Ireland ("Hannover Re"). Collectively, the contracts provide up to $100 million of indemnity for losses incurred, including Incurred but Not Reported (IBNR) on accident years 2014 and prior in excess of 2% of stated booked reserves (the Company's retention). Star may not recoup any amount due from reinsurers until such ceded reserve recoverable loss is actually paid by Star. Total consideration of $64 million was paid under the contracts.

The contracts are retroactive reinsurance contracts and are accounted and reported for as such in the corresponding December 31, 2023 and 2022 financial statements in accordance with the requirements of SSAP 62R, *Property and Casualty Reinsurance*.

As of December 31, 2023 and 2022, an ADC reserve recoverable from Hannover Re has been established under the contract totaling $24.8 million and $38.4 million, respectively, all of which is related to IBNR estimates.

	Ceded
Retroactive Reinsurance Agreements	
a. Reserves Transferred	
1. Initial Reserves	$ 65,526,889
2. Adjustments – Prior Years	(27,119,950)
3. Adjustments – Current Year	(13,609,824)
4. Current Total	24,797,115
b. Consideration Paid or Received	
1. Initial Consideration	$ (64,000,000)
2. Adjustments – Prior Years	34,000,000
3. Adjustments – Current Year	-
4. Current Total	(30,000,000)

c. Paid Losses Reimbursed or Recovered	
1. Prior Years	7,732,476
2. Current Year	13,787,324
3. Current Total	21,519,800
d. Special Surplus from Retroactive Reinsurance	
1. Initial Surplus Gain or Loss	$ 1,526,889
2. Adjustments – Prior Years	18,473,111
3. Adjustments – Current Year	-
4. Current Year Restricted Surplus	(20,000,000)
5. Cumulative Total Transferred to Unassigned Funds	-

8. Retrospectively Rated Contracts

Accrued retrospective premiums, included in receivable balances due and deferred on the accompanying combined statements of admitted assets, liabilities, and capital and surplus, have been determined based upon loss experience on business subject to such experience rating adjustment. Accrued retrospectively rated premiums, including all of those relating to bulk IBNR, have been determined by or allocated to individual policyholder accounts. Business written with retrospective rating features includes workers' compensation and general liabilities coverages. Any current year retrospective premium recorded related to workers' compensation coverage is for periodic premium adjustments related to loss experience per the contract terms. Retrospective premium related to general liability coverage is the estimated ultimate premium anticipated related to the ultimate exposure as determined by the retrospective experience factors for the policy term. The Company records accrued retrospective premiums through written premium.

The amount of 2023 net premiums written subject to retrospective rating features, as well as the corresponding percentage to total net premiums written, were as follows:

Total premium subject to retrospective rating	$ -
Total net premiums written	739,909,485
Percent of retro premium to total premium	0.00%

	December 31	
	2023	2022
Total accrued retrospective premium receivable	$ 168,608	$ 166,492
Less nonadmitted amount - 10% of receivable	16,861	16,649
	$ 151,747	$ 149,843

9. Intercompany Pooling Arrangements

Star and its subsidiaries are parties to an Intercompany Pooling Agreement (IPA), effective January 1, 2009. The IPA was amended (novated) effective October 1, 2016, to novate all insurance risks of the affiliated carriers, requiring Star to assume all premiums, claims, underwriting expenses and outstanding reserves with no retroceding back to the other carriers. This change was not disapproved by any of the carrier's domestic or commercially domiciled regulators.

With the October 1, 2016 amendment, beginning with December 31, 2016 and subsequent periods, Ameritrust, Williamsburg, Century and PIC are reporting zero Net Premiums Earned, Losses and LAE incurred, Underwriting Expenses, Unpaid Losses and LAE, and Unearned Premiums. As a result, the Schedule P for these companies will reflect "None". All direct and non-affiliated assumed business written on Ameritrust, Williamsburg, Century, and PIC is ceded to Star. Star continues to cede to external reinsurers, with Star then retaining the net underwriting exposure.

In the event that the reinsuring company would be unable to meet its obligations under existing reinsurance agreements, Star would be liable for such defaulted amounts. Therefore, Star is subject to credit risk with respect to the obligations of its reinsurers.

Each affiliate continues to hold its own invested assets to the extent necessary and required.

Amounts due to/from lead entity and pool participants are as follows as of December 31, 2023:

Name of Insurer	**Amounts Receivable**	**Amounts Payable**	**Net Receivable (Payable)**
Star (lead insurer)	$ 1,236,983	$ (1,760,194)	$ (523,211)
Century	1,581,059	-	1,581,059
ProCentury	179,135	-	179,135
Williamsburg	-	(1,067,640)	(1,067,640)
Ameritrust	-	(169,343)	(169,343)

10. Federal Income Taxes

The components of the Company's net deferred tax asset (liability) at December 31 are as follows:

	2023		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 28,892,154	$ 2,989,874	$ 31,882,028
Statutory valuation allowance adjustment	–	–	–
Adjusted gross deferred tax assets	28,892,154	2,989,874	31,882,028
Deferred tax assets nonadmitted	–	(1,343,621)	(1,343,621)
Subtotal net deferred tax assets	28,892,154	1,646,253	30,538,407
Deferred tax liabilities	(3,980,205)	(1,689,181)	(5,669,386)
Net admitted deferred tax assets	$ 24,911,949	$ (42,928)	$ 24,869,021
Decrease in nonadmitted deferred tax assets			$ 8,632,680

