

Enstar Investor Presentation

Harvard Club, New York, NY

June 15, 2011



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- > This presentation includes certain forward-looking statements regarding our expected performance for future periods and actual results for such periods may materially differ. These statements are intended as “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks and uncertainties, including risks of changing market conditions in the overall economy and the industry, consumer demand, regulatory environment, current and future litigation, the success of new acquisitions and the success of our strategies and other factors detailed from time to time in our annual and other reports filed with the Securities and Exchange Commission (“SEC”).
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- > For more complete information about Enstar Group Limited, you should read our reports filed with the SEC. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov.

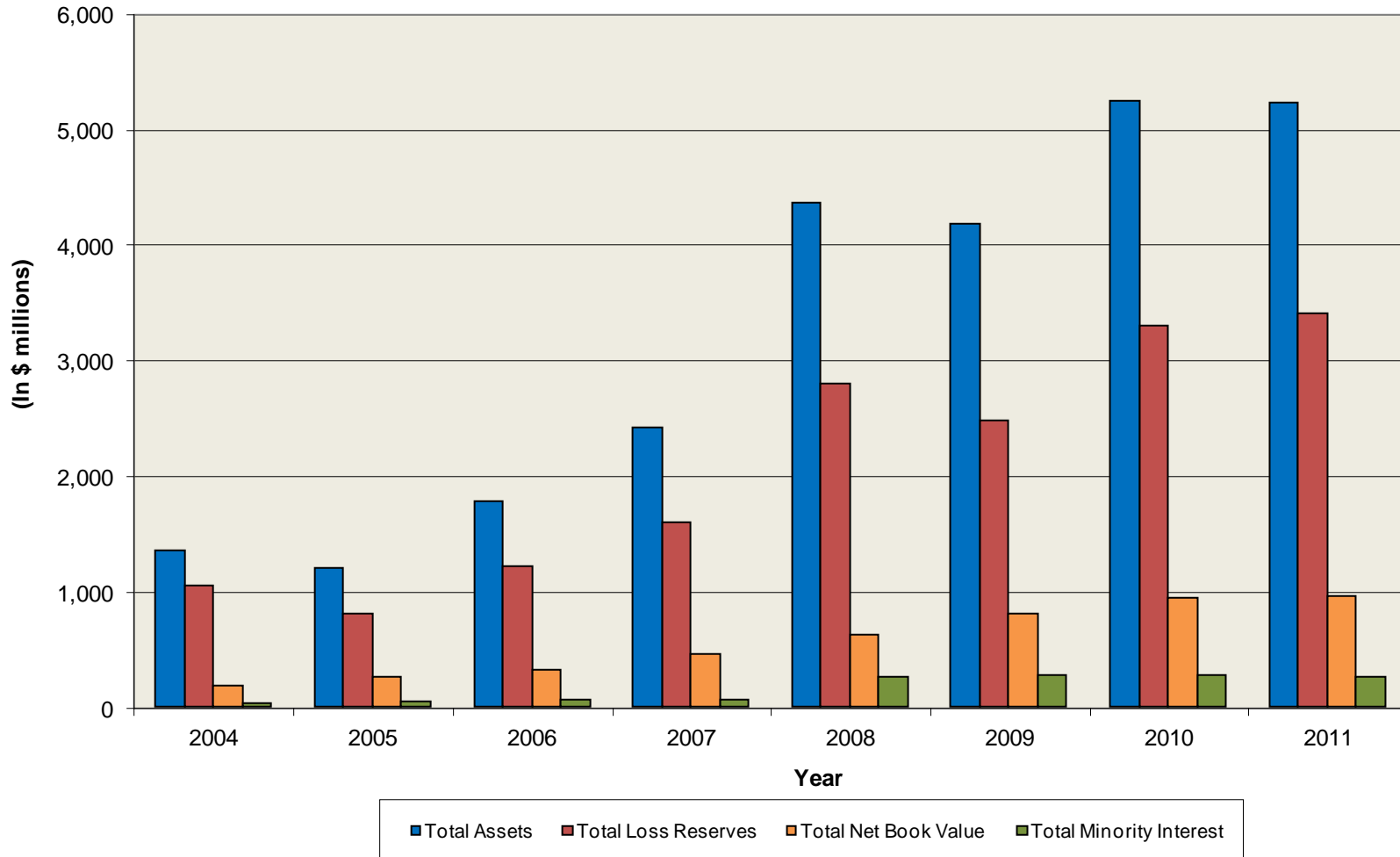
Company overview

- > **Founded in Bermuda in 1993**
- > **Headquartered in Bermuda with 11 offices in 9 countries and 343 employees**
- > **Largest stand alone run-off company; second largest run-off company behind Berkshire Hathaway**
- > **Sale, or reinsurance, of run-off exposures enables sellers to free up committed capital and provides certainty and finality**
- > **Liability management is greatest source of Enstar's value creation**
- > **Have acquired 32 companies and 17 portfolios of business in run-off**
 - > **Majority interest in Lloyd's run-off managing agent**
- > **Total assets at March 31, 2011 are \$5.2 billion**
- > **Successful track record of compounding book value at approximately 26% over the last 6 years (per share fully diluted CAGR)**

Run-off Market overview

- > **United States**
 - > **US run-off market is current focus for Enstar**
 - > **Most run-off liabilities are embedded in ongoing groups rather than stand alone entities – will likely result in more portfolio reinsurance transactions**
 - > **Size of run-off liabilities has been quoted by industry sources at approximately \$200 billion**
- > **Europe**
 - > **Industry sources estimate size of run-off liabilities to be approximately €200 billion**
