FINANCIAL CONDITION REPORT

December 31, 2016

ENSTAR GROUP LIMITED, BERMUDA
BMA Registration Number 9001

Windsor Place | 3rd Floor | 22 Queen Street | Hamilton HM JX | Bermuda
Company telephone number: (441) 292-3645

Approved Auditor	*Group Supervisor*
KPMG Audit Limited	**Bermuda Monetary Authority**
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Prepared in accordance

With the reporting requirements of the

Bermuda Monetary Authority

DECLARATION ON FINANCIAL CONDITION REPORT

To the best of our knowledge and belief, we the undersigned confirm that the Financial Condition Report fairly represents the financial condition of Enstar Group Limited, in all material respects:

Enstar Group Limited, President August 31, 2017

Enstar Group Limited, Chief Risk Officer August 31, 2017

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report may include certain forward-looking statements regarding our views with respect to our business, operations, loss reserves, strategy, investment portfolio, economic model, and our expected performance for future periods, as well as the insurance market and industry conditions. These statements are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results may materially differ from those set forth in the forward-looking statements. You may identify forward-looking statements by the use of words such as "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "may," "should," "could," "will" or other words or expressions of similar meaning, although not all forward-looking statements contain such terms.

Forward-looking statements involve significant risks and uncertainties, including risks of changing market conditions in the overall economy and the industry, the success of implementing our strategies, the adequacy of our loss reserves, the regulatory environment, current and future litigation, the success of new acquisitions, competitive pressures, loss of key personnel, risks relating to our active underwriting businesses, our liquidity and other factors detailed in our Annual Report on Form 10-K and our other reports filed from time to time with the Securities and Exchange Commission ("SEC").

Any forward-looking statement in this report reflects Enstar Group Limited's current views with respect to future events and is subject to these and other risks, uncertainties and assumptions. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to publicly update or review any forward looking statement, whether to reflect any change in our expectations with regard thereto, or as a result of new information, future developments or otherwise, except as required by law.

NON-GAAP FINANCIAL MEASURES

In presenting our results for the Atrium Underwriting Group Limited and its subsidiaries ("Atrium") and StarStone Insurance Bermuda Limited and its subsidiaries ("StarStone") within the Atrium and StarStone segments, respectively, we discuss the loss ratio, acquisition cost ratio, other operating expense ratio, and the combined ratio of our active underwriting operations within these segments. While we consider these measures to be non-GAAP, management believes that these ratios provide the most meaningful measure for understanding our underwriting profitability. These non-GAAP measures may be defined or calculated differently by other companies. There are no comparable GAAP measures to our insurance ratios.

The loss ratio is calculated by dividing net incurred losses and loss adjustment expenses ("LAE") by net premiums earned. The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. The other operating expense ratio is calculated by dividing other operating expenses by net earned premiums. The combined ratio is the sum of the loss ratio, the acquisition cost ratio and the other operating expense ratio. The ratios exclude expenses related to the holding companies, which we believe is the most meaningful presentation because these expenses are not incremental and/or directly related to the individual underwriting operations.

In the loss ratio, the excluded net premiums earned and net incurred losses and LAE of the holding companies relate to the amortization of our fair value adjustments associated with the liabilities for unearned premiums and losses and LAE acquired on acquisition date. Fair value purchase accounting adjustments established at date of acquisition are recorded by the holding companies.

In Atrium's other operating expense ratio, the excluded general and administrative expenses relate to amortization of the definite-lived intangible assets in the holding company, and expenses relating to Atrium Underwriters Limited ("AUL") managing agency employee salaries, benefits, bonuses and current year share grant costs. The excluded AUL general and administrative expenses relate to expenses incurred in managing the syndicate, and eliminated items represent Atrium 5 Ltd.'s ("Atrium 5") share of the fees and commissions paid to AUL. We believe it is a more meaningful presentation to exclude the costs in managing the syndicate because they are principally funded by the profit commission fees earned from Syndicate 609, which is a revenue item not included in the insurance ratios.

In StarStone's other operating expense ratio for 2016, the excluded general and administrative expenses relate to the amortization of the definite-lived intangible assets, recorded at the holding company level. For 2015, the excluded general and administrative expenses relate to the amortization of the definite-lived intangible assets and acquisition-related expenses, in each case as recorded at the holding company level. For 2014, the excluded general and administrative expenses relate to management fee expenses charged by our Non-life Run-off segment primarily related to our costs incurred in managing StarStone, the amortization of the definite-lived intangible assets, and acquisition-related expenses, in each case recorded at the holding company level.

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ITEM 1. BUSINESS AND PERFORMANCE

a) Description of Business

Enstar Group Limited (“Enstar”, "EGL", the “Company” or the “Group”) is a Bermuda-based holding company, formed in 2001. Enstar is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR". In this report, the terms "Enstar," "the Company," "us", “our” and "we" are used interchangeably to describe Enstar and our subsidiary companies.

Our core focus is acquiring and managing insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since the formation of our Bermuda-based holding company in 2001, we have completed over 75 acquisitions or portfolio transfers.

Until 2013, all but one of our acquisitions had been in the Non-life Run-off business, which for us generally includes property and casualty, workers’ compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

In recent years, we expanded our business to include active underwriting through our acquisitions of Atrium and StarStone. We partnered with the Trident V funds ("Trident"), managed by Stone Point Capital LLC (“Stone Point”) in the Atrium and StarStone acquisitions, with Enstar owning a 59.0% interest, Trident owning a 39.3% interest, and Dowling Capital Partners, L.P. ("Dowling") owning a 1.7% interest. We also expanded our portfolio of run-off businesses to include closed life and annuities, primarily through our acquisition of Pavonia Holdings (US) Inc. and its subsidiaries (“Pavonia”) from HSBC Holdings Plc on March 31, 2013, although we have recently entered into an agreement to sell Pavonia.

b) Ownership Details

The table below sets forth information as of April 17, 2017 regarding beneficial ownership of our voting ordinary shares (including restricted voting ordinary shares) by each of the following, in each case based on information provided to us by these individuals:

- each person or group known to us to be the beneficial owner of more than 5% of our ordinary shares; and
- all of our current directors and executive officers as a group.

Percentages are based on 16,418,069 ordinary shares outstanding as of April 17, 2017.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT OF CLASS[(1)]
Canadian Pension Plan Investment Board (“CPPIB”)	1,501,211	9.1%
Akre Capital Management, LLC	1,458,812	8.9%
Trident V, L.P. and related affiliates	1,350,000	8.2%
All Current Executive Officers and Directors as a group (12 persons)	1,624,956	9.9%

(1) Our bye-laws would reduce the total voting power of any US shareholder or direct foreign shareholder group owning 9.5% or more of our ordinary shares to less than 9.5% of the voting power of all of our shares.

In addition to voting ordinary shares, there were a total of 3,004,443 issued and outstanding non-voting ordinary shares as of April 17, 2017. Of these shares, CPPIB owns 1,192,941 Series C Non-voting Ordinary Shares and 404,771 Series E Non-voting Ordinary Shares that, together with its voting ordinary shares held directly and indirectly, represented an economic interest of approximately 19.8% as of April 17, 2017. Funds managed by Hillhouse Capital Management ("Hillhouse") own 1,406,731 Series C Non-voting Ordinary Shares, which together with their voting shares and warrants, represented an economic interest of approximately 9.8% as of April 17, 2017. For additional information on our non-voting ordinary shares, refer to Note 17 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2016.

c) Group Structure

Please refer to Appendix 1.

d) Insurance Business Written by Line of Business

Through its subsidiaries, Enstar offers a broad range of property, casualty and speciality insurance and reinsurance products to both large multi-national and small and middle-market clients around the world.

Enstar's business is largely managed and reported through four business segments namely – (i) Non-life Run-off, (ii) Atrium, (iii) StarStone and (iv) Life and Annuities.

The following table shows gross premiums written by business segment for the years ended December 31, 2016 and 2015:

BUSINESS SEGMENT	DECEMBER 31, 2016 (US$'000')	DECEMBER 31, 2015 (US$'000')
Non-life Run-off	17,316	38,704
Atrium	143,170	149,082
StarStone	854,699	824,714
Life and Annuities	7,155	92,777
Total	**1,022,340**	**1,105,277**

The following table shows gross premiums written by geographical area for the years ended December 31, 2016 and 2015:

GEOGRAPHICAL AREA	DECEMBER 31, 2016 (US$'000')	DECEMBER 31, 2015 (US$'000')
Unites States	616,794	726,163
United Kingdom	108,166	91,064
Europe	151,024	119,580
Asia	49,966	41,645
Rest of World	96,390	126,825
Total	**1,022,340**	**1,105,277**

e) Performance of Investments & Material Income & Expenses for the Reporting Period

Enstar's investment strategy emphasizes the preservation of assets, credit quality and diversification. Our key investment objectives are as follows:

- to follow an investment strategy designed to emphasize the security and growth of our invested assets that also meet our credit quality and diversification objectives;
- to provide sufficient liquidity for the prompt payment of claims and contract liabilities;
- to seek superior risk-adjusted returns, by allocating a portion of our portfolio to non-investment grade securities in accordance with our investment guidelines; and
- to consider the duration characteristics of our liabilities in determining the extent to which we correlate with assets of comparable duration depending on our other investment strategies.

For our Non-life Run-off, Atrium and StarStone segments, we maintain a relatively short-duration investment portfolio in order to provide liquidity for the settlement of losses and, where possible, to avoid having to liquidate longer-dated investments. For our Non-life Run-off segment, the commutations of liabilities also have the potential to accelerate the natural payout of losses, which requires liquidity. Our fixed maturity securities include U.S. government and agency investments, highly rated sovereign and supranational investments, high-grade corporate investments, and mortgage-backed and asset-backed investments. We allocate a portion of our investment portfolio to other investments, including private equity funds, fixed income funds, fixed income hedge funds, equity funds, CLO equities and CLO equity funds.

For our Life and Annuities segment we have limited ability to shorten the duration of the liabilities, and therefore we maintain a longer duration investment portfolio of highly rated fixed maturity investments, primarily corporate bonds, that attempts to match the cash flows and duration of our liability profile.

The table below shows the return on our investment portfolio during the year ended December 31, 2016 by investment type. The return was calculated as a total of net investment income plus net realised and unrealised gains and losses over the average fair market value for each investment type.

INVESTMENT TYPE	INVESTMENT INCOME (US$'000')	MARKET VALUE (US$'000')	RETURN (%)
Fixed maturities	155,839	4,878,927	3.05%
Equities	37,671	318,618	13.69%
Bond and Loan Funds	17,175	249,023	6.64%
Hedge funds	7,118	85,976	4.01%
Private equities	17,791	300,529	7.02%
CLO equities	29,509	77,004	38.28%
Other	5,023	944	39.38%
Life settlements and other	12,841	129,474	10.06%
Cash and cash equivalents	2,740	1,318,645	0.22%
Funds Held	(14,581)	1,076,738	(1.44%)
Investment Expenses	(7,845)	-	-
Total	**263,281**	**8,435,878**	**3.09%**

Note: The above table does not include our Held For Sale portfolio (having entered into a definitive agreement to sell one of our Life and Annuities Businesses (‘Pavonia’). Please refer to section 6).

Material Income & Expenses for the Reporting Period

We reported consolidated net earnings attributable to the EGL shareholders of $264.8 million for the year ended December 31, 2016, an increase of $44.5 million from $220.3 million for the year ended December 31, 2015. Our results were impacted by the loss portfolio transfer reinsurance transactions we completed during 2016 with Allianz SE (“Allianz”), The Coca-Cola Company and its subsidiaries (“Coca-Cola”) and Neon Underwriting Limited (“Neon”). Our results were also impacted by our acquisition activity during 2015, when we acquired Sussex Insurance Company (“Sussex”), Wilton Re Limited (“Wilton Re”) life settlements business and Alpha Insurance SA (“Alpha”), and completed loss portfolio transfer reinsurance transactions with Reciprocal of America, Voya Financial (“Voya”), and Sun Life. The most significant drivers of the change in our financial performance during 2016 as compared to 2015 included:

Net Incurred Losses and LAE in our Non-life Run-off Segment

Net reduction in the liability for net incurred losses and LAE within our Non-life Run-off segment continued to be the predominant driver of our consolidated earnings for the year ended December 31, 2016, improving by $15.1 million from 2015. Net earnings provided by the Non-life Run-off segment increased by $33.5 million in 2016 compared to 2015 primarily due to improved investment results, partially offset by higher expenses and other items.

Higher Net Investment Income

Total net investment income increased by $62.9 million for the year ended December 31, 2016 compared to 2015. The increase was attributable to an average increase of 53 basis points in the book yield we obtained on our assets, due to our asset allocation and a broad increase in treasury yields.

StarStone

Net earnings attributable to the StarStone segment were $25.2 million for the year ended December 31, 2016, as compared to $13.7 million in 2015. The combined ratio[1] of 98.6% was the same as last year as challenging underwriting conditions resulted in higher loss and acquisition ratios, which was fully offset by improvement in the other operating expense ratio attributable to the continued execution of expense management initiatives.

Atrium

Net earnings attributable to the Atrium segment were $6.4 million, for the year ended December 31, 2016 as compared to $16.6 million for the year ended December 31, 2015. Atrium continued to deliver solid underwriting performance with a combined ratio[1] of 94.0%. The 2016 results included a lower level of favorable prior period loss development and some large losses in 2016 compared to a lower level of losses in 2015.