	2022		
	Ordinary	Capital	Total
Gross deferred tax assets	$ 36,077,288	$ 7,673,806	$ 43,751,094
Statutory valuation allowance adjustment	–	–	–
Adjusted gross deferred tax assets	36,077,288	7,673,806	43,751,094
Deferred tax assets nonadmitted	(5,255,698)	(4,720,603)	(9,976,301)
Subtotal net deferred tax assets	30,821,590	2,953,203	33,774,793
Deferred tax liabilities	(4,363,456)	(358,007)	(4,721,463)
Net admitted deferred tax assets (liabilities)	$ 26,458,134	$ 2,595,196	$ 29,053,330
Increase in nonadmitted deferred tax assets			$ 5,689,263

The following tables provide information as of December 31, 2023 and 2022, related to the admission calculation components under SSAP 101:

	2023		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ –	$ –	$ –
Adjusted gross DTAs expected to be realized (excluding the amount above) after application of the threshold limitation, the lesser of:	25,461,062	–	25,461,062
Adjusted gross DTAs expected to be realized following the balance sheet date	25,461,062	–	25,461,062
Adjusted gross DTAs allowed per limitation threshold	XXX	XXX	91,887,723
Adjusted gross DTAs (excluding the amounts above) offset by gross DTLs	3,431,092	1,646,253	5,077,345
DTAs admitted as the result of application of SSAP 101	$ 28,892,154	$ 1,646,253	$ 30,538,407

	2022		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 5,800,692	$ 2,654,547	$ 8,455,239
Adjusted gross DTAs expected to be realized (excluding the amount above) after application of the threshold limitation, the lesser of:	20,697,596	–	20,697,596
Adjusted gross DTAs expected to be realized following the balance sheet date	20,697,596	–	20,697,596
Adjusted gross DTAs allowed per limitation threshold	XXX	XXX	86,342,664
Adjusted gross DTAs (excluding the amounts above) offset by gross DTLs	4,323,302	298,656	4,621,958
DTAs admitted as the result of application of SSAP 101	$ 30,821,590	$ 2,953,203	$ 33,774,793

The following table provides additional information as of December 31, 2023 and 2022, related to the admission calculation:

	2023	2022
Ratio percentage used to determine recovery period and threshold limitation amount	634%	435%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	$ 612,584,819	$ 575,617,758

Impact of tax planning strategies:

		2023	
	Ordinary	Capital	Total
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	–	21%	2%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	–	–	–

	2022		
	Ordinary	Capital	Total
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	–	35%	6%
(b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	–	–	–

The Company's tax-planning strategies did not include the use of reinsurance-related tax-planning strategies.

The Company has no unrecognized deferred income tax liabilities.

Current income taxes incurred for the years ended December 31 consist of the following:

	2023	2022
Federal income tax expense – ordinary	$ (8,482,870)	$ (6,279,110)
Foreign tax	13,066	104,386
Federal income tax expense – capital	1,606,654	(1,948,314)
Current income taxes incurred	$ (6,863,150)	$ (8,123,038)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows at December 31:

	2023	2022
Deferred tax assets		
Ordinary:		
20% of unearned premiums	$ 13,398,994	$ 11,927,444
Discount of unpaid losses and LAE	12,697,293	21,449,756
Nonadmitted assets	2,727,966	2,640,917
Other	67,901	59,171
Total ordinary deferred tax assets	28,892,154	36,077,288
Capital:		
Net unrealized capital losses	2,112,663	3,489,391
Investment items	877,211	2,913,154
Partnership interest	–	1,271,261
Total capital deferred tax assets	2,989,874	7,673,806
Total deferred tax assets	31,882,028	43,751,094
Statutory valuation allowance adjustment	–	–
Adjusted gross deferred tax assets	31,882,028	43,751,094
Nonadmitted deferred tax assets	(1,343,621)	(9,976,301)
Admitted deferred tax assets	$ 30,538,407	$ 33,774,793

Deferred tax liabilities		
Ordinary:		
Discount of unpaid losses and LAE	$ 1,934,763	$ 2,902,144
Investment items	1,791,420	1,210,347
Discount of accrued salvage and subrogation	254,022	250,965
Total ordinary deferred tax liabilities	3,980,205	4,363,456
Capital:		
Partnership interest	1,290,289	358,007
Other	398,892	–
Total capital deferred tax liabilities	1,689,181	358,007
Total deferred tax liabilities	5,669,386	4,721,463
Net admitted deferred tax assets	$ 24,869,021	$ 29,053,330

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of the change in nonadmitted deferred tax assets, which are reported separately from the change in net deferred income tax in the accompanying combined statements of changes in capital and surplus) at December 31:

	2023	2022	Change
Gross deferred tax assets	$ 31,882,028	$ 43,751,094	$ (11,869,066)
Statutory valuation allowance	–	–	–
Adjusted gross deferred tax assets	31,882,028	43,751,094	(11,869,066)
Gross deferred tax liabilities	(5,669,386)	(4,721,463)	(947,92[illegible]
Net deferred tax assets	$ 26,212,642	$ 39,029,631	$ (12,816,989)
Deferred tax on change in net unrealized capital gains and foreign currency translation adjustment			1,376,728
Change in net deferred income tax			$ (11,440,261)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	2023 Tax Effect	Effective Tax Rate	2022 Tax Effect	Effective Tax Rate
Provision computed at statutory rate	$ 5,433,913	21.00%	$(11,721,927)	21.00%
Tax-exempt interest income deduction, net of proration	(245,923)	(0.95)	(246,947)	0.44
Change in nonadmitted assets	(87,049)	(0.34)	310,745	(0.56)
Dividends received deduction, net of proration	(47,011)	(0.18)	(98,284)	0.18
Non-deductible expenses	2,463	0.01	24,630	(0.04)
Accrual adjustment – prior year	56,679	0.22	(43,095)	0.08
Other	(535,961)	(2.07)	104,530	(0.19)
Taxable expense before the impact of changes in net deferred income taxes	$ 4,577,111	17.69%	$(11,670,348)	20.91%

Federal and foreign income taxes incurred - ordinary	$ (8,469,804)	(32.73%)	$ (6,174,724)	11.06%
Realized capital gains tax	1,606,654	6.21	(1,948,314)	3.49
Change in net deferred income taxes	11,440,261	44.21	(3,547,310)	6.36
Total statutory income taxes	$ 4,577,111	17.69%	$(11,670,348)	20.91%

At December 31, 2023, the Company has $0 of federal income tax expense incurred during 2023 that can be recouped in the event of future net operating losses.

At December 31, 2023 and 2022, the Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

Interest costs and penalties related to income taxes are classified as other underwriting expense incurred in the accompanying combined statements of income. As of December 31, 2023 and 2022, the Company had no amounts of accrued interest or penalties related to uncertain tax positions.

The Company and its subsidiaries are subject to U.S. federal income tax as well as to income tax of multiple state jurisdictions. Tax returns for all years subsequent to 2019 are subject to future examination by tax authorities.

At December 31, 2023, the Company had $6,717,178 of net federal income taxes receivable from the IRS and $1,840,573 of net federal income tax payable to BCBSM. At December 31, 2022, the Company had $14,143,707 of net federal income taxes receivable from ATG.

At December 31, 2023 and 2022, the Company did not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

On August 16, 2022, the Inflation Reduction Act was signed into law, which included a new corporate alternative minimum tax (the "CAMT") of 15% of the adjusted financial statement of operations ("AFSI") of corporations with average AFSI exceeding $1.0 billion over a three-year period. The CAMT is effective beginning after December 31, 2022. The Company, as a qualifying taxable subsidiary, files as part of a consolidated federal income tax return with BCBSM, therefore, the applicability of CAMT to the consolidated tax return is determined at the BCBSM's level.

11. Capital and Surplus

At December 31, 2023 and 2022, the Company had common stock with a stated value of $5,040,000 on a consolidated basis. The details of the stock are as follows:

Entity	Stated Value Per Share	Shares Authorized	Shares Issued and Outstanding	Value
Star and subsidiaries	$ 21	500,000	240,000	$ 5,040,000

Star, Ameritrust, Williamsburg and PIC are domiciled in Michigan and Century is domiciled in Ohio. Michigan and Ohio law regulating dividends state that the maximum discretionary ("ordinary") dividend payable is limited to the greater of the following:

(1) 10% of the prior-year surplus, or
(2) Prior-year net income (excluding realized capital gains).

These dividends are further limited by a clause in the laws, which prohibit an insurer from declaring dividends, except out of the surplus earnings of the company as allowed under the Insurance Codes of the states of Michigan and Ohio.

As the parent insurance company for all subsidiaries, Star's dividend calculation is based on the consolidated surplus of all entities. The maximum ordinary dividend payment allowed from Star to ATG during 2024, without prior regulatory approval, is $63,751,958. The maximum ordinary dividend payment allowed from Star to ATG during 2023, without prior regulatory approval, was $60,476,366, of which no dividend was paid. In 2022 Star had the capacity to pay ordinary dividends of $67,855,267 without prior regulatory approval, of which $10,000,000 was paid.

During 2023 and 2022, there were no ordinary and extraordinary dividend payments made between the insurance affiliates.

The Company, as part of its statutory filings, is required to disclose its risk-based capital (RBC) requirements. The NAIC developed an RBC program to enable regulators to take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial conditions. RBC is a series of dynamic formulas, which measure required capital and surplus based on a Company's product and investment portfolio. The level of regulatory oversight ranges from requiring the insurance company to inform and obtain approval from the domiciliary insurance commissioner of a comprehensive financial plan for increasing its RBC to mandatory regulatory intervention to requiring an insurance company to be placed under regulatory control in a rehabilitation or liquidating proceeding. At December 31, 2023 and 2022, Star, Century, PIC, Ameritrust, and Williamsburg all met the minimum RBC levels to which they are subject.