 - > **Preparation for Solvency II is likely to lead to greater capital efficiency and restructuring that is likely to lead to substantial divestment of discontinued businesses – we are starting to see this now**
 - > **Types of exposure in Europe and the US are similar as almost half of European liabilities relate to US risks**
- > **Lloyd's**
 - > **Volume of new RITC transactions are now limited but significant portfolios in run-off remain**

Enstar Group Limited Balance Sheets 2004 to 2011



Acquisitions

- > The following table provides a summary of the assets and liabilities acquired through acquisitions of run-off business from January 1, 2007 to March 31, 2011:

(in \$ millions)	2007 Total	2008 Total	2009 Total	2010 Total	Q1 - 2011 Total	2007 to Q1 11 Total
Net Assets Acquired						
Investments & Cash	600.9	2,914.1	198.2	988.9	158.5	4,979.2
Insurances Receivables	175.3	598.2	57.3	544.5	55.6	1,414.3
Other Assets	16.6	115.8	14.1	166.3	9.0	341.8
Total Assets	792.8	3,628.1	269.6	1,699.7	223.1	6,735.3
Liabilities						
Gross Loss Reserves	501.5	2,349.1	202.2	1,498.6	140.3	4,675.1
Insurance Payables	153.3	114.7	11.5	50.1	44.9	374.5
Other Liabilities	2.3	66.6	23.5	35.1	3.6	131.1
Total Liabilities	657.1	2,530.4	237.2	1,583.8	188.8	5,180.7
Fair Value of Net Assets Acquired	135.7	1,097.7	32.4	115.9	34.3	1,554.6
Negative Goodwill	15.7	50.2	0.0	0.0	13.1	79.0
Purchase Price	120.0	1,047.5	32.4	115.9	21.2	1,475.6
Funding						
Cash on Hand	77.9	389.7	32.4	155.4	40.7	695.5
Non-controlling Interest	0.0	171.2	0.0	28.7	0.0	199.9
Bank Debt	42.1	586.5	0.0	71.0	5.8	705.4
Total Funding	120.0	1,147.4	32.4	255.1	46.5	1,600.8

2010 & 2011 Acquisitions

(in \$ millions)	Type of Deal	Total Assets	Total Liabilities	Capital Required
Knapton Insurance	Company	\$279.5	\$235.5	\$44.0
Assuransinvest	Company	59.6	48.5	11.1
Lloyds' RITC	RITC	338.4	338.4	65.8
Allianz	Portfolio Transfer	112.6	112.6	----
Bosworth	Portfolio Transfer	130.6	130.6	28.8
Torus	R/I	93.9	93.9	20.0
Providence Washington	Company	160.0	135.0	25.0
Seaton	Company	201.1	201.1	----
Claremont	Company	61.7	47.8	13.9
New Castle Re	Company	61.9	40.0	21.9
Cigna	R/I	191.8	191.8	49.9
Inter Hannover	Portfolio Transfer	183.7	183.7	---
Laguna Life	Company	48.0	13.7	21.2
Total		\$1,922.8	\$1,772.6	\$301.6