[1] The loss ratio, acquisition cost ratio, other operating expense ratio, and the combined ratio of our active underwriting operations within our StarStone and Atrium segments are considered to be non-GAAP. Refer to *Non-GAAP Financial Measures,* immediately preceding the Table of Contents above, for a description of how these ratios are calculated.

Life Settlements Business

The life settlements business contributed $11.0 million to earnings in 2016 compared to $16.5 million in 2015.

Change in Net Realized and Unrealized Gains (Losses)

For the year ended December 31, 2016, net realized and unrealized gains amounted to $77.8 million, as compared to net realized and unrealized losses of $41.5 million for 2015. The net realized and unrealized gains in 2016 were primarily attributable to an increase in the valuation of our other investments, as well as tighter credit spreads in fixed income markets.

Noncontrolling Interest

Noncontrolling interest in losses (earnings) is directly attributable to the results from those subsidiary companies in which there are either noncontrolling interests or redeemable noncontrolling interests. For the year ended December 31, 2016, the noncontrolling interest in earnings was $39.6 million as compared to the noncontrolling interest in losses of $10.0 million in 2015.

f) Any Other Material Information

Please refer to Subsequent Events in Item 6.

ITEM 2. GOVERNANCE STRUCTURE

a) Board and Senior Executive Structure, role, responsibility and segregation of responsibilities

i) *Roles & Responsibilities*

The table below shows the current composition of our Board of Directors (the "Board") and the committee assignments of each of our directors:

NAME	BOARD POSITION	RESPONSIBILITIES
Robert Campbell	Chairman	Independent Non Executive Board Member; Chair of the Board of Directors, Chair of the Audit and Investment Committees; Member of the Compensation and Nominating and Governance Committees.
B. Frederick Becker	Director	Independent Non Executive Board Member. Chair of the Compensation and Nominating and Governance Committees. Member of the Audit Committee.
Sandra Boss	Director	Independent Non Executive Board Member. Chair of Risk Committee. Member of the Compensation and Nominating and Governance Committees
James Carey	Director	Non-Executive Board Member. Member of the Investment Committee.
Hans-Peter Gerhardt	Director	Independent Non Executive Board Member.
Paul O'Shea	Director	Board Member. President, Head of Mergers & Acquisitions - evaluation and execution of new business opportunities. StarStone Executive Chairman
Hitesh Patel	Director	Independent Non Executive Board Member. Member of the Audit, Risk and Nominating and Governance Committees.
Dominic Silvester	Director	Board Member. Chief Executive Officer
Poul Winslow	Director	Independent Non Executive Board Member. Member of the Investment and Compensation Committees.
Jie Liu	Director	Non-Executive Board Member. Member of the Investment Committee

The primary responsibility of the Board is to oversee the management of the Company's affairs to further the best interests of the Company and its shareholders. The Board therefore monitors and oversees the Company's operations and strategic initiatives, sets and approves the Company's risk appetite, ensures competent and robust risk management and the implementation of appropriate accounting and other internal controls. The Board has an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, a Risk Committee, an Investment Committee, and an Executive Committee. Each committee operates under a written charter that has been approved by the Board. Each Committee reviews its charter annually, and recommends any proposed changes to the Board. Current copies of the charters for all of our committees are available on our website at http://www.enstargroup.com/corporate-governance.

Our Board believes that our corporate governance structure appropriately satisfies the need for objectivity and includes several effective oversight measures, such as:

- the roles of Chairman and Chief Executive Officer ("CEO") are separated;
- the Chairman as well as a majority of our directors are independent directors;
- before or after regularly scheduled Board meetings, the independent directors meet in executive session to review, among other things, the performance of our executive officers; and
- the Audit, Compensation and Nominating and Governance Committees of the Board consist solely of independent directors who perform key functions, such as (i) overseeing the integrity and quality of our financial statements and internal controls, (ii) establishing senior executive compensation, (iii) reviewing director candidates and making recommendations for director nominations, and (iv) overseeing our corporate governance structure and practices.

While the Board and its committees maintain primary oversight responsibility of our operations and the management of the risks that we face, the Board believes that day-to-day management of the Company's business is the responsibility of management and that the role of the Board is to oversee management's performance of that function.

The operations and the risks related to our insurance and reinsurance subsidiaries are also overseen by subsidiary Boards, subsidiary committees and the respective management teams, consistent with our Bye-Laws and applicable regulatory requirements. For example, our active underwriting businesses, Atrium and StarStone are subject to certain risks that are distinct from our Non-life Run-off and Life and Annuities segments and therefore maintain dedicated risk governance and management frameworks to manage risk, return, and capital in their individual businesses. These segment-specific frameworks, however, fit into and form part of Enstar's overall governance framework.

The table below shows the current composition of our Group Executive team as well as their roles and responsibilities:

NAME	SENIOR EXECUTIVE POSITION	RESPONSIBILITIES
Dominic Silvester	Chief Executive Officer	Board Member and Chief Executive Officer
Paul O'Shea	President	Board Member and President, Head of Mergers & Acquisitions - evaluation and execution of new business opportunities. StarStone Executive Chairman
Orla M. Gregory	Chief Operating Officer	Chief Operating Officer. Development, oversight and delivery of group strategic initiatives and new business transitions.
Mark W. Smith	Chief Financial Officer	Chief Financial Officer
Paul Brockman	Chief Executive Officer of Enstar (US)	President & CEO, Enstar (US) Inc. and Member of the Group Executive Team
David Atkins	Chief Executive Officer of Enstar (EU)	CEO, Enstar (EU) Limited; Group Head of Claims and Member of the Group Executive Team
Dave Foley	Group Chief Actuary	Group Chief Actuary and Member of the Group Executive Team
Guy Bowker	Deputy Chief Financial Officer and Chief Accounting Officer	Deputy CFO & Chief Accounting Officer. Member of the Group Executive Team

b) Remuneration Policy

i) *Director Compensation*

Our Board's Compensation Committee is responsible for periodically reviewing non-employee director compensation and making recommendations to our Board with respect to any changes. The Compensation Committee conducts a comprehensive review no less than biennially, which may include working with our independent compensation consultant.

Our director compensation program consists of three principal elements: (i) a cash retainer payable quarterly, with additional retainers paid to the Chairman of the Board and certain committee chairs; (ii) an equity retainer payable annually in the form of restricted ordinary shares with a one-year vesting period for non-employee directors and the Chairman of the Board; and (iii) meeting fees for all Board and committee meetings attended. Directors who are employees of Enstar receive no fees for their services as directors.

Committee fees differ due to the workload and composition of each committee (i.e., whether the members are predominantly non-employee or employee directors) and are periodically evaluated by the Compensation Committee.

In addition, our non-employee directors may elect (i) to defer receipt of all or a portion of their cash or equity compensation until retirement or termination and (ii) to receive all or a portion of their cash compensation for services as a director in the form of our ordinary shares instead of cash. Non-employee directors electing to defer compensation have such compensation converted into share units payable as a lump sum distribution after the director leaves the Board. The lump sum share unit distribution is made in the form of ordinary shares, with fractional shares paid in cash. Non-employee directors electing to receive compensation in the form of ordinary shares receive whole ordinary shares (with any fractional shares payable in cash) as of the date compensation would otherwise have been payable. A director's election to defer compensation does not affect the vesting schedule of the equity portion of the retainer fees described above.

ii) *Executive Compensation*

Our executive compensation program currently consists of three principal elements: base salaries, annual incentive compensation and long-term incentive compensation. Executives also receive certain other benefits, including those pursuant to their employment agreements. The table below describes the elements of our executive compensation.

PRINCIPAL ELEMENT	DESCRIPTION	KEY FEATURES
Base Salary	Provides the fixed portion of an executive's compensation that reflects scope of skills, experience and performance.	• Provides a base component of total compensation • Established largely based on scope of responsibilities, market conditions, and individual and Company performance in the preceding year
Annual Incentive Compensation	Provides "at risk" pay that reflects annual Company performance and individual performance.	• Aligns executive and shareholder interests • Designed to reward performance consistent with financial and individual operational performance objectives

PRINCIPAL ELEMENT	DESCRIPTION	KEY FEATURES
		• 2016 was our first year using defined performance objectives, following our previous use of a fully discretionary program
Long-Term Incentive Compensation	Provides equity-based pay, aimed at incentivizing long-term performance. Includes SARs, which represent the right to receive an amount in cash equal to the appreciation in value of one ordinary voting share of the Company above the fair market value on the grant date. Performance stock unit ("PSUs") and restricted stock unit ("RSUs") awards are used with our senior management team, including executives.	• Aligns executive and shareholder interests • Drives long-term performance and promotes retention • Executive officer SARs granted in 2014 have a delayed "cliff" vesting of three years and limited period of exercisability after vesting (one year) • Shareholder dilution issues are considered when making equity awards
Other Benefits and Perquisites	Reflects the Bermuda location of our corporate headquarters, as well as specific local market and competitive practices such as retirement benefits, Bermudian payroll and social insurance tax contributions, CEO rental expense, and administrative assistance	• Provides benefits consistent with certain local market practices in our Bermuda location in order to remain competitive in the marketplace for industry talent • Promotes retention of executive leadership team
Employment Agreements	Provides certain protections for executives and their families in the event of death or long-term disability, termination, or change in control Change in control contractual benefits are payable only in a "double trigger" situation where employment is terminated following a change of control	• Provides Company with protections such as restrictive covenants (non-competition, non-solicitation, confidentiality, etc.) • Promotes retention over a multi-year term and a sense of security among the leadership team • Consistent with competitive conditions in Bermuda and legal requirements in Bermuda and the U.K.

Enstar's Compensation Committee considers all compensation components in total when evaluating and making decisions with respect to each individual component. Although it does not mandate a specific allocation among the components of pay, the Compensation Committee believes that a meaningful portion of each executive's compensation should be "at risk" and performance-based.

The Compensation Committee also has the authority under its charter to retain independent compensation consultants and outside legal counsel or other advisors to provide analysis of total direct compensation of our executive officers in comparison to our peer group, to assist in the construct of our peer group, and to provide assistance with the design of long-term incentive programs.

As part of our risk management practices, the Compensation Committee reviews and considers risk implications of and incentives created by our executive compensation program and our compensation policies and practices for the Company as a whole. At the Committee's direction, representatives from our risk management and legal departments conducted a risk assessment of our compensation policies and practices for executives and all employees, which was discussed and reviewed by the Committee.

The review analyzes compensation governance processes, situations where compensation programs may have the potential to raise material risks to the Company, internal controls that mitigate the risk of incentive compensation having an adverse effect, and program elements that further mitigate these risks. Through this review, the Committee has concluded that our compensation program does not create risks that are reasonably likely to have a material adverse effect on us.

iii) *Employee Compensation*

In 2016 the Company performed a comprehensive review of employee terms and conditions. As part of this review employees whose contract for employment was with a specific entity (e.g. employees who were associated with historical acquisitions) were migrated over into regional Enstar Service Companies and employee terms and conditions were standardized in accordance with local employment law and practices.

All Enstar non-executive employees receive a fixed base salary (commensurate with their role, experience, annual performance in the prior year and prevailing market conditions), an annual performance-based bonus and, at senior levels, employees are eligible to receive equity awards designed to incentivize and reward long term performance aligned with shareholder interests and retain and attract new qualified employees.. In addition employees, in accordance with local employment law may benefit from various benefit plans, including medical and dental insurance, long-term disability insurance and life insurance. All employee equity awards are subject to the Company's Clawback Policy, which allows for the recoupment of excess incentive compensation in the event of a financial restatement.

c) Pension or Early Retirement Schemes for Members, Board and Senior Employees

Our non-employee directors do not receive supplementary pension or retirement benefits. On an annual basis, all of our executive officers based in Bermuda, receive an amount equal to 10% of their base salaries in respect of a retirement benefit contribution. We also provide retirement benefits to eligible employees of our subsidiaries through various plans that we provide.

d) Material Transactions with Shareholder Controllers, Persons who Exercise Significant Influence, the Board or Senior Executives

From time to time, we have participated in transactions in which one or more of our directors, executive officers or large shareholders has an interest. These transactions, called related-party transactions, require the approval of our Audit Committee (comprised entirely of independent directors), which reviews each transaction for fairness, business purpose, and reasonableness. Each transaction involving the Company and an affiliate entered into during 2016 was approved by our Audit Committee. Investment transactions with related parties are also subject to the review and approval of our Investment Committee.

Below is an analysis of the significant transactions that we entered into with our related parties during the year ended December 31, 2016:

i) *Stone Point*

Through several private transactions occurring from May 2012 to July 2012, Trident acquired 1,350,000 of our Voting Ordinary Shares (which now constitutes approximately 8.3% of our outstanding Voting Ordinary Shares). On November 6, 2013, we appointed James D. Carey to our Board. Mr. Carey is the sole member of an entity that is one of four general partners of the entities serving as general partners for Trident, is a member of the investment committees of such general partners, and is a member and senior principal of Stone Point, the manager of the Trident funds. In addition, we have entered into certain investors' and shareholders' agreements with Trident with respect to Trident's co-investments in the acquisitions of some of our subsidiaries.

As at December 31, 2016, we had investments in funds and a registered investment company affiliated with entities owned by Trident or otherwise affiliated with Stone Point. The fair value of the investments in the funds was $232.1 million and $237.9 million as of December 31, 2016 and December 31, 2015, respectively, while the fair value of our investment in the registered investment company was $20.9 million and $21.0 million as at December 31, 2016 and December 31, 2015, respectively.