12. Related-Party Transactions

The Company does not directly hire employees. Rather, the Company has a Management Service Agreement with Meadowbrook, Inc., a subsidiary of ATG, and subsidiaries and affiliates, which provides the accounting, financial reporting, underwriting, compliance, reinsurance, sales, claims, loss prevention, and general management services for the Company. Fees paid to Meadowbrook, Inc. and subsidiaries and affiliates are determined on an annual basis by program, based on the costs associated with overall administration of each program. The fees are distributed to business segment based on provisional departmental costs related to services performed.

Effective November 1, 2018, the Company entered into a new Management Services Agreement with Meadowbrook, Inc. ("Agreement"). The Agreement is effective through October 31, 2021 and automatically extends for additional three (3) year periods, if not terminated by the parties. The Company's parent company, ATG, was indirectly purchased by AFICA effective December 31, 2022. The reporting entities have also been added to AFICA's Intercompany Service Agreements.

For the years ended December 31, 2023 and 2022, fees expensed related to the Agreement are $95,807,633 and $82,525,589, respectively. Of the total fees expensed, $71,959,006 and $61,140,590 are included in other underwriting expenses incurred in 2023 and 2022, respectively, and $23,848,627 and $21,384,999 are included in losses and loss adjustment expenses incurred in 2023 and 2022, respectively.

The Company has an Agency Agreement with Meadowbrook, Inc. and its affiliates or subsidiaries (the Agent) whereby the Company pays the Agent a commission for the production of premium. For the years ended December 31, 2023 and 2022, commissions paid to the Agent were $10,865,230 and $10,510,743, respectively.

In addition, the Company is included in the consolidated federal income tax return of BCBSM. Pursuant to the Tax Allocation Agreement, the Company generated a $6,876,216 tax benefit during 2023. This compares to $8,227,424 of tax benefit during 2022, which was ultimately remitted to ATG.

A portion of the Company's business is written by affiliates as agents for the Company. The following amounts are included in the accompanying financial statements as of and for the years ended December 31, 2023 and 2022, related to these affiliates:

	2023	2022
Agent's balances, net of commissions payable and claims fees payable	$ 3,840,883	$ 4,444,397

13. Managing General Agents

The Company uses managing general agents (MGA) to adjust claims, underwrite and bind polices, collect premiums, and pay claims for workers compensation products in specified areas. The MGAs with direct written premium greater than 5% of surplus for the years ended December 31, 2023 and 2022 are summarized as follows:

Managing General Agent	2023	2022
Midwest General Insurance Agency, LLC	$51,364,550	$48,514,558

14. Participating Business

For the years ended December 31, 2023 and 2022, premiums written under participating policies were $6,379,095 and $8,719,410, respectively, or 0.8% and 1.2% of total direct premiums written (including State National Insurance Company assumed written premium) for 2023 and 2022. The Company pays policyholder dividends at the sole discretion of the Board of Directors. Dividends are not guaranteed. During 2023 and 2022, the Company paid dividends in the amount of $177,754 and $170,571, respectively, to policyholders and did not allocate any additional income to such policyholders.

15. Commitments and Contingencies

Litigation

The Company is involved in litigation arising in the ordinary course of operations. While the results of litigation cannot be predicted with certainty, management is of the opinion, after reviewing these matters with legal counsel, that the final outcome of such litigation will not have a material effect upon the Company's combined financial position, results of operations, or cash flows.

Investment Commitment

Aquiline Financial Services Fund III, LP Investment

In June 2015, the Company committed to invest up to $10 million in the Aquiline Financial Services Fund III L.P. ("the Fund"). As of December 31, 2023, $12.4 million has been invested in the fund, with $2.9 million of inception-to-date distributions being subject to recall and a remaining unfunded commitment of $0.5 million. The Company's ownership interest is approximately 0.8% of the Fund, which does not constitute "significant influence". The Company is accounting for this investment under the equity method of accounting, and as such recognized 0.8% of the Fund's net income (loss) of ($0.3 million) and $5.4 million, respectively, for the years ended December 31, 2023 and December 31, 2022, which was recorded as an unrealized gain on the change in net unrealized capital gains or (losses) line of the Combined Statements of Capital and Surplus. The Company recognized $2.6 million and $3.3 million, respectively of cash distributions received from the fund during the years ended December 31, 2023 and 2022 as dividend income on the net investment income earned line of the Combined Statements of Operations. The balance in the investment as of December 31, 2023 and 2022 was $8.1 million and $12.3 million, respectively.

BlackRock Securitized Investors, LP Fund Investment
In June 2020, the Company committed to invest up to $10.0 million in the BlackRock Securitized Investors Fund, L.P. ("the Fund"). As of December 31, 2023, $5.8 million has been invested in the Fund and $1.6 million of distributions have been received that are subject to recall, with a remaining unfunded capital commitment of $2.6 million. The Company's ownership interest is approximately 1.9% of the Fund, which does not constitute "significant influence". The Company is accounting for this investment under the equity method of accounting, and as such recognized 1.9% of the Fund's net income (loss) of $0.9 million and ($0.7) million, respectively, for the years ended December 31, 2023 and 2022, which was recorded as an unrealized gain (loss) on the change in net unrealized capital gains or (losses) line of the Combined Statements of Changes in Capital and Surplus. The Company recognized $0.9 million and $0.4 million, respectively of cash distributions received from the fund during the years ended December 31, 2023 and 2022 as dividend income on the net investment income earned line of the Combined Statements of Operations. The balance in the investment as of December 31, 2023 and 2022 was $5.6 million and $5.8 million, respectively.