Need for Additional Capital

- > In early fall 2010 we concluded the following:
 1. Significant 2010 and committed 2011 transactions had created a need for additional capital.
 2. The medium term pipeline of run-off opportunities was likely to be greater than our internally generated free cash, thus requiring additional capital funding.
 3. Distributions of free cash from our subsidiaries were approximately \$250m over a 12 to 15 month period:
 - > Timing of such distributions is unpredictable and often not in time with the funding of acquisitions
 - > We concluded that it would be desirable to put in place a Revolving Credit Facility of approximately \$250m necessitating an increase to our equity base
 - > RCF was recently completed with NAB and Barclays
 - > The 4Q10 and 1Q11 transactions required stop-gap funding in the form of a three year \$115m term loan with Barclays

Need for Additional Capital – cont'd

- > **We commenced a process of considering capital raising alternatives based on internal analysis and external advice.**

- > **Working with external advisors, we concluded that private placement of debt was not an attractive alternative until such time as our equity base was significantly greater.**

- > **Other debt structures were also considered limited in availability, expensive and would be likely to constrain additional borrowing.**

- > **We concluded that we needed additional equity at this stage of Enstar's evolution and considered two alternatives:**
 - 1. Public offering**
 - 2. Private equity placement**

Need for Additional Capital – Public Offering

- > **External advisors counseled us that a public offering would:**
 - > **raise no more than between \$100m to \$150m of pure equity**
 - > **need to be supplemented with convertible debt**

- > **Internal considerations of a public offering took into account our 2008 share offering.**

- > **We concluded that a public offering presented significant execution risks, and therefore it was not the most desirable capital-raising alternative at this time.**

Need for Additional Capital – Private Offering

- > **Enstar commenced discussions with Goldman Sachs in the fall of 2010.**
- > **Negotiations with Goldman Sachs were impacted by a significant increase in Enstar's share price over the course of the negotiations**
- > **We concluded that an issue price of \$86 per share plus warrants exercisable at \$115 per share was reasonable based on the following:**
 - > **The certainty of a nearly \$300m equity infusion at a known price**
 - > **The pricing and execution risks of a public offering**
 - > **The potential benefits that a strategic relationship with Goldman Sachs could bring to Enstar**
- > **Enstar also had discussions with other potential investors regarding private investments, but those transactions did not proceed**

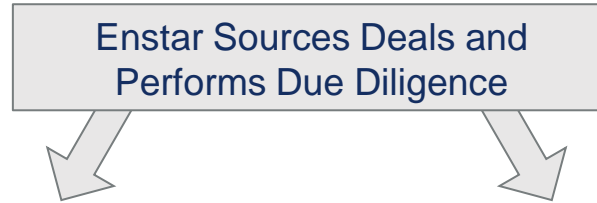
Summary of Goldman Sachs Investment

Tranche	Voting Common Shares	Preferred Shares	Total Shares	Amount	Warrant Shares
	(thousands)	(thousands)	(thousands)	(\$'m)	(thousands)
1	531	750	1,281	\$ 110.2	341
2	134	828	962	\$ 82.7	0.0
3	0.0	1,148	1,148	\$ 98.8	0.0
Total	665	2,726	3,391	\$ 291.7	341

- > Preferred shares convert into non-voting common shares on approval of certain proposals by shareholders.
- > Tranches 2 and 3 subject to regulatory approval; Tranche 3 subject to shareholder approval at June AGM
- > Exercise price of warrants = \$ 115/share (10 year expiry)
- > Goldman Sachs voting shares limited to 4.9%
- > Goldman Sachs has the right to appoint one board member
- > Goldman Sachs will own 19.9% of Enstar (fully diluted excluding warrants) if both tranches 2 and 3 close.

Enstar's Business Model

Acquiring Runoff Companies and Managing Third Party Liabilities



Acquire Business / Portfolio

Negative Goodwill

- > Acquires runoff businesses at or below Net Asset Value
- > If purchase price < fair value, write up occurs at close

Investment Income

- > Prudent investment policy
- > Match currency and duration of investments with liabilities
- > Maintain cash on hand to settle commutations and purchase assets

Manage Loss & Loss Adjustment Expense

- > Disciplined claims & cost management
- > Commutation of policies / policy buy backs below carried reserves
- > Maximizes reinsurance assets