We also have separate accounts, with a balance of $215.0 million and $157.8 million as at December 31, 2016 and 2015, respectively, managed by Eagle Point Credit Management and PRIMA Capital Advisors, which are affiliates of entities owned by Trident.

In addition, we are invested in two funds managed by Sound Point Capital, an entity in which Mr. Carey has an indirect minority ownership interest and serves as director. The fair value of our investments in Sound Point Capital funds was $25.4 million and $34.5 million as of December 31, 2016 and December 31, 2015, respectively. Sound Point Capital has also acted as collateral manager for certain of our direct investments in CLO equity securities. The fair value of these investments was $20.3 million and $18.2 million as at December 31, 2016 and December 31, 2015, respectively. We also have a separate account managed by Sound Point Capital, with a balance of $61.2 million and $53.5 million as at December 31, 2016 and December 31, 2015, respectively.

ii) *CPPIB*

On June 3, 2015, CPPIB purchased voting and non-voting shares in Enstar from FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII-A Parallel Vehicle L.P. and FR Torus Co-Investment, L.P. On September 29, 2015, CPPIB exercised its acquired right to appoint a representative, Poul Winslow, to our Board. During November 2016, CPPIB acquired additional non-voting shares in Enstar from affiliates of Goldman, Sachs & Co. ("Goldman Sachs") in a private transaction. Following this transaction, CPPIB's shares constitute an approximate 9.3% voting interest and an approximate 16% aggregate economic interest in Enstar.

In addition, approximately 4.6% of our voting shares (constituting an aggregate economic interest of approximately 3.8%) are held indirectly by CPPIB through CPPIB Epsilon Ontario Limited Partnership ("CPPIB LP"). CPPIB is the sole limited partner of CPPIB LP, and CPPIB Epsilon Ontario Trust ("CPPIB Trust") is the general partner. CPPIB's director representative is a trustee of CPPIB Trust.

CPPIB, together with management of Wilton Re Ltd. ("Wilton Re"), own 100% of the common stock of Wilton Re from whom we completed the acquisition of certain subsidiaries on May 5, 2015, that held interests in life insurance policies.

We also have a pre-existing reinsurance recoverable from a company later acquired by Wilton Re, which we carried on our balance sheet at $9.4 million as of December 31, 2016.

iii) *Goldman Sachs*

Affiliates of Goldman Sachs previously owned approximately 4.1% of our Voting Ordinary Shares and 100% of our Series C Non-Voting Ordinary Shares, which constituted an aggregate economic interest of approximately 17.5% (excluding the impact of Goldman Sachs' warrants to acquire additional Series C Non-Voting Ordinary Shares). During September 2016, Goldman Sachs affiliates: (i) sold a portion of their Voting Ordinary Shares, Series C Non-Voting Ordinary Shares, and warrants, following which they held an aggregate economic interest of approximately 8.5% and (ii) sold Series C Non-Voting Ordinary Shares to CPPIB that resulted in Goldman Sachs holding an aggregate economic interest of approximately 2.3%. Sumit Rajpal, a managing director of Goldman Sachs, had been appointed to our Board in connection with Goldman Sachs' investment in Enstar; he resigned on September 16, 2016.

As of December 31, 2016 and December 31, 2015, we had investments in funds affiliated with entities owned by Goldman Sachs, which had a fair value of $19.3 million and $39.6 million, respectively. As of December 31, 2016 and December 31, 2015, we had an indirect investment in non-voting interests of two companies affiliated with Hastings Insurance Group Limited which had a fair value of $49.9 million and $44.6 million, respectively. Goldman Sachs affiliates have an approximately 38% interest in the Hastings companies, and Mr. Rajpal serves as a director of the entities in which we have invested.

A Goldman Sachs affiliate provides investment management services to one of our subsidiaries. Our interests are held in accounts managed by affiliates of Goldman Sachs, with a balance of $748.0 million and $758.9 million as at December 31, 2016 and December 31, 2015 respectively.

iv) *KaylaRe*

On December 15, 2016, our equity method investee, KaylaRe Holdings Ltd. ("KaylaRe") completed an initial capital raise of $620.0 million. We have an approximate 48.4% interest in KaylaRe.

In connection with our investment in KaylaRe, we entered into a Shareholders' Agreement with the other shareholders in KaylaRe, including the Trident funds and HH KaylaRe Holdings, Ltd., an affiliate of Hillhouse. Our subsidiary, Enstar Limited, acts as insurance and reinsurance manager to KaylaRe's subsidiary, KaylaRe Ltd. Affiliates of Enstar have also entered into various reinsurance agreements with KaylaRe Ltd. and KaylaRe Ltd. will also have the opportunity to participate in future Enstar legacy transactions. We also provide administrative services to KaylaRe and KaylaRe Ltd.

Our consolidated balance sheet as at December 31, 2016 included the following balances related to transactions between us and KaylaRe and KaylaRe Ltd. – reinsurance recoverable of $242.1 million, prepaid reinsurance premiums of $109.0 million, funds held of $182.3 million recorded in other liabilities, insurance and reinsurance balances payable of $132.6 million and ceded acquisition costs of $41.2 million recorded as a reduction of deferred acquisition costs.

v) *Hillhouse*

Investment funds managed by Hillhouse collectively own approximately 2.1% of our voting ordinary shares. These funds also own nonvoting ordinary shares and warrants to purchase additional non-voting ordinary shares, which together with their voting ordinary shares, represent an approximate 9.8% economic interest in Enstar.

As of December 31, 2016, our equity method investee, KaylaRe, had investments in a fund managed by Hillhouse with a fair value of $350.0 million.

For additional information on our related party transactions, refer to Note 21 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2016.

e) Fitness and Proprietary Requirements

i) *Fit and Proper Process in assessing the Board and Senior Executive*

Our Board believes that all of its directors have demonstrated professional integrity, ability and judgment, as well as leadership and strategic management abilities, and have each performed exceptionally well in their respective time served as directors. Several of our current directors have served as directors of the Company for a number of years, during which time Enstar has experienced significant growth and success.

In recent years we have enhanced and refreshed our Board and our newer directors have made significant contributions, drawing on complementary backgrounds that are highly valuable to our growth. In early 2017, we added Jie Liu of Hillhouse to the Board to fill a vacancy. During 2015, we added five independent directors, namely, B. Frederick (Rick) Becker, Hitesh R. Patel, Poul A. Winslow, Hans-Peter Gerhardt, and Sandra L. Boss.

In addition, on an annual basis, all our directors and executive officers complete Directors' and Officers' Questionnaires, as well as a Fit and Proper Declaration, the results of which are reported to the Company's Audit Committee.

When identifying and evaluating director nominees to our Board, our Nominating and Governance Committee considers the nominees' personal and professional integrity, judgment, ability to represent the interests of the shareholders, and knowledge and experience in key areas such as insurance, reinsurance, investments, regulatory matters, industry-specific audit and accounting expertise, active underwriting expertise and compensation matters. The Nominating and Governance Committee has primarily identified candidates through its periodic solicitation of recommendations from members of the Board and individuals known to the Board, use of third-party search firms retained by the Nominating and Governance Committee, and shareholders, although in certain private placement or acquisition-related transactions, parties have obtained the right to designate a board representative.

The evaluation of new director candidates involves several steps, not necessarily taken in any particular order. The Nominating and Governance Committee reviews the candidate's qualifications and background (which includes securing a resume and other background data and background checks), and evaluates the candidate's attributes relative to the identified needs of the Board. If the Nominating and Governance Committee wishes to pursue a candidate further, it arranges candidate interviews with committee members and other directors. After assessing feedback, the Nominating and Governance Committee presents each nominated candidate to the Board for consideration.

For incumbent directors, the Nominating and Governance Committee reviews each director's overall service to the Company during the director's term, including the director's level of participation and quality of performance. The Nominating and Governance Committee with the Board's agreement, then nominates the candidates proposed for election as directors at our Annual General Meeting.

In accordance with the Company's Fit and Proper Policy, Enstar's Board and Executive Officers, together with all Directors, Officers and Senior Managers of regulated Subsidiaries, including personnel undertaking those roles for regulated subsidiaries under a services or other agreement (collectively referred to as "Covered Persons") are assessed against criteria set forth in our Fit and Proper Policy in order to be deemed to have the necessary qualities, competencies and experience to perform their duties and carry out the responsibilities required of their position in an effective manner. These criteria require each Covered Person to:

- possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgement to undertake and fulfil the particular duties and responsibilities of the role;

- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and licence obligations applying to the relevant entity; and
- be able to identify and appropriately manage any conflicts of interest, in accordance with our Conflict of Interest Policy.

The Fit and Proper Policy criteria also require that no Covered Person shall:

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

Covered Persons in certain jurisdictions may be subject to additional local criteria applicable to their jurisdictions.

Both the Enstar and subsidiary board(s) take all reasonable steps to ensure that all Covered Persons are aware of, and understand, the Company's Fit and Proper Policy as well as their obligation to continue to meet the requirements on an on-going basis.

Candidates for Covered Person positions will be pre-assessed prior to joining Enstar using the following process:

- The individuals must be assessed with the assistance of the Human Resources ("HR") function against the criteria set forth in the Fit and Proper Policy as detailed above, in addition to any local criteria, if relevant;
- References and proofs of industry/professional qualifications are sought and retained; and
- Background checks including a check of criminal records are also sought and retained.

The Company's HR and Compliance functions continuously monitor any staff changes or business activities that could have an impact upon roles and ensure that processes are in place to confirm ongoing fitness and propriety e.g. relevant individuals providing an annual attestation of their continued fitness and propriety for their position and confirmation of continued compliance with the fitness and proper criteria.

ii) *Board and Senior Executives Professional Qualifications, Skills and Expertise*

(1) Board Members

Dominic F. Silvester

Chief Executive Officer

Biographical Information

Dominic Silvester has served as a director and the Chief Executive Officer of the Company since its formation in 2001. In 1993, Mr. Silvester began a business venture in Bermuda to provide run-off services to the insurance and reinsurance industry. In 1995, the business was assumed by Castlewood Limited, which is now a subsidiary of the Company, and for which Mr. Silvester has since then served as Chief Executive Officer. Prior to co-founding the Company, Mr. Silvester served as the Chief Financial Officer of Anchor Underwriting Managers Limited from 1988 until 1993.

Skills and Qualifications – Company leader; industry expertise; corporate strategy

As a co-founder and CEO of the Company, Mr. Silvester contributes to the Board his intimate knowledge of the Company and the run-off industry. He is well known in the industry and is primarily responsible for identifying and developing our business strategies and acquisition opportunities on a worldwide basis. Mr. Silvester has served as our CEO since the Company's inception, demonstrating his proven ability to manage and grow the business.

Paul J. O'Shea

President

Biographical Information

Paul O'Shea was appointed as President in December 2016 when he was also named Executive Chairman of StarStone. He previously served as Executive Vice President and Joint Chief Operating Officer of the Company since our formation in 2001 and has also been a director throughout this time. He leads our mergers and acquisitions operations, including overseeing our transaction sourcing, due diligence and negotiations processes. In 1994, Mr. O'Shea joined Dominic F. Silvester and Nicholas A. Packer in their run-off business venture in Bermuda, and he served as a director and Executive Vice President of Castlewood Limited, which is now a subsidiary of the Company, from 1995 until 2001. Prior to co-founding the Company, he served as the Executive Vice President, Chief Operating Officer and a director of Belvedere Group/Caliban Group from 1985 until 1994.

Skills and Qualifications – Company leader; long track record of successful acquisitions; industry expertise

Mr. O'Shea is a qualified chartered accountant who has spent more than 30 years in the insurance and reinsurance industry, including many years in senior management roles. As a co-founder of the Company, Mr. O'Shea has intimate knowledge and expertise regarding the Company and our industry. He has been instrumental in sourcing, negotiating and completing numerous significant transactions since our formation.

Robert J. Campbell:

Enstar Committees: Audit (Chair), Compensation, Investment (Chair), Nominating and Governance

Biographical Information

Robert Campbell was appointed as the independent Chairman of the Board in November 2011. Mr. Campbell has been a Partner with the investment advisory firm of Beck, Mack & Oliver, LLC since 1990.

Certain Other Directorships

Mr. Campbell is a director and chairman of the audit committee of AgroFresh Solutions, Inc. (formerly Boulevard Acquisition Corp.), a publicly traded global agricultural technologies company. He is also a director of Boulevard Acquisition Corp. II, a blank check company that completed its initial public offering in September 2015. He previously served as a director of Camden National Corporation, a publicly traded company, from 1999 to 2014.

Skills and Qualifications – Financial, accounting, and investment expertise; leadership skills

Mr. Campbell brings to the Board his extensive understanding of finance and accounting, which he obtained through over 40 years of analyzing financial services companies and which is very valuable in his role as chairman of our Audit Committee. In addition, Mr. Campbell's investment management expertise makes him a key member of our Investment Committee, of which he serves as chairman. Mr. Campbell continues to spend considerable time and energy in his role, which is significant to the leadership and function of our Board.

Frederick (Rick) Becker:

Enstar Committees: Audit, Compensation (Chair), Nominating and Governance (Chair)

Biographical Information

Rick Becker is the Chairman of Clarity Group, Inc., a US national healthcare professional liability and risk management organization, which he co-founded over 13 years ago. Prior to cofounding Clarity Group, Inc., he served as Chairman and Chief Executive Officer of MMI Companies, Inc. from 1985 until its sale to The St. Paul Companies in 2000. Mr. Becker has previously served as President and CEO of Ideal Mutual and McDonough Caperton Employee Benefits, Inc., and also served as State Compensation Commissioner for the State of West Virginia.