16. Subsequent Events

The Company has evaluated all events subsequent to the combined statutory statements of admitted assets, liabilities, and capital and surplus date of December 31, 2023 through March 26, 2024, which is the date these combined statutory-basis financial statements were available to be issued and has determined that there are no subsequent events that require adjustment to, or disclosure in, the combined statutory-basis financial statements.

Supplementary Information

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combined Summary of Investments – Statutory-Basis
December 31, 2023

		Gross Investment Holdings* Amount	%	Admitted Assets as Reported in the Annual Statement Amount	%
1.	Long-Term Bonds (Schedule D, Part 1):				
	1.01 U.S. Governments	$ 118,514,774	5.8%	$ 118,514,774	5.8%
	1.03 U.S. States, Territories and Possessions, etc., Guaranteed	23,095,190	1.1%	23,095,190	1.1%
	1.04 U.S. Political Subdivisions of States, Territories and Possessions, Guaranteed	25,180,679	1.2%	25,180,679	1.2%
	1.05 U.S. Special Revenue and Special Assessment Obligations, etc., Non-Guaranteed	168,162,440	8.2%	168,162,440	8.2%
	1.06 Industrial and Miscellaneous	1,166,207,927	56.6%	1,166,207,927	56.6%
	1.10 Unaffiliated Bank Loans	35,339,070	1.7%	35,339,070	1.7%
3.	Common Stocks (Schedule D, Part 2, Section 2):				
	3.02 Industrial and Miscellaneous Other (Unaffiliated)	2,603,400	0.1%	2,603,400	0.1%
5.	Cash, Cash Equivalents, and Short-Term Investments:				
6.	6.01 Cash (Schedule E, Part 1)	35,311,465	1.7%	35,311,465	1.7%
	6.02 Cash Equivalents (Schedule E, Part 2)	455,098,429	22.1%	455,098,429	22.1%
9.	Other Invested Assets (Schedule BA)	30,781,918	1.5%	30,781,918	1.5%
10.	Receivables for Securities	1,354,185	0.1%	1,354,185	0.1%
13.	Total Invested Assets	**$2,061,649,477**	100.0%	**$2,061,649,477**	100.0%

*Gross investment holdings as valued in compliance with the NAIC *Accounting Practices and Procedures Manual*.

Investment Risks Interrogatories

1. The reporting entities' total admitted assets as reported on page 2 of the NAIC Annual Statement as of December 31, 2023 were $2,252,264,937.

2. The ten largest exposures to a single issuer/borrower/investment, excluding: (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* as exempt, (ii) property occupied by the company, and (iii) policy loans, are as follows:

Issuer	**Description of Exposure**	**Amount**	**Percentage of Total Admitted Assets**
Bank of America Corporation	Long-Term Bonds	43,734,831	1.942%
JPMorgan Chase & Co.	Long-Term Bonds	43,447,294	1.929%
The Goldman Sach Group, Inc.	Long-Term Bonds	37,967,888	1.686%
Simon Property Group, L.P.	Long-Term Bonds	34,616,232	1.537%
Citigroup, Inc.	Long-Term Bonds	34,124,124	1.515%
Apollo Management Holdings, L.P.	Long-Term Bonds	33,013,214	1.466%
Comcast Corporation	Long-Term Bonds	31,056,831	1.379%
Federal Home Loan Mortgage Corp.	Long-Term Bonds	29,452,980	1.308%
Federal National Mortgage Association	Long-Term Bonds	28,470,140	1.264%
Qualcomm Incorporated	Long-Term Bonds	25,998,642	1.154%

3. Amounts and percentages of the reporting entities' total admitted assets held in bonds and preferred stocks by NAIC designation.

Bonds	**Amount**	**Percentage of**	**Preferred Stock**	**Amount**	**Percentage of**
NAIC – 1	$ 1,031,275,355	67.12%	P/PSF – 1	$ -	-%
NAIC – 2	414,446,641	26.97%	P/PSF – 2	-	-
NAIC – 3	59,490,661	3.87%	P/PSF – 3	-	-
NAIC – 4	28,013,570	1.82%	P/PSF – 4	-	-
NAIC – 5	2,228,344	0.15%	P/PSF – 5	-	-
NAIC – 6	1,045,508	0.07%	P/PSF – 6	-	-
Total	**$ 1,536,500,080**			$ -	

4. Assets held in foreign investments:

4.01 Assets held in foreign investments are greater than 2.5% of the reporting entities' total admitted assets - Yes.

4.02 Excluding Canadian investments, the amounts and percentages of the reporting entities' total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure were $73,650,014 and 3.27%.

4.03. Foreign-currency-denominated investments – None

4.04. Insurance liabilities denominated in that same foreign currency – None.

5. Aggregate foreign investment exposure by NAIC sovereign designation.

5.01	Countries designated NAIC-1:	$66,178,247	2.94%
5.02	Countries designated NAIC-2:		0.0%
5.03	Countries designated NAIC-3 or below	7,471,767	0.33%

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating.