Manage Third Party Runoff

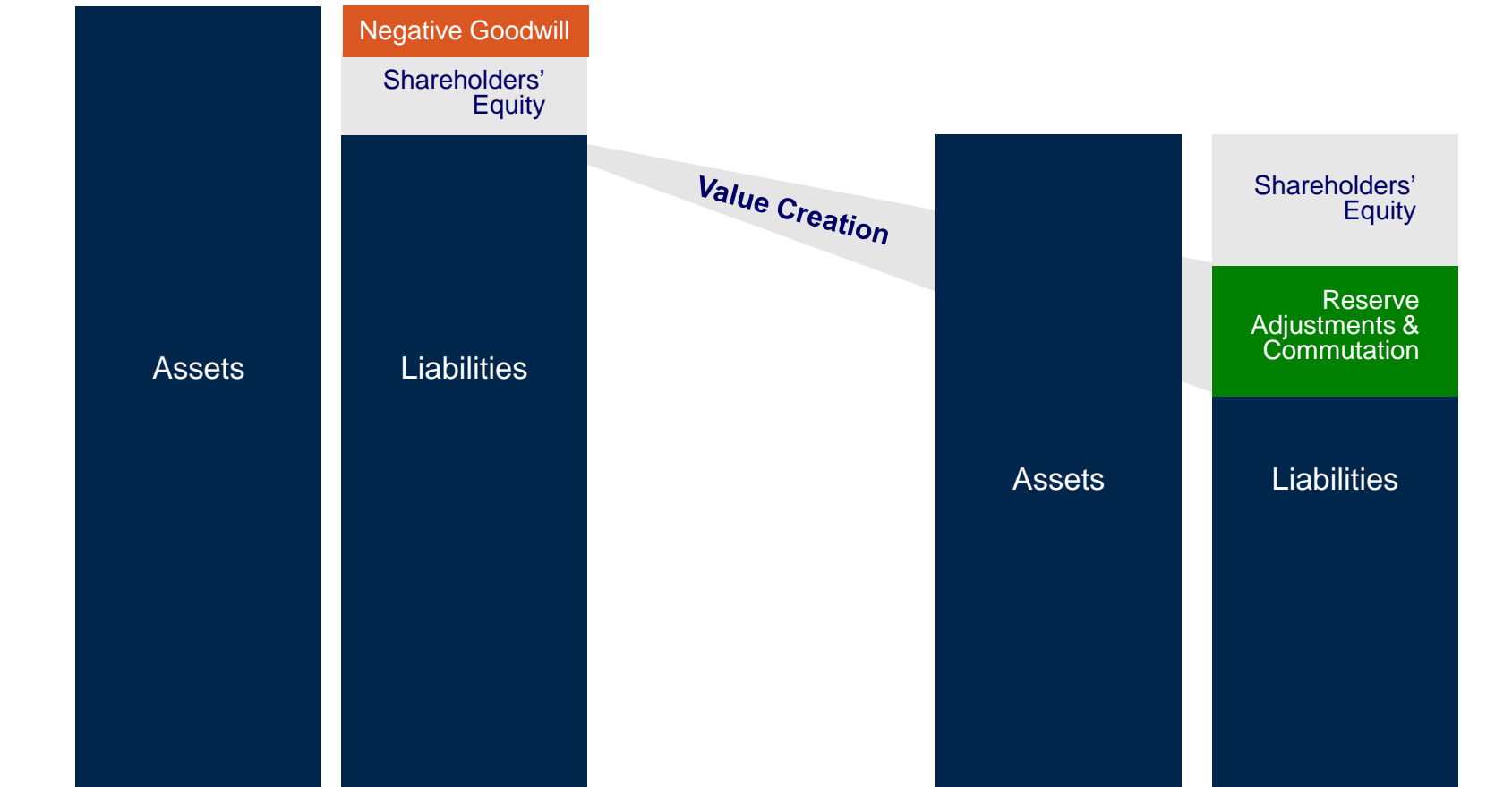
Consulting Fees / Cost Management

- > Provides fixed and incentive fee-based income
- > Creates strategic relationships

Value Proposition

At Acquisition

Future Benefits





Financial Historical Data

Summary Balance Sheet Data – December 31, 2006 – March 31, 2011 (in \$ Millions)

	March 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Assets						
Investments & Cash	3,844.7	3,884.5	3,321.1	3,487.9	1,800.5	1,261.1
Reinsurance	1,006.6	961.4	638.3	672.7	465.3	408.1
Other	379.7	390.0	211.4	197.6	151.3	105.1
Total Assets	5,231.0	5,235.9	4,170.8	4,358.2	2,417.1	1,774.3
Liabilities						
Loss Reserves	3,395.0	3,291.3	2,479.1	2,798.3	1,591.4	1,214.4
Others	622.6	728.8	615.6	688.7	311.7	185.7
Total Liabilities	4,017.6	4,020.1	3,094.7	3,487.0	1,903.1	1,400.1
Enstar Group Limited						
Shareholders' Equity	959.7	948.4	801.8	615.2	450.6	318.6
Non-controlling Interest	253.7	267.4	274.3	256.0	63.4	55.6
Total	1,213.4	1,215.8	1,076.1	871.2	514.0	374.2
Total Liabilities & Shareholders' Equity	5,231.0	5,235.9	4,170.8	4,358.2	2,417.1	1,774.3