Certain Other Directorships

Mr. Becker currently serves as a director of private companies West Virginia Mutual Insurance Company, Barton and Associates, Inc., and Dorada Holdings Ltd. (Bermuda).

Skills and Qualifications – Compensation, governance, and risk management experience; industry knowledge

Mr. Becker has over 35 years of experience within the insurance and healthcare industries. The Board also values Mr. Becker's corporate governance experience, which he has gained from serving on many other boards over the years. In addition, his previous work on compensation matters makes him well-suited to serve as Chairman of our Compensation Committee. He has an extensive background in risk management, which enhances our risk oversight and monitoring capabilities.

Sandra L. Boss:

Enstar Committees: Risk (Chair), Compensation, Nominating and Governance

Biographical Information

Sandra Boss has served since September 2014 as an External Member of the Prudential Regulation Committee of the Bank of England responsible for the prudential regulation and supervision of approximately 1,700 banks, building societies, credit unions, insurers and major investment firms. Ms. Boss was a Senior Partner at McKinsey & Company, a global management consulting firm, from 2005 to 2014, and a Partner from 2000. At McKinsey, she was a strategic advisor to global banks and investment banks as well as to a number of public sector institutions and industry bodies on financial services policy and financial markets structure.

Certain Other Directorships

As noted, Ms. Boss has been an independent director of the Prudential Regulation Authority since September 2014. She is also a non-executive director of Elementis plc, a FTSE 250 specialty chemicals company.

Skills and Qualifications – Regulatory experience, financial acumen, strategic management expertise

Ms. Boss brings to our Board her financial acumen, global experience in prudential regulation of financial institutions, and strategy development and oversight abilities gained from years of consulting at a highly respected, international firm. These skills are very useful to our Board as it sets strategy and oversees performance. Ms. Boss provides a unique perspective on our industry and regulatory environment, and also has a keen understanding of the financial markets in which we operate. As Chair of the Risk Committee, which we formed during 2017, she draws on her experience to lead the committee in enhancing our oversight of enterprise risk.

James D. Carey:

Enstar Committees: Investment

Biographical Information

James Carey is a senior principal of Stone Point, a private equity firm based in Greenwich, Connecticut. Stone Point serves as the manager of the Trident Funds, which invest exclusively in the global financial services industry. Mr. Carey has been with Stone Point and its predecessor entities since 1997. He previously served as a director of the Company from 2001 until January 31, 2007.

Certain Other Directorships

Mr. Carey currently serves on certain private company boards of the portfolio companies of the Trident Funds, including Citco III Limited, Eagle Point Credit Management LLC, Oasis Outsourcing Group Holdings, LP, Sedgwick Claims Management Services, Inc., Amherst Pierpont Capital Holdings LLC, and Privilege Underwriters Inc. He served as a director of Alterra Capital Holdings Limited until 2013. Mr. Carey also serves as a director of subsidiaries that we and Trident established in connection with the Atrium, Arden Reinsurance Company Ltd. ("Arden") and StarStone co-investment transactions.

Skills and Qualifications – Investment expertise; industry knowledge; significant acquisition experience

Having worked in the private equity business for 20 years, Mr. Carey brings to our board an extensive background and expertise in the insurance and financial services industries. His in-depth knowledge of investments and investment strategies is significant in his role on our Investment Committee.

Hans-Peter Gerhardt:

Biographical Information

Hans-Peter Gerhardt has been the Chief Executive Officer of Asia Capital Reinsurance Group since October 2015. He has served continuously in the reinsurance industry since 1981. He is the former Chief Executive Officer of PARIS RE Holdings Limited, serving in that position from the company's initial formation in 2006 through the completion of its merger into Partner Re Ltd. in June 2010. He previously served as the Chief Executive Officer of AXA Re from 2003 to 2006, also serving as Chairman of AXA Liabilities Managers, the AXA Group's run-off operation, during that time.

Certain Other Directorships

Mr. Gerhardt also serves as an executive director of Asia Capital Reinsurance Group and as a non-executive director of Tokio Marine Kiln, Tokio Millennium Re and African Risk Capacity (all privately held). He previously served as an independent director of Brit Insurance Holdings PLC until the company's acquisition by Fairfax Financial Holdings in 2015.

Skills and Qualifications – Underwriting expertise; proven industry veteran

Mr. Gerhardt brings decades of underwriting expertise to our Board, which is important to us as we run our active underwriting businesses, Atrium and StarStone. He is a proven industry veteran, with significant leadership experience, including several successful tenures in CEO roles.

Hitesh R. Patel:

Enstar Committees: Audit, Nominating and Governance, Risk

Biographical Information

Hitesh Patel served as Chief Executive Officer of Lucida, plc, a UK life insurance company, from 2012 to 2013, and prior to that as its Finance Director and Chief Investment Officer since 2007. Mr. Patel has over 30 years of experience working in the insurance industry, having served in the United Kingdom as KPMG LLP's Lead Partner on Insurance Accounting and Regulatory Services from 2000 to 2007. He originally joined KPMG in 1982 and trained as an auditor.

Certain Other Directorships

Mr. Patel serves as a non-executive director at Aviva Life Holdings UK Ltd. (a subsidiary of Aviva plc) and as Chairman of its Audit Committee and member of the Risk and Investment Committee. He is also a non-executive director and Chair of the Audit and Risk Committee of Capital Home Loans Limited, a privately held buy-to-let mortgage provider, and Landmark Mortgage Limited. He has served as the Chair of the Insurance Committee of the Institute of Chartered Accountants of England and Wales since 2012.

Skills and Qualifications – Accounting expertise; regulatory and governance skills; industry experience

Mr. Patel brings significant accounting expertise to our Board, obtained from over two decades of auditing and advising insurance companies on accounting and regulatory issues, which is highly valuable to our Audit Committee. His experience with insurance regulations and the regulatory environment is also a key attribute because our company is regulated in many jurisdictions around the world. As a former industry CEO, he also has significant knowledge of corporate governance matters and practices, which is valuable to our Board and the Nominating and Governance Committee.

Poul A. Winslow:

Enstar Committees: Compensation, Investment

Biographical Information

Poul Winslow has been a Managing Director of CPPIB since 2009. Mr. Winslow also serves as Head of External Portfolio Management and Head of Thematic Investing for CPPIB, roles he has held since 2009 and 2014, respectively. Prior to joining CPPIB, Mr. Winslow had several senior management and investment roles at Nordea Investment Management in Denmark, Sweden and the United States. He also served as the Chief Investment Officer of Andra AP-Fonden (AP2) in Sweden.

Certain Other Directorships

Mr. Winslow serves as a director for the Hedge Fund Standards Board, a standard setting body for the hedge fund industry.

Skills and Qualifications – Investment expertise; compensation and governance experience

Mr. Winslow brings significant investment expertise to our Board gained from his years in senior investment roles, which is highly valuable to our Investment Committee as it oversees our investment strategies and portfolios. His experiences at CPPIB, including exposure to compensation and governance policies, are valuable in his role on our Compensation Committee.

Jie Liu:

Biographical Information

Jie Liu is a Managing Director at Hillhouse. Prior to joining Hillhouse in 2015, Mr. Liu spent more than 10 years in the financial industry in North America. He was Head of Credit and a Senior Portfolio Manager at Sentry Investments, a leading Canadian asset manager where he directly managed all fixed income and related assets including balanced funds. Before joining Sentry Investments, Mr. Liu was a fixed income research analyst at RBC Capital Markets and a credit rating specialist at Standard & Poor's. Mr. Liu obtained his M.A. in Economics from the University of Toronto and M.Sc. in Finance from the University of New Brunswick. He is also a CFA charterholder.

Skills and Qualifications – Investment management industry knowledge and relationships; financial expertise

Mr. Liu brings to our Board his extensive knowledge of global investment markets and the investment management industry, as well as finance skills and a global perspective that we consider highly valuable to our Board's oversight of our investment portfolios and international operations and growth opportunities.

His experiences at Hillhouse, including his exposure to global investment markets, are valuable in his role on our Investment Committee.

(2) Executive Officers:

Dominic F. Silvester:

Chief Executive Officer

Biographical Information

Dominic Silvester has served as a director and the Chief Executive Officer of the Company since its formation in 2001. In 1993, Mr. Silvester began a business venture in Bermuda to provide runoff services to the insurance and reinsurance industry. In 1995, the business was assumed by Castlewood Limited, which is now a subsidiary of the Company, and for which Mr. Silvester has since then served as Chief Executive Officer. Prior to co-founding the Company, Mr. Silvester served as the Chief Financial Officer of Anchor Underwriting Managers Limited from 1988 until 1993.

Paul J. O'Shea:

President

Biographical Information

Paul O'Shea was appointed as President in December 2016, when he was also named Executive Chairman of StarStone. He previously served as Executive Vice President and Joint Chief Operating Officer of the Company since our formation in 2001, and has also been a director throughout this time. He leads our mergers and acquisitions operations, including overseeing our transaction sourcing, due diligence, and negotiations processes. In 1994, Mr. O'Shea joined Dominic F. Silvester and Nicholas A. Packer in their run-off business venture in Bermuda, and he served as a director and Executive Vice President of Castlewood Limited, which is now a subsidiary of the Company, from 1995 until 2001. Prior to co-founding the Company, he served as the Executive Vice President, Chief Operating Officer and a director of Belvedere Group/Caliban Group from 1985 until 1994.

Mark W. Smith:

Chief Financial Officer

Biographical Information

Mark Smith was appointed Chief Financial Officer of the Company, effective August 15, 2015. He had previously been a Partner at Deloitte & Touche, Bermuda since 1988 in Deloitte's accounting and auditing services group, where he had a distinguished public accounting career specializing in the insurance industry. Mr. Smith most recently served as the head of the financial advisory practice at Deloitte & Touche, Bermuda. He is chairman of the Insurance Advisory Committee, a Bermuda statutory committee that provides advice on insurance regulatory matters.

Orla M. Gregory:

Chief Operating Officer

Biographical Information

Orla Gregory was appointed as Chief Operating Officer during 2016. Prior to that she served as Chief Integration Officer starting in 2015. She previously served as Executive Vice President of Mergers and Acquisitions of our subsidiary, Enstar Limited, since May 2014, and prior to that was Senior Vice President of Mergers and Acquisitions since 2009. She has been with the Company since 2003. Ms. Gregory worked as Financial Controller of Irish European Reinsurance Company Ltd. in Ireland from 2001 to 2003. She worked in Bermuda from 1999 to 2001 for Ernst & Young as an Investment Accountant. Prior to this, Ms. Gregory worked for QBE Insurance & Reinsurance (Europe) Limited in Ireland from 1993 to 1998 as a Financial Accountant.

Paul Brockman:

President and Chief Executive Officer of Enstar (US) Inc.

Biographical Information

Paul Brockman was appointed President & Chief Executive Officer of Enstar (US) Inc. in 2016, and continues to serve as its president. He served as Chief Operating Officer of Enstar (US) Inc. from 2014 to 2016. From October 2012 to November 2014, he served as Senior Vice President, Head of Commutations for Enstar (US) Inc. Before joining Enstar (US) Inc., he worked as Head of Reinsurance for Resolute Management Services UK Ltd. in its London office from April 2007 to October 2012 and, from April 2001 to April 2007, he worked as Manager of Reinsurance Cash Collection and Debt Litigation within the reinsurance asset division of Equitas Management Services Ltd in London.

David Atkins:

Chief Executive Officer of Enstar (EU) Limited

Biographical Information

David Atkins was appointed the Chief Executive Officer of Enstar (EU) Limited in January 2016 and continues to serve as Group Head of Claims. From October 2010 to December 2015, he served as Chief Operating Officer of Enstar (EU) Limited; from April 2007 to October 2010 as Head of Claims and Commutations; and from 2003 to 2007 as Manager of Commutations. Prior to 2003, he served as Manager of Commutation Valuations for Equitas Management Services Limited in London from 2001 to 2003, and as an Analyst in the Reserving and Commutations Department from 1997 to 2001.

David Foley:

Group Chief Actuary

Biographical Information

David Foley joined Enstar in 2016 as Group Chief Actuary. He previously spent twenty-three years at Deloitte, becoming a Principal in 1998 and holding a number of leadership positions during his tenure. Most recently, he was Global Practice Leader of Deloitte's Actuarial, Rewards and Analytics practice. Mr. Foley is a Fellow of the Casualty Actuarial Society and a Member of the Academy of Actuaries. He began his insurance career in the actuarial training program at Aetna Life & Casualty.

Guy Bowker:

Deputy Chief Financial Officer and Chief Accounting Officer

Biographical Information

Guy Bowker was appointed Deputy Group CFO in 2017 and continues to serve as Group Chief Accounting Officer since 2015. He formerly served as Senior Vice President and Controller of Platinum Underwriters from 2010 to 2015, and Director of Finance for American International Group in Bermuda from 2007 to 2010. Prior to that, he served in the Assurance & Advisory practice of Deloitte for seven years, specializing in insurance. Mr. Bowker is a Chartered Accountant, a Chartered Insurer and Fellow (FCII) of the Chartered Insurance Institute.

f) Risk Management & Solvency Self-Assessment

i) *Risk Management Process & Procedures to Identify, Measure, Manage and Report on Risk Exposures*

Our enterprise risk management ("ERM") framework, consists of numerous processes and controls that have been designed by our senior management (including our risk management team), with oversight by our Board and its committees, management by our executive leaders, and implementation by employees across our organization. This framework outlines the process by which risk is identified, measured, evaluated and reported so that we achieve our strategic, operational and financial objectives. In addition specific subsidiaries and segments may have additional risk policies outlining the specific approaches available to those entities by which the relevant risk can be managed within the business.