	Countries rated NAIC-1:			
6.01	Country 1:	Cayman Islands	$ 48,183,730	2.14%
6.02	Country 2:	Ireland	8,409,781	0.37%
	Countries rated NAIC-2:			
6.03	Country 1:			
6.04	Country 2:			
	Countries rated NAIC-3 or below:			
6.05	Country 1:	Virgin Islands, British	6,087,064	0.27%
6.06	Country 2:	Barbados	1,384,703	0.06%

7. Aggregate unhedged foreign currency exposure – None.

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation - None.

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation - None.

10. Ten largest nonsovereign (i.e., nongovernmental) foreign issues:

Issuer	NAIC Rating	Amount	Percentage of Total Admitted Assets
Golub Capital Partners Clo 51M	1FE	$13,500,000	0.60%
Blackbird Capital II Aircraft	1FE	7,659,011	0.34%
Carlyle US CLO 2017-1 Ltd.	2FE	7,565,534	0.34%
VR Funding LLC	1FE	6,087,064	0.27%
Tailwind 2019-1 Aviation Ltd.	2FE, 3FE	5,142,177	0.23%
Grippen Park CLO, Ltd.	1FE	3,300,000	0.15%
Textainer Containers VII Ltd.	1FE	3,197,135	0.14%
Voya CLO 2021-2 Ltd.	1FE	3,025,493	0.13%
Antares CLO 2018-2 Ltd.	1FE, 2FE	3,000,000	0.13%
Ballyrock CLO 19, Ltd.	1FE	3,000,000	0.13%

11. Assets held in Canadian investments are less than 2.5% of the reporting entities' total admitted assets. - Yes

12. Assets held in investments with contractual sales restrictions are less than 2.5% of the reporting entities' total admitted assets. – Yes

Note to Supplementary Information – Statutory-Basis

13. Amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1).

Issuer	Amount	Percentage of Total Admitted Assets
Federal Home Loan Bank	$2,603,400	0.12%

14. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the reporting entities' total admitted assets.

Ten Largest Fund Managers

Fund Manager	Total Invested	Diversified	Non-Diversified
First American Funds, Inc. US Treasury Money Market Fund	$443,007,267	$ -	$443,007,267
Goldman Sachs Trust - Goldman Sachs Financial Square Government Fund	11,694,504	-	11,694,504
Wells Fargo Funds Trust – Treasury Plus Money Market Fund	230,000	-	230,000
TD Bank Deposit Sweep	166,650	-	166,650
First American Funds, inc. Treasury Obligations Fund	9	-	9

15. Assets held in general partnership interests are less than 2.5% of the reporting entities' total admitted assets. - Yes
16. Assets held in mortgage loans are less than 2.5% of the reporting entities' total admitted assets. - None
17. Assets held in mortgage loans are less than 2.5% of the reporting entities' total admitted assets. - None
18. Assets held in real estate are less than 2.5% of the reporting entities' total admitted assets. - None
19. Assets held in mezzanine real estate loans are less than 2.5% of the reporting entities' total admitted assets. - None
20. The reporting entities have no assets subject to the following types of agreements – securities lending, repurchase, reverse repurchase, dollar repurchase, or dollar reverse repurchase.
21. The reporting entities have no investments in warrants not attached to other financial instruments, options, caps, and floors.
22. The reporting entities have no assets of potential exposure for collars, swaps, and forwards.
23. The reporting entities have no assets of potential exposure for futures contracts.

Reinsurance Risk Interrogatories

1. Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? Yes [ ] No [X]
2. If yes, indicate the number of reinsurance contracts containing such provisions.
3. If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? Yes [ ] No [ ]
4. Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:

   (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;

   (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;

   (c) Aggregate stop loss reinsurance coverage;

   (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;

   (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or

   (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. Yes [ ] No [X]

5. Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards to policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves greater than 5% of prior year-end surplus as regards to policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:
   (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

   (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. Yes [ ] No [X]

6. If yes to 4 or 5, please provide the following information:

   (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;

   (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 4 or 5; and

   (c) A brief discussion of management’s principal objectives in entering into the reinsurance contract including the economic purpose to be achieved.

7. Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

   (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or

   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? Yes [ ] No [X]

8. If yes to 7, explain why the contract(s) is treated differently for GAAP and SAP.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Admitted Assets, Liabilities, and Capital and Surplus – Statutory-Basis