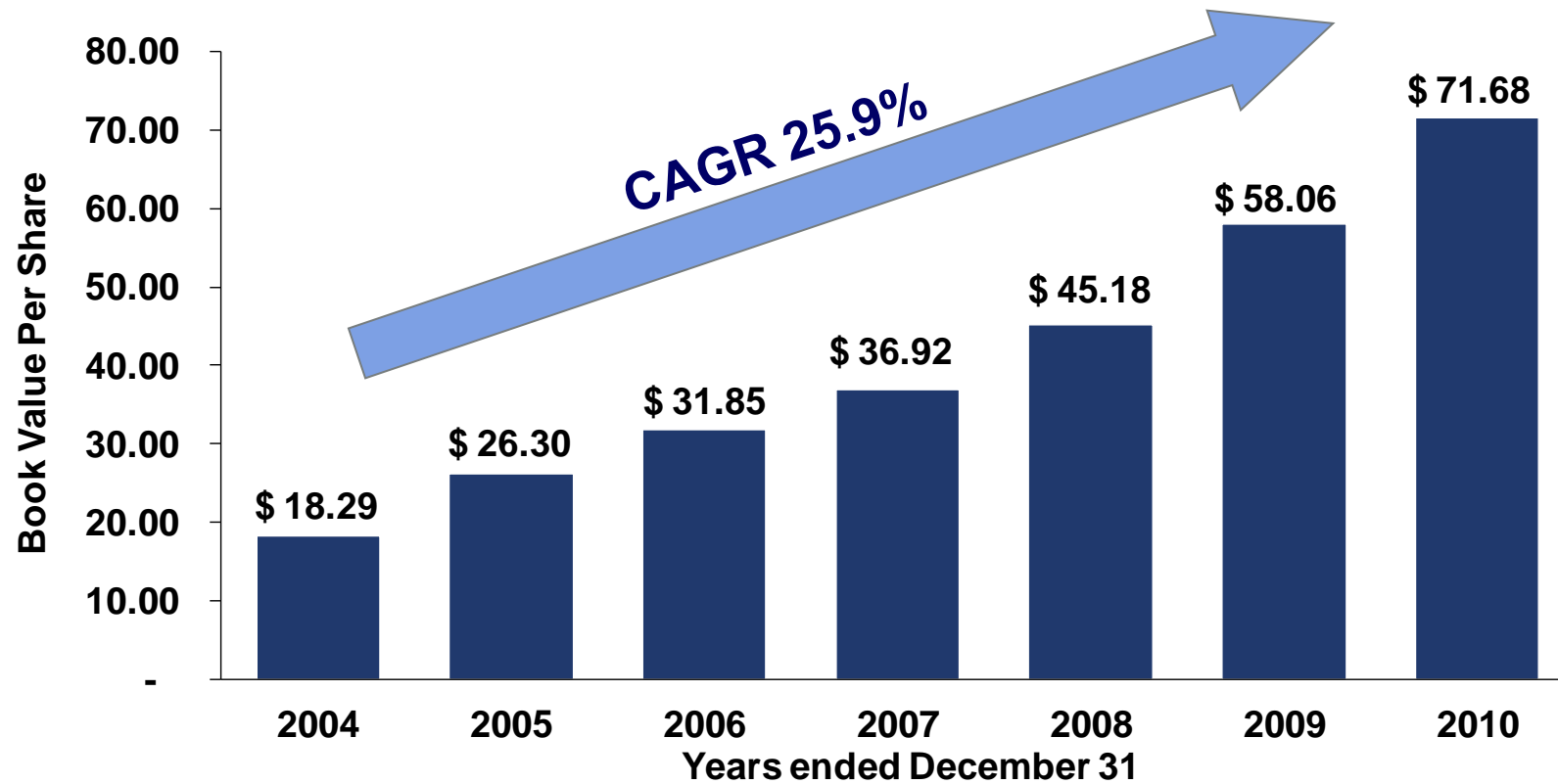


Financial Historical Data

Summary Statement of Earnings – December 31, 2006 – March 31, 2011 (in \$ Millions)