The Board and its committees have risk oversight responsibility and play an active role in overseeing management of the risks we face. The Board's Risk Committee has responsibility for the oversight of underwriting strategy and ERM, reviews our overall risk appetite with input from management, reviews our ERM methodologies and oversees management's execution of our ERM objectives. Among its other responsibilities, the Risk Committee also reviews and approves our annual Group Solvency Self-Assessment ("GSSA") report. Our Audit Committee, comprised entirely of independent directors, oversees our accounting and financial reporting-related risks. Our Investment Committee is responsible for overseeing investment-related risk, including those related to cash and investment portfolio and investment strategy. Our Compensation Committee oversees compensation-related risks; and our Nominating and Governance Committee is responsible for overseeing corporate governance-related risks.

Our Global ERM Committee ("GERMC"), a group of senior management personnel charged with assessing all significant risk issues on a global basis, reviews and evaluates the current and emerging risks to which the Group is exposed, and monitors and oversees the guidelines and policies that govern the processes by which the Group identifies, assesses and manages its exposure to risk. The GERMC is chaired by the Chief Risk Officer ("CRO"). Its membership includes our Chief Financial Officer, Chief Operating Officer ("COO") and senior management from across our corporate functions and business units. Our CRO reports on behalf of the GERMC to the Risk Committee of the Board of Directors.

In addition to director oversight, our ERM governance structure is directed by local jurisdictional and subsidiary risk committees, which include senior management and members of the global senior management team. The committees provide oversight and governance of our ERM initiatives, oversee the operation of our internal controls, monitor the identified risks compared to our risk appetite, and provide analysis to management in order to appropriately manage and govern the business and the associated risks on a day-to-day basis.

Our Risk Management department focuses primarily on implementing and overseeing the administration of the Risk Committee and GERMC directives and facilitating an efficient, effective and consistent approach to ERM across our Group. Our Internal Audit department independently reviews the effectiveness of our ERM framework. The results of audits are monitored by the Audit Committee. Our executive management committees have oversight of specific risk management processes, including, for example, those relating to underwriting, investments and reserving matters.

The overall objective of our ERM framework is to support good risk governance, support the achievement of business objectives, and provide overall benefits to us by adding value to the control environment and contributing to an effective business strategy, efficiency in operations and processes, strong financial performance, reliable financial reporting, regulatory compliance, a good reputation with key stakeholders, business continuity planning, and capital planning.

ii) *Risk Management and Solvency Self-Assessment Systems Implementation*

Accountability for the implementation and oversight of risk appetite and processes is assigned to individual corporate executives. Risk committees and boards receive regular risk management information to support risk governance at the group and subsidiary levels.

Each regulated insurance and reinsurance subsidiary has its own risk register documenting its risk landscape with risk and control owners assigned, which is maintained through a risk management software system. The Group information technology department maintains risk registers with more detailed IT and information security-specific risks. We recognize the importance of information technology and management of data in supporting our businesses, and we utilize a number of technology platforms to assist in our ERM, underwriting, investments, financial and regulatory reporting processes and procedures across our organization. We review and seek to enhance our technology platforms on an ongoing basis.

We conduct the risk assessment process for the Group and for each of our regulated insurance and reinsurance subsidiaries on a quarterly basis. The assessment process utilizes a risk management software system. The risk management department reviews and consolidates these risk assessments on a quarterly basis and aggregates the assessment at a jurisdictional and Group level to facilitate discussion and challenge and to assess the overall risk categories.

Our risk appetite considers material risks relating to, among other things, strategic risk, insurance risk, market risk, liquidity risk, credit/counterparty risk, operational risk, and regulatory/reputational risk. Our risk appetite is established at the Group level and represents the amount of risk that we are willing to accept compared to risk metrics based on our shareholders equity, capital resources, potential financial loss, and other risk-specific measures. Risk levels are monitored and any deviations from pre-established levels are reported in order to facilitate responsive action.

We manage our ERM process based on the major categories of risk within our business (Strategic, Insurance, Market, Liquidity, Credit/Counterparty, Operational and Regulatory/Reputational). Our ERM is a dynamic process, with updates continually being made as a result of changes in our business, industry and the economic environment.

Some of our regulated active underwriting businesses utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. They also use internally developed capital models, which provide information on key risks and facilitate an understanding of the interaction among the risks and related exposures, mainly as a comprehensive tool for business and capital planning, but not necessarily for formal capital setting purposes. Our Lloyd's operations are fully supervised by Lloyd's for capital setting purposes while for our StarStone subsidiary, we use the Bermuda Solvency Capital Requirement ("BSCR") tool to establish the required capital to support the business. We however use an internal model at the StarStone level for setting risk appetite, performing our own economic capital assessment and also for evaluating the appropriateness of the BSCR.

iii) *Relationship Between Solvency Self-Assessment, Solvency Needs & Capital, and Risk Management*

The Group Solvency Self-Assessment ("GSSA") process is the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks that the Group faces or may face and to determine the capital necessary to ensure that overall solvency needs are met at all times. Consequently the GSSA framework is fully integrated into our broader ERM Framework.

Within the GSSA framework, the key elements informing the GSSA process include:

i. overall solvency needs taking into account the specific risk profile, approved risk appetite and tolerance limits and the business strategy of the group and its subsidiaries;
ii. considering all reasonably foreseeable material risks across all risk categories that the group is or could be exposed to, taking into account a forward looking analysis of potential future changes in the risk profile due to the business strategy or the economic and financial environment and any stresses thereon;
iii. significance with which the risk profile of the group deviates from the assumptions underlying the Bermuda Solvency Capital Requirements model and other capital modelling exercises;
iv. considering the nature and quality of capital or other resources appropriate to cover the risks identified and compliance, on a continuous basis, with relevant capital requirements;
v. the internal control and risk-management systems and approved risk appetite and tolerance limits; and
vi. While also ensuring the GSSA is an integral part of the business strategy and taken into account on an ongoing basis in the strategic decisions of the group and that a re-assessment is carried out following any significant change in the risk profile.

iv) *The Solvency Self-Assessment Approval Process*

The Risk Management function prepares and presents the quarterly ERM Report and annual GSSA Report to Senior Management, relevant Management Committees and Directors of the Company. At least annually, they confirm that the risk profile is:

- appropriate relative to the business and that all known material risks within scope of the risk management process have been regularly reviewed and remain within risk appetite either with or without mitigation and that these risks have been sufficiently captured within the GSSA; and
- that the Company is adequately capitalized and sufficient liquidity is available to meet the needs of the Company.

g) Internal Controls

i) *Internal Control System*

Our internal control framework is designed to ensure processes are performed in accordance with company standards and that risk is both monitored and managed within the approved risk appetite. Such internal controls are assessed by control owners on a quarterly basis in terms of design and operational effectiveness.

Enstar has a comprehensive Sarbanes Oxley ("SOX") framework of financial controls for external financial reporting. The responsibility for ensuring SOX compliance is assumed by the Chief Executive Officer and Chief Financial Officer with responsibilities appropriately assigned to the Company's Disclosure Committee and other members of management. Where control failings are noted they are considered within the subsequent quarterly risk assessment as facilitated by our Risk Management application. In addition control failings are reported on a quarterly basis to the relevant management Risk Committees.

On an annual basis, Management attest to both the design and operating effectiveness for all controls tested as part of the annual SOX 404 assessment program. The Audit Committee of the Board receives quarterly reports outlining all control deficiencies noted as part of the controls testing program and where relevant an assessment of the aggregated impact these deficiencies could have on the Consolidated Financial Statements.

ii) *Compliance Function*

Enstar has established a Compliance Management Committee ('CMC') at the Group level to monitor and co-ordinate compliance activities across the Group. The CMC is chaired by our Group Compliance Manager who is responsible for overseeing the compliance functions globally.

Depending on local requirements, the nature of the business and complexity of the subsidiary entity or sub-group, the Group has local compliance functions that support each business. The compliance functions are a mix of dedicated compliance teams, legal counsel and finance teams with compliance responsibilities.

The CMC coordinates all of the local compliance teams' activities and ensures Group compliance issues are managed in a consistent manner. The CMC responsibilities include:

i. Providing assurance that the Group is in compliance with prevailing statutory requirements, guidelines, regulations and best practice codes;
ii. Developing, enhancing and maintaining the Group's compliance culture and ensuring resources, regular training, policies and procedures and systems to facilitate on-going compliance awareness;
iii. Overseeing the Group's compliance program that includes both training and assurance that the Company is in compliance with all internal policies and procedures, including the Employee Code of Conduct. Where violations or potential weaknesses are identified they are reported to the Board;
iv. Provide appropriate guidance where compliance issues are escalated from subsidiaries; and
v. Provide a quarterly report on the compliance function's key activities and issues.

h) Internal Audit

The Group's Internal Audit function provides independent and impartial assurance directly to Enstar's Audit Committee, individual subsidiary Boards and Audit Committees and management on the adequacy and effectiveness of Enstar's system of risk management and the overall internal control environment.

Every activity and subsidiary of Enstar is within the scope of the Internal Audit function. Internal Audit reviews take place according to a risk-based annual Internal Audit Plan, drawn up by Internal Audit and approved by the EGL Board, the Audit Committee and senior executive management.

To further support the Internal Audit function in the execution of its role, the Head of Internal Audit has a direct reporting line to the Enstar Audit Committee while the function also has the complete and unrestricted right to obtain information (via both Company records and/or direct communication with staff), including the whistle-blower hotline, as necessary, to discharge its responsibilities. To further ensure the independence of the Internal Audit function, Internal Audit staff members have no direct operational responsibility or authority over any activities across the Group that they review. In addition, they neither develop nor install systems or procedures, prepare records or engage in any other activity which would normally be audited. The Head of Internal Audit confirms annually to the Board, as well as subsidiary boards, the organisational independence of the Internal Audit function.

After each audit, a report is produced by the Internal Audit function highlighting the findings observed and improvements required to the process. These reports are provided to the relevant Boards and Audit Committees of the Company. Remediation activities are tracked until closure. As appropriate, the Internal Audit function will co-source third parties to supplement in-house resources and other subject matter experts.

i) Actuarial Function

The Group's actuarial function is led by our Group Chief Actuary with responsibility for the oversight of group actuarial services over reserving, pricing, capital modelling and input to acquisition due diligence.

The actuarial team comprises qualified and part qualified actuaries with experience in active underwriting and Life and Non-Life Run-off portfolios.

Internal and external actuarial reserving estimates are reviewed by the Reserving Committees to ensure that the loss reserving provisions are both reasonable and appropriate. For certain subsidiary jurisdictions, a report supporting the Actuarial Function is produced annually where the lead actuary in each of the business units confirm the duties, work completed, limitations, capital model, validation, data and controls and the actuarial movement on reserves. In addition where contractually required, for example transactions such as Schemes of Arrangement, independent actuaries are used to perform an annual independent reserve review and to provide actuarial opinions.

A report is provided to the Audit Committee quarterly and the Group Actuary and independent actuarial lead partner generally attend the Audit Committee meeting associated with the year-end financial statements to present and report on Group actuarial matters.

j) Outsourcing

i) *Outsource Policy and Key Functions that have been Outsourced*

The Company has an established process as laid out within the Procurement and Outsourcing Procedures (Outsourcing, Supplier Selection & Management) Framework. This document embeds sound risk management processes (including composite risk assessments) into the methodology by which suppliers and outsourced service providers are initially identified, assessed and ultimately selected. Once a provider is selected, the risk assessment performed during the selection process determines the extent of the on-going monitoring program performed by the business and overseen by the dedicated Procurement Function as well as the implementation of other risk mitigation techniques as appropriate (for example establishing alternate suppliers and contingency plans in the event of the supplier or outsourced service provider failing to deliver their contractual obligations).

Legacy or inherited outsourced arrangements arising from acquisitions of insurance portfolios are reviewed as part of the standardized due diligence and integration methodology. If as part of the review a material supplier or outsourced service provider is identified then they will be subjected to the standard management/Procurement Function monitoring and oversight program.

ii) *Material Intra-Group Outsourcing*

Enstar comprises a number of regulated insurance and reinsurance group companies, which have very few employees, if any. Rather, Enstar employees are predominantly employed within regional service group companies which through inter-company service agreements, perform the necessary operational functions required of each group company. These arrangements cover all the Information Technology Infrastructure as well as the Finance, Actuarial, Risk Management, Compliance and Internal Audit functions.

k) Other Material Information

N/A

ITEM 3. RISK PROFILE

a) Material Risks to which Enstar is Exposed

In addition to the Strategic, Insurance Risk (comprising both Underwriting and Reserving Risk) and Market risks inherent in the business we operate and the investment portfolio profile, the other risks facing the Group currently include those related to 1) Operational Risk (including the risks and challenges associated with integrating new companies into the Group), 2) Regulatory and Reputational Risk, 3) Liquidity Risk and 4) Credit / counterparty risk. For a discussion of risks related to our business and operations, please see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

b) Risk Mitigation

The identification, analysis, evaluation treatment and reporting of risks is performed by the Risk Management function as laid out within the ERM Framework and suite of supporting policies including Emerging Risks. Risks and their assessment are reported to the Board, Risk Committees and other ERM Committees as appropriate. The mitigation activities performed by risk type are outlined below:

Strategic Risk

We manage strategic risk by utilizing a strategic business planning process involving our executive management and Board. Our annual business plan is reviewed and overseen by our executive management and Board, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year. We specifically evaluate acquisition opportunities pursuant to a detailed and proprietary process that takes into account, among other things, the risk of the transaction and potential returns, the portfolio’s risk exposures, claims management practices, reserve requirements and outstanding claims, as well as risks specifically related to our ability to integrate the acquired business. Our governance process, led by our Board, reviews newly proposed transaction opportunities, capital-raising matters, and other significant business initiatives.