December 31, 2023

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Admitted assets							
Cash and invested assets:							
Bonds, at amortized cost	$1,450,228,555	$11,381,905	$12,518,638	$21,812,517	$40,558,465	-	$1,536,500,080
Stocks	136,141,532	392,700	76,000	-	40,833,447	(174,840,279) a	2,603,400
Cash, cash equivalents and short-term investments	444,496,785	8,121,584	6,260,650	14,765,891	16,764,984	-	490,409,894
Other invested assets	30,781,918	-	-	-	-	-	30,781,918
Receivable for securities	1,354,185	-	-	-	-	-	1,354,185
Total cash and invested assets	2,063,002,975	19,896,189	18,855,288	36,578,408	98,156,896	(174,840,279)	2,061,649,477
Investment income due and accrued	13,856,905	116,830	99,388	182,876	286,255	-	14,542,254
Premiums receivable	90,869,611	80,694	24,112	6,155	-	(1,236,983) b	89,743,589
Reinsurance recoverables on ceded paid losses	18,838,163	-	-	179,135	1,581,059	(1,760,194) b	18,838,163
Funds deposited with reinsured companies	388,654	-	-	-	-	-	388,654
Federal income tax recoverable	5,046,673	-	-	-	-	1,670,505 c	6,717,178
Net deferred tax asset	24,934,760	-	-	-	-	(65,739) d	24,869,021
Receivables from parent and affiliates	10,604,512	389,180	307	269,721	3,874	(2,798,913) e	8,468,681
Other assets	18,496,868	23,756	1,634,411	5,872,272	1,020,613	-	27,047,920
Total admitted assets	$2,246,039,121	$20,506,649	$20,613,506	$43,088,567	$101,048,697	($179,031,603)	$2,252,264,937
Liabilities							
Losses and loss adjustment expenses	$740,211,935	-	-	-	-	-	$740,211,935
Commissions and other expenses payable	2,625,305	120,617	108,558	41,023	5,047,395	-	7,942,898
Taxes, licenses and fees	4,783,565	445,857	55,468	56,329	67,200	-	5,408,419
Unearned premiums	319,023,660	-	-	-	-	-	319,023,660
Ceded reinsurance premiums payable	26,926,999	169,343	1,067,640	-	-	(1,236,983) b	26,926,999
Funds held by company under reinsurance treaties	523,800,000	-	-	-	-	-	523,800,000
Reinsurance payable on paid losses and loss adjustment expenses	2,397,128	-	-	-	-	(1,760,194) b	636,934
Provision for reinsurance	2,810,825	-	-	-	-	-	2,810,825
Amounts retained for account of others	2,462,681	-	23,169	34,626	-	-	2,520,476
Payable to parent and affiliates	10,321,483	65,796	34,526	2,040,816	657,791	(2,798,913) e	10,321,499
Retroactive reinsurance recoverable	(28,480,199)	-	-	-	-	-	(28,480,199)
Other liabilities	1,636,162	77,986	99,474	82,326	121,198	1,604,766 c, d	3,621,912
Total liabilities	1,608,519,544	879,599	1,388,835	2,255,120	5,893,584	(4,191,324)	1,614,745,358
Capital and Surplus							
Segregated surplus on retroactive reinsurance contract	20,000,000	-	-	-	-	-	20,000,000
Common stock	5,040,000	3,000,000	3,000,000	3,601,000	3,000,000	(12,601,000) a	5,040,000
Gross paid in and contributed surplus	392,153,691	14,467,036	14,989,655	31,172,620	86,467,199	(147,096,510) a	392,153,691
Unassigned funds (surplus)	220,325,887	2,160,013	1,235,015	6,059,828	5,687,914	(15,142,769) a	220,325,888
Total capital and surplus	637,519,578	19,627,049	19,224,670	40,833,448	95,155,113	(174,840,279)	637,519,579
Total liabilities and capital and surplus	$2,246,039,122	$20,506,648	$20,613,505	$43,088,568	$101,048,697	($179,031,603)	$2,252,264,937

Footnotes:

a. Elimination of Star's 100% investment in Ameritrust and Williamsburg and Century's 100% investment in ProCentury.

b. Elimination of Intercompany Reinsurance per Inter-Company Pooling Agreement.

c. Reclass to net Ameritrust, Williamsburg & ProCentury federal income taxes payable against combined federal income tax recoverable.

d. Reclass to net Williamsburg & ProCentury net deferred tax liability against combined net deferred tax asset.

e. Elimination of Intercompany subsidiary balances between insurance operations.

See accompanying notes.

Star Insurance Company and Subsidiaries
(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Operations – Statutory-Basis

Year Ended December 31, 2023

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Net premiums earned	$ 704,872,601	$ -	$ -	$ -	$ -	$ -	$ 704,872,601
Losses and loss adjustment expenses incurred	482,572,807	-	-	-	-	-	482,572,807
Other underwriting expenses incurred	255,572,749	-	-	-	-	-	255,572,749
Net underwriting gain (loss)	(33,272,955)	-	-	-	-	-	(33,272,955)
Net investment income earned	48,614,886	627,675	390,685	984,219	990,649	-	51,608,114
Net realized capital gains (losses)	6,049,780	(2,866)	(632)	1,114	(3,318)	-	6,044,078
Net other income (expense)	(227,994)	18,653	12,140	6,735	258,109	-	67,643
Income before dividends to policyholders and federal income taxes	21,163,717	643,462	402,193	992,068	1,245,440	-	24,446,880
Dividends to policyholders	177,754	-	-	-	-	-	177,754
Income before federal income taxes	20,985,963	643,462	402,193	992,068	1,245,440	-	24,269,126
Federal income tax incurred	(9,163,615)	136,986	102,782	234,154	219,889	-	(8,469,804)
Net income	$ 30,149,578	$ 506,476	$ 299,411	$ 757,914	$ 1,025,551	$ -	$ 32,738,930

See accompanying notes.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement Capital and Surplus – Statutory-Basis