	3 Months Ended Mar 31, 2011	3 Months Ended Mar 31, 2010	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Consulting fee income	4.0	14.1	23.0	16.1	25.2	31.9	33.9
Net investment income and net realized and unrealized gains	35.0	28.3	113.0	85.6	24.9	64.3	48.0
Net reduction in ultimate loss and loss adjustment expense liabilities	4.1	9.6	311.8	259.6	242.1	24.5	31.9
Total other expenses	(37.4)	(35.7)	(155.7)	(156.7)	(148.0)	(75.3)	(50.1)
Share of net earnings of partly owned company	0.0	7.2	10.7	(0.0)	(0.2)	0.0	0.5
Income taxes	(0.6)	(5.9)	(87.1)	(27.6)	(46.8)	7.4	0.3
Earnings before extraordinary gain	5.1	17.6	215.7	177.0	97.2	52.8	64.5
Extraordinary gain – negative goodwill	0.0	0.0	0.0	0.0	50.3	15.7	31.0
Net earnings	5.1	17.6	215.7	177.0	147.5	68.5	95.5
Net earnings attributable to noncontrolling interest	(1.6)	(1.7)	(41.6)	(41.8)	(65.9)	(6.7)	(13.2)
Net earnings attributable to Enstar Group Limited	3.5	15.9	174.1	135.2	81.6	61.8	82.3

Growth in Fully Diluted Book Value Per Share December 31, 2004 – December 31, 2010



Loss Reserves

- > Our gross loss reserves provide Enstar's imbedded value
- > With the application of disciplined claims management and completion of successful commutations, our gross loss reserves at December 31, 2010 of \$3.3 billion should produce significant savings over time
- > The following table compares our carried gross loss reserves at December 31, 2010 to the range of reasonable estimates:

Exposure Category	Low \$ M	Selected \$ M	High \$ M
Asbestos	612.3	714.3	784.5
Environmental	97.1	110.9	123.8
All Other	2,087.6	2,287.8	2,578.4
Unallocated Loss Adjustment Expenses	178.2	178.2	178.2
Total	2,975.2	3,291.2	3,664.9

- > "All other" reserves comprise:

General Casualty	40%
Marine & Aviation	11%
Workers Comp./Personal Acc.	16%
Other Miscellaneous	33%
Total	100%

Investments

- > **Constraints**
 - > **We are likely to have negative cash flows from operations driven primarily by commutations**
 - > **Our portfolio is split amongst all our regulated entities subject to local regulatory and bank loan constraints**
 - > **Current economic environment provides for low yields on high quality investments – extra duration provides little additional yield but locks up investments**
 - > **Loss reserves are our key risk area – we aim to take relatively little risk with our investment portfolio**
 - > **The targeted duration of the majority of liabilities of our entities is 5 to 7 years**
- > **Strategy**
 - > **Duration of majority (approximately 90%) of our investments will be between one month and 5 years**
 - > **Up to 10% of portfolio in longer duration higher risk / yield other investments**
 - > **Investments with duration over one year are primarily held to maturity**
- > **Management**
 - > **Investment committee - Bob Campbell, Chuck Akre and Richard Harris**
 - > **Chief Investment Officer – Roger Thompson**

Investments

- > The following table provides a breakdown of the fair value of our cash and Investment portfolio at March 31, 2011:

Type of Investment	Fair Value \$M	Percent of Cash and Investments
U. S. Government and agency	265.0	6.9%
Non U.S. government	452.4	11.8%
Corporate	1,444.2	37.6%
Municipal	1.6	0.1%
Residential mortgage-backed	101.8	2.6%
Commercial mortgage-backed	48.7	1.3%
Asset-backed	32.3	0.8%
Other investments	233.9	6.1%
Public equities	63.6	1.7%
Cash and cash equivalents	1,201.2	31.1%
Total	3,844.7	100.0%

Reinsurance Asset

- > The following table provides a summary of our reinsurance asset and bad debt provision at March 31, 2011:

Reinsurance recoverables due from:	\$M
Total reinsurance recoverable before bad debt provision	1,425.6
Bad debt provisions	(419.0)
Net reinsurance recoverable	\$ 1,006.6

- > The following table provides a summary of our reinsurance asset, showing split by our reinsurers ratings, and bad debt provision at March 31, 2011:

Reinsurance recoverables due from:	\$M
"AA-" rated reinsurers	405.2
All other reinsurers	1,020.4
Total reinsurance recoverable before bad debt provisions	1,425.6
Bad debt provisions	(419.0)
Net reinsurance recoverable	\$ 1,006.6

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