Insurance Risk

Our Atrium and StarStone subsidiaries manage exposure levels across risk categories to maintain them within the approved risk appetite. Underwriting risk management strategies may differ depending on the line of business involved and the type of account being insured or reinsured. We strive to mitigate underwriting risk through our controls and strategies, including our underwriting risk selection, diversification of our underwriting portfolios by class and geography, purchasing reinsurance, establishing a business plan and associated parameters, underwriting peer review, authority limits, underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialized underwriting teams supported by actuarial, catastrophe modelling, claims, risk management, legal, finance, and other technical personnel. We utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. We also use internally developed capital models, which provide information on key risks and facilitate an understanding of the interaction among the risks and related exposures, as a comprehensive tool for business and capital planning. In some business lines we are exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). We model and manage our individual and aggregate exposures to these events and other material correlated exposures in accordance with our risk appetite.

Our modelling process utilizes a major commercial vendor model to measure certain of these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around our ability to measure exposures, which can cause actual exposures and losses to deviate from our estimates.

To monitor catastrophe risk, we review exceedance probability curves aggregated across Atrium and StarStone together with aggregated realistic disaster scenarios. We consider occurrence exceedance probability and aggregate exceedance probability, which reflect losses resulting from single or multiple events, from individual perils and in the aggregate.

We manage acquisition and reserving risks through our acquisition evaluation process, and reserving practices as well as through our commutation and policy buy-back strategy and claims management practices.

Market Risk

We are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk. We manage market risk in a number of ways, including use of investment guidelines; regular reviews of investment opportunities; market conditions; portfolio duration; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; established tolerance levels; and, where possible, foreign currency asset/liability matching. Investments are primarily managed by our Investment Department, which is overseen by our Investment Committee.

Interest Rate Risk

Interest rate risk is the price sensitivity of a security to changes in interest rates. Our investment portfolio includes fixed maturity and short-term investments, whose fair values will fluctuate with changes in interest rates. We attempt to maintain adequate liquidity in our fixed maturity investments portfolio with a strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. We also monitor the duration and structure of our investment portfolio.

Liquidity Risk

We manage this risk generally by following a conservative investment strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. Liquidity risk also includes the risk of our dependence on our future cash flows arising from the availability of dividends or other statutorily permissible payments from our subsidiaries, which is limited by applicable laws and regulations. We manage this risk through our capital planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, as well as anticipated capital needs.

Credit / Counterparty Risk

In our run-off businesses, we manage credit risk with respect to our reinsurance recoverables by ongoing monitoring of counterparty ratings and working to achieve prompt payment of reinsured claims, as well as through our commutation strategy. In our active underwriting businesses, we initially mitigate credit risk through our reinsurance purchasing process, where reinsurers are subject to financial security and rating requirements prior to approval and by limiting exposure to individual reinsurers. Thereafter we manage credit risk by the regular monitoring of reinsurance recoveries and premium due directly or via brokers and other intermediaries. In our fixed maturity and short-term investment portfolios, we attempt to mitigate credit risk through diversification and issuer exposure limitation.

Operational Risk

We seek to mitigate operational risks through the application of our policies and procedures and internal control and compliance processes throughout the Group and a focus on acquisition integration and assimilation of new companies into our internal control systems, including but not limited to business continuity planning, information security procedures, change management processes, financial reporting controls and a review process for material third-party vendor usage.

Regulatory / Reputational Risk

We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

c) Material Risk Concentrations

The Company has an investment policy governing risk concentrations in relation to counterparties, credit quality, sectors and geographical locations. As a general practice, our investment holdings maintain a sufficient amount of diversification to mitigate the impact of concentration risk, with limits in place depending on the asset class and credit quality. Risk concentration and counterparty exposure is aggregated by the investment department and reported to the Investment Committee on a quarterly basis.

Underwriting activities within our active underwriting segments have governance structures in place to ensure the appropriate oversight with respect to product development, underwriting discipline and the placement and structure of reinsurance programs. Underwriting Committees regularly monitor and ensure compliance with stated risk appetite and tolerance with respect to line of business concentration, single peril and regional exposures and peril accumulation.

d) Investments in Accordance With the Prudent Person Principles of the Code of Conduct

The Company's investment portfolio is managed by the Company's investment team in accordance with the Company's investment policy guidelines which consider the Prudent Person Principles of the Code of Conduct.

The guidelines establish as an objective:

1. maintaining sufficient liquidity to settle claims and pay debts as they fall due; and
2. providing a prudent return on the investment portfolio within prescribed risk parameters.

The guidelines outline permitted asset classes, ratings limits, single-issuer limits, duration guidance and other constraints that impact the asset allocation. These guidelines are reviewed on an annual or ad-hoc basis if any significant deviations have occurred that affect the financial markets.

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

The majority of the Company's portfolio is in run-off and as such, unless reserve deterioration is identified it can be reasonably assumed that solvency requirements will diminish year on year in proportion to the on-going settlement of liabilities. However on a quarterly basis various standard stress tests within both the investment portfolio and the underwriting segments are performed.

Market Risk testing is designed to simulate interest rate shocks, market down turns, segment sell offs and inflationary/deflationary pressures are performed and reported to the Investment Committee. These standard investment stress tests are also used to evaluate potential changes in strategic direction with respect to the underlying investment allocation.

Insurance Risk exposure and associated concentration and aggregation is simulated principally through the use of proprietary models and scenario testing within our active underwriting segment. These tests are designed to quantify both aggregate and single event perils by region and the potential for clash between regions/sub-regions. In addition non-modelled risk scenarios (based on the Lloyds Realistic Disaster Scenarios) are run to enable localized focus within peril regions and to facilitate the identification and subsequent management of risk at a more granular level.

Based on this on-going analysis, management consider the company to be appropriately capitalized with adequate liquidity to meet its liabilities and that risks to which the company are exposed continue to be managed within our appetite.

ITEM 4. SOLVENCY VALUATION

a) Valuation Bases, Assumptions and Methods to Derive the Value of Each Asset Class

We measure fair value in accordance with Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*. The guidance dictates a framework for measuring fair value and a fair value hierarchy based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

Fixed Maturity Investments

Fixed maturity investments are subject to fluctuations in fair value due to changes in interest rates, changes in issuer-specific circumstances such as credit rating and changes in industry-specific circumstances such as movements in credit spreads based on the market's perception of industry risks. As a result of these potential fluctuations, it is possible to have significant unrealized gains or losses on a security. At maturity, absent any credit loss, fixed maturity investments' amortized cost will equal their fair value and no realized gain or loss will be recognized in income. If, due to an unforeseen change in loss payment patterns, we need to sell any available-for-sale investments before maturity, we could realize significant gains or losses in any period, which could have a meaningful effect on reported net income for such period.

We perform regular reviews of our available-for-sale fixed maturities portfolios and utilize a process that considers numerous indicators in order to identify investments that are showing signs of potential other-than-temporary impairment losses. These indicators include the length of time and extent of the unrealized loss, any specific adverse conditions, historic and implied volatility of the security, failure of the issuer of the security to make scheduled interest payments, significant rating changes and recoveries or additional declines in fair value subsequent to the balance sheet date. The consideration of these indicators and the estimation of credit losses involve significant management judgment.

Any other-than-temporary impairment loss, or OTTI, related to a credit loss would be recognized in earnings, and the amount of the OTTI related to other factors (e.g. interest rates, market conditions, etc.) is recorded as a component of other comprehensive income. If no credit loss exists but either we have the intent to sell the fixed maturity investment or it is more likely than not that we will be required to sell the fixed maturity investment before its anticipated recovery, then the entire unrealized loss is recognized in earnings.

For the years ended December 31, 2016, 2015 and 2014, we did not recognize any other-than-temporary impairment charges through earnings.

The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to:

i. comparison of prices against alternative pricing sources;
ii. quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);
iii. evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and
iv. comparing the price to our knowledge of the current investment market. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Where we utilize single unadjusted broker-dealer quotes, they are generally provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models, using observable data, such as an Option Adjusted Spread model, to develop prepayment and interest rate scenarios. The Option Adjusted Spread model is commonly used to estimate fair value for securities such as mortgage-backed and asset-backed securities.

Where pricing is unavailable from pricing services, such as in periods of low trading activity or when transactions are not orderly, we obtain non-binding quotes from broker-dealers. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.

Equities

Our investments in equities are predominantly traded on the major exchanges and are primarily managed by our external advisors. We use an internationally recognized pricing service to estimate the fair value of our equities. Our equities are widely diversified and there is no significant concentration in any specific industry.

We have categorized all of our investments in equities other than preferred stock as Level 1 investments because the fair values of these investments are based on quoted prices in active markets for identical assets or liabilities. The fair value estimates of our investments in preferred stock are based on observable market data and, as a result, have been categorized as Level 2.

Other Investments, at fair value

We have ongoing due diligence processes with respect to the other investments carried at fair value in which we invest and their managers. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, we obtain the audited financial statements for funds annually, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values ("NAV").

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers we adjust the valuation for capital calls and distributions. Other investments measured at fair value using NAV as a practical expedient have not been classified within the fair value hierarchy. Other investments for which we do not use NAV as a practical expedient have been valued using prices from independent pricing services, investment managers and broker-dealers.

For our investments in private equities and private equity funds, we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

Our investments in fixed income funds and equity funds are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2. For the non-publicly available prices we are using NAV as a practical expedient and therefore these have not been categorized within the fair value hierarchy.

For our investments in fixed income and multi-strategy hedge funds, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy. In December 2016, we sold our multi-strategy hedge fund investment.

Our investment in the real estate debt fund was valued based on the most recently available NAV from the external fund manager. The fair value of this investment was measured using the NAV practical expedient and therefore has not been categorized within the fair value hierarchy. As at March 31, 2016, this fund was fully redeemed.

We measure the fair value of our direct investment in CLO equities based on valuations provided by our external CLO equity manager. If the investment does not involve an external CLO equity manager, the fair value of the investment is valued based on valuations provided by the broker or lead underwriter of the investment (the "broker"). Our CLO equity investments have been classified as Level 3 due to the use of unobservable inputs in the valuation and the limited number of relevant trades in secondary markets.

In providing valuations, the CLO equity manager and brokers use observable and unobservable inputs. Of the significant unobservable market inputs used, the default and loss severity rates involve the most judgment and create the most sensitivity. A significant increase or decrease in either of these significant inputs in isolation would result in lower or higher fair value estimates for direct investments in CLO equities and, in general, a change in default rate assumptions will be accompanied by a directionally similar change in loss severity rate assumptions. Collateral spreads and estimated maturity dates are less subjective inputs because they are based on the historical average of actual spreads and the weighted-average life of the current underlying portfolios, respectively. A significant increase or decrease in either of these significant inputs in isolation would result in higher or lower fair value estimates for direct investments in CLO equities. In general, these inputs have no significant interrelationship with each other or with default and loss severity rates.

On a quarterly basis, we receive the valuation from the external CLO manager and brokers and then review the underlying cash flows and key assumptions used by them. We review and update the significant unobservable inputs based on information obtained from secondary markets. These inputs are our responsibility and we assess the reasonableness of the inputs (and if necessary, update the inputs) through communicating with industry participants, monitoring of the transactions in which we participate (for example, to evaluate default and loss severity rate trends), and reviewing market conditions, historical results, and emerging trends that may impact future cash flows.

If valuations from the external CLO equity manager or brokers are not available, we use an income approach based on certain observable and unobservable inputs to value these investments. An income approach is also used to corroborate the reasonableness of the valuations provided by the external manager and brokers. Where an income approach is followed, the valuation is based on available trade information, such as expected cash flows and market assumptions on default and loss severity rates. Other inputs used in the valuation process include asset spreads, loan prepayment speeds, collateral spreads and estimated maturity dates.

For our investments in CLO equity funds, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

For our investments in call options on publicly traded equities, we measure fair value by obtaining the latest option price as of our reporting date. These are classified as Level 2.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the end of the quarter in which the reclassifications occur.

Premiums Receivable

Premiums receivable represent amounts currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. We monitor the credit risk associated with premiums receivable, taking into consideration the impact of our contractual right to offset loss obligations or unearned premiums against premiums receivable. Amounts deemed uncollectible are charged to net earnings in the period they are determined. Changes in the estimates of premiums written will result in an adjustment to premiums receivable in the period they are determined.