December 31, 2023

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination		Combined
Surplus, beginning of year	$ 604,763,652	$ 19,118,558	$ 18,904,798	$ 40,071,436	$ 93,275,520	$ (171,370,308)	a	$ 604,763,656
Net income	30,149,578	506,476	299,411	757,914	1,025,551	-		32,738,930
Change in net unrealized capital gains or (losses)	7,814,573	-	-	-	834,514	(3,469,971)	b	5,179,116
Change in net deferred income tax	(11,478,473)	3,123	20,461	33,390	(18,762)	-		(11,440,261)
Change in nonadmitted assets	8,210,273	(1,108)	-	(29,292)	38,290	-		8,218,163
Change in provision for reinsurance	(1,940,025)	-	-	-	-	-		(1,940,025)
Change in surplus	32,755,926	508,491	319,872	762,012	1,879,593	(3,469,971)		32,755,923
Surplus, end of year	$ 637,519,578	$ 19,627,049	$ 19,224,670	$ 40,833,448	$ 95,155,113	$ (174,840,279)		$ 637,519,579

Footnotes:

a. Elimination of the value of subsidiaries 100% owned by Star and subsidiary 100% owned by Century.

b. Elimination of the unrealized gain/(loss) of subsidiaries 100% owned by Star and subsidiary 100% owned by Century.

See accompanying notes.

Star Insurance Company and Subsidiaries

(Wholly Owned Subsidiaries of AmeriTrust Group, Inc.)

Combining Statement of Cash Flows – Statutory-Basis

Year Ended December 31, 2023

	Star	Ameritrust	Williamsburg	ProCentury	Century	Elimination	Combined
Cash from operations							
Premiums collected net of reinsurance	$ 743,772,399	$ 84,033	$ 1,068,953	$ (4,036,193)	$ -	$ -	$ 740,889,192
Net investment income	52,897,162	715,860	476,695	1,214,491	1,284,332	-	56,588,540
Miscellaneous income	(227,994)	18,653	12,140	6,735	258,109	-	67,643
Total	796,441,567	818,546	1,557,788	(2,814,967)	1,542,441	-	797,545,375
Benefit and loss related payments	737,741,790	-	(328,765)	179,135	(4,787,258)	-	732,804,902
Commissions and expenses paid	460,017,540	(43,475)	37,322	190,408	(3,002,429)	-	457,199,366
Dividends paid to policyholders	177,754	-	-	-	-	-	177,754
Federal income taxes paid (recovered)	(16,750,066)	127,011	97,551	220,699	179,697	-	(16,125,108)
Total	1,181,187,018	83,536	(193,892)	590,242	(7,609,990)	-	1,174,056,914
Net cash from operations	**(384,745,451)**	**735,010**	**1,751,680**	**(3,405,209)**	**9,152,431**	**-**	**(376,511,539)**
Cash from investments							
Proceeds from investments sold, matured or repaid:							
Bonds	162,418,433	5,890,075	4,045,971	9,395,801	7,049,584	-	188,799,864
Stocks	86,243,700	-	-	-	-	-	86,243,700
Real Estate	10,298,090	-	-	-	-	-	10,298,090
Other invested assets	1,612,907	-	-	-	-	-	1,612,907
Net gains or (losses) on cash, cash equivalents and short-term investments	35,910	-	-	-	-	-	35,910
Miscellaneous proceeds	758,973	-	-	-	22	-	758,995
Total investment proceeds	261,368,013	5,890,075	4,045,971	9,395,801	7,049,606	-	287,749,466
Cost of investments acquired (long-term only):							
Bonds	123,348,520	461,807	1,289,479	179,805	2,872,427	-	128,152,038
Stocks	53,400	-	-	-	-	-	53,400
Other invested assets	-	-	-	-	-	-	-
Miscellaneous applications	1,913,161	-	-	-	-	-	1,913,161
Total investments acquired	125,315,081	461,807	1,289,479	179,805	2,872,427	-	130,118,599
Net cash from investments	**136,052,932**	**5,428,268**	**2,756,492**	**9,215,996**	**4,177,179**	**-**	**157,630,867**
Financing and miscellaneous sources							
Borrowed Funds	(40,000,000)	-	-	-	-	-	(40,000,000)
Dividends to stockholders	-	-	-	-	-	-	-
Other cash provided (applied)	534,623,726	(71,241)	221,017	1,753,495	(670,876)	-	535,856,121
Net cash from financing and miscellaneous sources	**494,623,726**	**(71,241)**	**221,017**	**1,753,495**	**(670,876)**	**-**	**495,856,121**
Net change in cash, cash equivalents and short-term investments	245,931,207	6,092,037	4,729,189	7,564,282	12,658,734	-	276,975,449
Cash, cash equivalents and short-term investments:							
Beginning of year	198,565,578	2,029,547	1,531,461	7,201,609	4,106,250	-	213,434,445
End of year	**$ 444,496,785**	**$ 8,121,584**	**$ 6,260,650**	**$ 14,765,891**	**$ 16,764,984**	**$ -**	**$ 490,409,894**

See accompanying notes.

Note to Supplementary Information – Statutory-Basis

Basis of Presentation

The accompanying supplemental schedules present selected statutory-basis financial data as of December 31, 2023, and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Accounting Practices and* Procedures Manual and agree to or are included in the amounts reported in Star's 2023 Combined Statutory Annual Statement as filed with the Michigan Department of Insurance.