Funds Held

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds balance is credited with investment income and losses payable are deducted. Funds held are shown under two categories on our consolidated balance sheets, where funds held upon which we receive the underlying portfolio economics are shown as "Funds held - directly managed", and funds held where we receive a fixed crediting rate are shown as "Funds held by reinsured companies". Funds held by reinsured companies are carried at cost. Funds held - directly managed, carried at fair value, represent the aggregate of funds held at cost and the value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio economics. The investment returns on both categories of funds held are recognized in net investment income and net realized and unrealized gains (losses). The revaluation of the embedded derivative is included in net unrealized gains (losses).

b) Valuation bases, Assumptions and Methods to Derive the Value of Technical Provisions

All reserves are initially established in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). We establish reserves for individual claims incurred and reported, as well as for incurred but not reported ("IBNR") claims. We use considerable judgment in estimating losses for reported claims on an individual claim basis based upon our knowledge of the circumstances surrounding the claim, the severity of the injury or damage, the jurisdiction of the occurrence, the potential for ultimate exposure, the type of loss, and our experience with the line of business and policy provisions relating to the particular type of claim. We also use considerable judgment to establish reserves for IBNR claims using a variety of generally accepted actuarial methodologies and procedures to estimate the ultimate cost of settling IBNR claims.

The reserves for unpaid reported losses and LAE are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by us. IBNR reserves are established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and LAE are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary.

Life and annuity benefit reserves are established using assumptions for investment yields, mortality, morbidity, lapse and expenses, including a provision for adverse deviation. We establish and review our life and annuity reserves regularly based upon cash flow projections. We establish and maintain our life and annuity reinsurance reserves at a level that we estimate will, when taken together with future premium payments and investment income expected to be earned on associated premiums, be sufficient to support all future cash flow benefit obligations and third-party servicing obligations as they become payable. The assumptions used to determine policy benefits are determined at the inception of the contracts, reviewed and adjusted at the point of acquisition, as required, and are locked-in throughout the life of the contract unless a premium deficiency develops. The assumptions are reviewed no less than annually and are unlocked if they would result in a material adverse reserve change. These estimates are established based upon transaction-specific historical experience, information provided by the ceding company for the assumed business and industry experience. Actual results could differ from these estimates. As the experience on the contracts emerges, the assumptions are reviewed by management. We determine whether actual and anticipated experience indicates that existing policy benefits, together with the present value of future gross premiums, are sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. If such a review indicates that policy benefits should be greater than those currently held, then the locked-in assumptions are revised and a charge for policy benefits is recognized at that time.

Once U.S. GAAP provisions have been determined, insurance technical provisions for our Economic Balance Sheet ("EBS") are calculated in accordance with the methodology prescribed by the Bermuda Monetary Authority ("BMA") as further described below.

Insurance technical provisions are valued based on best estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate with an appropriate illiquidity adjustment. In addition, there is a risk margin to reflect the uncertainty inherent in the underlying cash flows which is calculated using a cost of capital approach and a risk-free discount rate. The risk-free discount rates are prescribed by the BMA for each reporting period.

The best estimate for the loss and loss expense provision is calculated by using U.S. GAAP reserves as the starting point and then performing a series of adjustments:

- Removal of prudence margins;
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of Events not in Data ("ENIDs");
- Other adjustments related to consideration for investment expenses, etc.; and
- Discounting of cash flows.

The best estimate for the premium provision is calculated by using the unearned premium reserve on a U.S. GAAP basis, adjusting for bound but not incepted ("BBNI") business and applying expected future loss ratios, expense ratios and appropriate claims pay-out patterns to derive cash flows which are then discounted.

As at December 31, 2016, the total Technical Provisions were comprised of the following:

	GROSS PROVISION US$'000'	NET PROVISION US$'000'
Best Estimate Loss and Loss Expense Provision	5,552,171	4,310,590
Risk Margin	652,278	548,997
Best Estimate Premium Provision	101,950	94,395
Total	**6,306,399**	**4,953,982**

c) Description of Recoverables from Reinsurance Contracts

As at December 31, 2016 and 2015, we had reinsurance balances recoverable of $1.46 billion and $1.45 billion, respectively. Our insurance and reinsurance run-off subsidiaries, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. On an annual basis, both Atrium and StarStone purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium's and StarStone's third-party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

We remain liable to the extent that retrocessionaires do not meet their obligations under these agreements, and therefore, we evaluate and monitor concentration of credit risk among our reinsurers. Provisions are made for amounts considered potentially uncollectible.

In our Non-life Run-off and StarStone segments we have ceded business to KaylaRe Ltd., an affiliated reinsurer, and as at December 31, 2016, recorded a reinsurance balance recoverable of $241.7 million. KaylaRe Ltd. is not rated but is an affiliated company partly owned by Enstar, and security is provided in the form of funds withheld.

d) Valuation Bases, Assumptions and Methods to Derive the Value of Other Liabilities

Other liabilities comprise indemnity and defense costs for pending and future claims arising from our recent acquisition of Dana Companies, LLC, share based compensation, derivative instruments and funds held with respect to reinsurance transactions with KaylaRe Ltd. All, with the exception of funds held (non-managed) are carried at fair value under U.S. GAAP as required by the Bermuda Monetary Authority's "Guidance Notes for Statutory Reporting Regime".

ITEM 5. CAPITAL MANAGEMENT

a) Eligible Capital

i) *Capital Management Policy & Process for Capital Needs*

Our capital resources as at December 31, 2016 included shareholders' equity of $2.8 billion (2015: $2.5 billion), redeemable noncontrolling interest of $0.5 billion (2015: $0.4 billion) classified as temporary equity and loans payable of $0.7 billion (2015: $0.6 billion in 2015). The redeemable noncontrolling interest may be settled in the future in cash or in our ordinary shares, at our option. Based on our current loss reserves position, our portfolios of in-force insurance and reinsurance business, and our investment positions, we believe we are well capitalized.

Enstar aims to generate cash flows from our insurance operations and investments, preserve sufficient capital for future acquisitions, and develop relationships with lenders who provide borrowing capacity at competitive rates. To this end, we have historically not declared a dividend. Our strategy is to retain earnings and invest distributions from our subsidiaries back into the company.

For each regulated insurer, the Group holds capital at, or in excess, of the local regulatory capital requirement. The main insurance subsidiaries reside in jurisdictions where risk-based capital models are used to calculate the regulatory capital requirement for insurers. All our subsidiaries have met their individual capital requirements.

The potential sources of liquidity to EGL as a holding company consist of cash flows from:

Subsidiaries

Our subsidiaries' sources of funds primarily consist of cash and investment portfolios acquired on acquisition for Non-life Run-off and Life and Annuities segments and a net provision of cash from active underwriting in the Atrium and StarStone segments. Excess liquidity in our subsidiaries is generally available to be distributed to EGL through dividends and intercompany loans, subject to applicable laws and regulations.

Credit Facility

At December 31, 2016, EGL had in place a revolving credit facility which permits the Company to borrow up to $665.0 million, additionally there is an option to obtain additional commitments of up to $166.25 million. As of December 31, 2016, there was $129.9 million of available unutilized capacity under this facility. Subsequent to December 31, 2016, we utilized $90.0 million and repaid $34.0 million bringing the available unutilized capacity under this facility to $73.9 million. Our borrowing includes €75.0 million designated as a non-derivative hedge of our net investment in certain subsidiaries whose functional currency is denominated in Euros. Gains or losses arising from the currency translation adjustment are recognized within accumulated other comprehensive income (loss).

Capital Markets

At December 31, 2016 our equity was $2.8 billion (excluding non-controlling interest) and the debt / capital ratio was 19.3% (2015: 19.2%). Historically we have raised debt to finance material acquisitions. Additionally, we have the ability to issue additional debt or equity if required, as detailed within Item 6. Subsequent Events with respect to the Senior Debt raise in March 2017.

We expect our cash flows, together with our existing capital base and cash and investments acquired on the acquisition of insurance and reinsurance subsidiaries, to be sufficient to meet cash requirements and to operate our business.

ii) *Eligible Capital Categorised by Tiers in accordance with the Eligible Capital Rules*

Eligible Capital represents the Company's assessment of the quality of its capital resources eligible to satisfy its regulatory requirements. As at December 31, 2016, the Company's Eligible Capital was categorized as follows:

	DECEMBER 31, 2016 US$'000'
Tier 1	2,210,933
Tier 2	598,919
Tier 3	-
Total	**2,809,852**

ELIGIBLE CAPITAL	DECEMBER 31, 2016 US$'000'	DECEMBER 31, 2016 US$'000'
Fully paid common shares	19,372	
Contributed surplus	1,380,109	
Statutory Economic Surplus	1,855,527	
Noncontrolling (Minority) interest	8,520	
Treasury shares	(421,559)	
Hybrid capital instruments: Preferred Shares	389	
Encumbered assets transferred to Tier 2 in respect of policyholder obligations	(598,919)	
Encumbered assets not securing policy holder obligations	(32,506)	
Total Tier 1 Capital		2,210,933
Total Tier 2 Capital		598,919
Total Eligible Capital		**2,809,852**

iii) *Eligible Capital Categorised by Tiers in accordance with the Eligible Capital Rules used to meet ECR and MSM Requirements of the Insurance Act*

	LIMITS	MSM	ECR	MINIMUM MARGIN OF SOLVENCY US$'000'	ENHANCED CAPITAL REQUIREMENT US$'000'
Tier 1	Min	80%	60%	2,210,933	2,210,933
Tier 2	Max	20%	40%	552,733	598,919
Tier 3			15%	-	-
Total				**2,763,667**	**2,809,852**

Description of the eligible capital categorized by tiers, in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement ("ECR") and the Minimum Margin of Solvency ("MSM") defined in accordance with section (1) of the Act:

All Eligible Capital of the Group is classified as Tier 1 capital, apart from $598.9 million which is an amount in respect of the excess of encumbered assets for policy holder obligations, which is greater than those same underlying policyholder obligations.

iv) *Confirmation of Eligible Capital That is Subject to Transitional Arrangements*

N/A

v) *Identification of Any Factors Affecting Encumbrances on the Availability and Transferability of Capital to Meet the ECR*

N/A

vi) *Identification of Ancillary Capital Instruments Approved by the Authority*

N/A

vii) *Identification of Differences in Shareholder's Equity as Stated in the Financial Statements Versus the Available Capital and Surplus*

The following is a reconciliation of the U.S GAAP shareholders' equity attributable to shareholders to the available statutory capital and surplus as at December 31, 2016:

RECONCILIATION OF US GAAP TO BSCR (EBS) CAPITAL	US$'000'
Shareholders' Equity per 10-K	2,810,832
Net reclassification of investments held at cost to fair value	(3,237)
Remove non-admitted Prepaid Expenses	(8,262)
Remove non-admitted Goodwill	(184,855)
Remove non-admitted Value Of Business Acquired	(46,519)
Redeemable noncontrolling interest	454,522
Bermuda Statutory Capital and Surplus	**3,022,481**
General business technical provision adjustments	(277,655)
Reclassification of equity method investment held at adjusted cost to fair value	36,606
Long term business technical provision adjustments	60,926
BSCR (EBS) Statutory Economic Capital and Surplus	**2,842,358**
Encumbered assets not securing policy holder obligations	(32,506)
Group Eligible Capital	**2,809,852**

b) Regulatory Capital Requirements

i) *ECR and MSM Requirements at the end of the reporting period:*

	DECEMBER 31, 2016 US$'000'	RATIO
Minimum Margin of Solvency	906,436	314%
Enhanced Capital Requirement	1,561,883	182%

ii) *Identification of Any Non-Compliance with the MSM and the ECR*

N/A

iii) *A Description of the Amount and Circumstances Surrounding the Non-Compliance, the Remedial Measures and Their Effectiveness*

N/A

iv) *Where the Non-Compliance is not Resolved, a Description of the Amount of the Non-Compliance*

N/A

c) Approved Internal Capital Model to derive the ECR

i) *Description of the Purpose and Scope of the Business and Risk Areas Where the Internal Model is Used*

N/A

ii) *Where a Partial Internal Model is Used, Description of the Integration with the BSCR Model*

N/A

iii) *Description of Methods Used in the Internal Model to Calculate the ECR*

N/A

iv) *Description of Aggregation Methodologies and Diversification Effects*

N/A

v) *Description of the Main Differences in the Methods and Assumptions Used for the Risk Areas in the Internal Model Versus the BSCR Model*

N/A

vi) *Description of the Nature & Suitability of the Data Used in the Internal Model*

N/A

vii) *Any other Material Information*

N/A

ITEM 6. SUBSEQUENT EVENTS

a) Agreements

Subsequent to year end the Company entered into agreement relating to the following significant transactions:

QBE – Reinsurance Agreement

On January 11, 2017, we closed a transaction to reinsure multi-line property and casualty business of QBE Insurance Group Limited ("QBE"). Our subsidiary assumed gross reinsurance reserves of approximately $1.019 billion (net reserves of $447.0 million) relating to the portfolio, which primarily includes workers' compensation, construction defect, and general liability discontinued lines of business. We elected the fair value option for this reinsurance contract. The initial fair value adjustment on the gross reserves was $180.0 million, and on the net reserves was $43.2 million.

In addition our subsidiary has pledged a portion of the premium as collateral to a subsidiary of QBE, and we have provided additional collateral and a limited parental guarantee.

RSA – Reinsurance Agreement & Portfolio Transfer

On February 7, 2017, we entered into an agreement to reinsure U.K. employers' liability legacy business of RSA Insurance Group PLC ("RSA"). Pursuant to the transaction, our subsidiary assumed gross insurance reserves of £1.046 billion ($1.302 billion), relating to 2005 and prior year business. Net insurance reserves assumed were £927.5 million ($1.154 billion) and the reinsurance premium paid to Enstar's subsidiary was £801.6 million ($997.2 million). We elected the fair value option for this reinsurance contract. The initial fair value adjustment on the gross reserves was $174.1 million, and on the net reserves was $156.7 million.

Following the initial reinsurance transaction, which transferred the economics of the portfolio up to the policy's limits, we and RSA are pursuing a portfolio transfer of the business under Part VII of the Financial Services and Markets Act 2000, which would provide legal finality for RSA's obligations. The transfer is subject to court, regulatory and other approvals.

ClearSpring – Sale

On January 1, 2017, Enstar sold SeaBright Insurance Company ("SeaBright Insurance") to an affiliate of Delaware Life Insurance Company ("Delaware Life"), a subsidiary of Guggenheim Partners, LLC. Following the sale, SeaBright Insurance will be renamed ClearSpring Property and Casualty Insurance Company ("ClearSpring") and will focus on underwriting workers' compensation and property business in the U.S. Prior to the sale, SeaBright Insurance had reinsured all of its run-off liabilities into another Enstar entity and at the time of the sale, ClearSpring contained only insurance licenses. We have retained a 20% indirect equity interest in ClearSpring and have agreed to reinsure (on a funds withheld basis) 25% of its new business underwritten. We provide underwriting and claims expertise to ClearSpring through fronting, underwriting and service agreements.

Pavonia – Sale

On February 17, 2017, Enstar entered into a definitive agreement to sell Pavonia for total consideration of $120.0 million. The closing of the transaction is subject to certain conditions, including obtaining regulatory approvals or non-disapprovals and other customary closing conditions. The proceeds of the sale are expected to be used to pay down our revolving credit facility following closing.

Laguna – Sale

On May 12, 2017, we entered into a definitive agreement to sell Laguna Life DAC ("Laguna") for total consideration of €25.6 million (approximately $29.2 million) to a subsidiary of Monument Re Limited, which closed on August 29, 2017. The proceeds of the sale are expected to be used for general corporate purposes.

Pavonia and Laguna comprise a substantial portion of our Life and Annuities segment.

These acquisitions and disposals will not impact the Company's aggregated risk appetite statements, however the disposal of Pavonia and Laguna will remove the majority of the risks associated with our Life Run-Off portfolio resulting in the risk profile being weighted to the Non-Life Run-off and Active Underwriting segments.

Internal solvency calculations indicate that the Company will continue to meet all regulatory (including solvency) requirements following these transactions.

Senior Notes – Debt Offering

On March 10, 2017, Enstar issued unsecured Senior Notes for an aggregate principal amount of $350 million. The Senior Notes pay 4.5% interest semi-annually and mature on March 10, 2022. The Senior Notes are unsecured and unsubordinated obligations that rank equally to any of our other unsecured and unsubordinated obligations, senior to any future obligations that are expressly subordinated to the Senior Notes, effectively subordinate to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally subordinate to all liabilities of our subsidiaries.

ITEM 7. APPENDICES

Appendix I – Corporate Structure

Changes to our corporate structure subsequent to December 31, 2016 are not reflected in this Appendix.

NAME	% OF VOTING SECURITIES	CITY	STATE	JURISDICTION
Enstar Group Limited	N/A	Hamilton	Pembroke	Bermuda
A. Cumberland Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
1) Enstar Australia Holdings Pty Limited	100%	Sydney	NSW	Australia
a) Enstar Australia Limited	100%	Sydney	NSW	Australia
i) Cranmore Australia Pty Limited	100%	Sydney	NSW	Australia
b) AG Australia Holdings Limited	100%	Sydney	NSW	Australia
i) Gordian Runoff Limited	100%	Sydney	NSW	Australia
B. Enstar Limited	100%	Hamilton	Pembroke	Bermuda
1) Enstar (EU) Holdings Limited	100%	Guildford	Surrey	England
a) Enstar (EU) Limited	100%	Guildford	Surrey	England
b) Cranmore (UK) Limited	100%	London		England
c) Enstar (EU) Finance Limited	100%	Guildford	Surrey	England
d) Kinsale Brokers Limited	100%	Guildford	Surrey	England
2) Cranmore (Bermuda) Limited	100%	Hamilton	Pembroke	Bermuda
a) Cranmore (Asia) Limited	100%	Hamilton	Pembroke	Bermuda
i) Cranmore (Asia) Pte Limited	100%			Singapore
3) Castlewood Limited	100%	Hamilton	Pembroke	Bermuda
4) Bantry Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
a) Blackrock Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
5) Enstar Insurance Management Services Ireland Limited	100%	Dublin		Ireland
6) Enstar Investment Management Ltd.	100%	Hamilton	Pembroke	Bermuda
7) Cranmore Insurance and Reinsurance Management Services Europe Ltd	100%	Dublin		Ireland
8) B.H. Acquisition Limited	100%(2)	Hamilton	Pembroke	Bermuda
a) Brittany Insurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
b) Paget Holdings GmbH Limited	100%	Vienna		Austria
C. Kenmare Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
1) Fitzwilliam Insurance Limited	100%	Hamilton	Pembroke	Bermuda
2) Revir Limited	100%	Hamilton	Pembroke	Bermuda
a) River Thames Insurance Company Limited	100%	Guildford	Surrey	England
b) Overseas Reinsurance Corporation Limited	100%	Hamilton	Pembroke	Bermuda
c) Regis Agencies Limited	100%	Guildford	Surrey	England
3) Harper Holding SARL	100%			Luxembourg
a) Harper Insurance Limited	100%	Zurich		Switzerland
b) Enstar Holdings (US) Inc.	100%			Delaware
i) Enstar (US) Inc.	100%			Delaware

NAME	% OF VOTING SECURITIES	CITY	STATE	JURISDICTION
ii) Cranmore (US) Inc.	100%			Delaware
iii) Providence Washington Insurance Company	100%	Warwick		Rhode Island
iv) Clarendon National Insurance Company	100%			Illinois
v) SeaBright Insurance Company	100%			Texas
vi) Paladin Managed Care Services, Inc.	100%			California
vii) PointSure Insurance Services, Inc.	100%			Washington
viii) Sussex Holdings, Inc.	100%			Delaware
A) Sussex Insurance Company	100%			Illinois
ix) Dana Companies LLC	100%			Virginia
I) Flight Operations, Inc.	100%			Delaware
II) CP Product, LLC	100%			Virginia
III) Hose and Tubing Products, LLC	100%			Virginia
IV) Reinz Wisconsin Gasket LLC	100%			Delaware
V) Torque-Traction Manufacturing Technologies LLC	100%			Delaware
VI) Glacier Vandervell LLC	100%			Michigan
i) Dana Atlantic LLC	100%			Delaware
VII) BWDAC, Inc.	100%(7)			Delaware
VIII) EFMG LLC	100%			Virginia
i) Friction Material, Inc.	100%			Massachusetts
a) Friction , Inc.	100%			Delaware
xa) Brake Systems, Inc.	100%			Delaware
xb) EPE, Inc.	100%			California
xc) Prattville Mfg., Inc.	100%			Delaware
ii) Echlin-Ponce, Inc.	100%			Delaware
iii) ERS LLC	100%			Virginia
iv) United Brake Systems, Inc.	100%			Delaware
v) Lipe Corporation	100%			Delaware
vi) Midland Brake, Inc.	100%			Delaware
vii) Resource Development Gas Partners 1986-1 L.P.	29.3179%			Connecticut
c) Alpha Insurance SA	100%(6)			Belgium
4) Echlin Argentina S.A.	99.9%			Argentina
5) Lipe Rollway Mexicana S.A. de C.V.	98.4%			Mexico
6) Mercantile Indemnity Company Limited	100%	Guildford	Surrey	England
7) Cavell Holdings Limited	100%	Guildford	Surrey	England
8) Courtenay Holdings Ltd	100%	Hamilton	Pembroke	Bermuda
a) Enstar Acquisitions Limited	100%	Guildford	Surrey	England
i) Goshawk Insurance Holdings Limited	99.54%(3)	Guildford	Surrey	England
A) Goshawk Holdings (Bermuda) Limited	100%	Hamilton	Pembroke	Bermuda
B) Goshawk Dedicated Limited	100%	Guildford	Surrey	England
b) Royston Holdings Limited	100%	Hamilton	Pembroke	Bermuda
i) Royston Run-off Limited	100%	Guildford	Surrey	England

NAME	% OF VOTING SECURITIES	CITY	STATE	JURISDICTION
A) Unionamerica Holdings Limited	100%	London		England
I) Unionamerica Acquisition Co. Limited	100%	London		England
x) Unionamerica Insurance Company Limited	100%	London		England
c) Rombalds Run-Off Limited	100%	Guildford	Surrey	England
9) Comox Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
a) Bosworth Run-off Limited	100%	Guildford	Surrey	England
10) Oceania Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
a) Inter-Ocean Holdings Ltd	100%	Hamilton	Pembroke	Bermuda
i) Inter-Ocean Reinsurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
A) Inter-Ocean Reinsurance (Ireland) Limited	100%(1)	Dublin		Ireland
11) Flatts Limited	100%	Guildford	Surrey	England
a) Marlon Insurance Company Limited	100%	Guildford	Surrey	England
12) Shelbourne Group Limited	100%	London		England
a) SGL No 1 Limited	100%	London		England
b) SGL No 3 Limited	100%	London		England
c) Shelbourne Syndicate Services Limited	100%	London		England
13) North Bay Holdings Limited	58.98%	Hamilton	Pembroke	Bermuda
a) Northshore Holdings Limited	96.57%	Hamilton	Pembroke	Bermuda
i) Arden Reinsurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
ii) Alopuc Limited	100%	UK	Surrey	England
A) Atrium Underwriting Group Limited	100%	London		England
I) Atrium Risk Management Services (Washington) Limited	100%			Washington
II) Atrium Risk Management Services (British Columbia) Ltd.	100%	British Columbia		Canada
III) Atrium Insurance Agency (Asia) Pte Ltd.	100%			Singapore
IV) Atrium 5 Limited	100%	London		England
V) Atrium Insurance Agency Limited	100%	London		England
VI) Atrium Group Services Limited	100%	London		England
x) Atrium Nominees Limited	100%	London		England
VII) Atrium Underwriters Limited	100%	London		England
VIII) Atrium Underwriting Holdings Limited	100%	London		England
x) Atrium 1 Limited	100%	London		England
xi) Atrium 2 Limited	100%	London		England
xii) Atrium 3 Limited	100%	London		England
xiii) Atrium 4 Limited	100%	London		England
xiv) Atrium 6 Limited	100%	London		England
xv) Atrium 7 Limited	100%	London		England
xvi) Atrium 8 Limited	100%	London		England
xvii) Atrium 9 Limited	100%	London		England
xviii) Atrium 10 Limited	100%	London		England
xix) 609 Capital Limited	100%	London		England
b) StarStone Specialty Holdings Limited	100%	Hamilton	Pembroke	Bermuda

NAME	% OF VOTING SECURITIES	CITY	STATE	JURISDICTION
i) StarStone Insurance Bermuda Limited	100%	Hamilton		Bermuda
A) StarStone Corporate Capital Limited	100%			Ireland
B) StarStone Corporate Capital 2 Limited	100%			England
C) StarStone Underwriting Limited	100%			England
D) StarStone Corporate Capital 1 Limited	100%			England
E) StarStone Corporate Capital 4 Limited	100%			England
F) StarStone Corporate Capital 5 Limited	100%			England
G) Torus Bermuda Intermediaries Ltd.	100%	Hamilton		Bermuda
H) Torus Bermuda Services Limited	100%	Hamilton		Bermuda
I) StarStone Insurance Europe AG	100%			Liechtenstein
J) StarStone Finance Limited	100%			England
I) StarStone US Holdings Inc.	100%			Delaware
x) StarStone Specialty Insurance Company	100%			Delaware
xa) StarStone National Insurance Company	100%			Delaware
xb) Torus Specialty Insurance Company Escritorio de Representacao no Brasil Ltda	100%(4)			Brazil
xi) StarStone US Services, Inc.	100%			New Jersey
xa) StarStone US Intermediaries Inc.	100%			New Jersey
K) StarStone Insurance SE	100%			England
L) StarStone Insurance Services Limited	100%			England
I) Vander Haeghen & Co SA	100%(8)			Belgium
II) Arena SA	100%(9)			Belgium
III) Objective Underwriting Limited	28.5%			Hong Kong
IV) StarStone Underwriting Australia Pty Ltd.	100%			Australia
V) Malakite Underwriting Partners Limited	80%			Dubai
14) Enstar Asia Holdings Limited	100%	Guildford	Surrey	England
a) Enstar Asia Pacific Pty Ltd	100%			Australia
15) Knapton Holdings Limited	100%	Guildford	Surrey	England
a) Knapton Insurance Limited	100%	Guildford	Surrey	England
16) Enstar Financing Ltd.	100%	Hamilton	Pembroke	Bermuda
17) DLCM No. 1 Limited	100%	Guildford	Surrey	England
18) DLCM No. 2 Limited	100%	Guildford	Surrey	England
19) DLCM No. 3 Limited	100%	Guildford	Surrey	England
20) Cavello Bay Holdings Limited	100%	Hamilton	Pembroke	Bermuda
a) Cavello Bay Reinsurance Limited	100%	Hamilton	Pembroke	Bermuda
i) Global Legacy Acquisition L.P.	98%(5)	Hamilton	Pembroke	Bermuda
ii) Chatsworth Limited	100%	Hamilton	Pembroke	Bermuda
iii) KaylaRe Holdings Ltd.	48.38%	Hamilton	Pembroke	Bermuda
A) KaylaRe Ltd.	100%	Hamilton	Pembroke	Bermuda
21) Hong Kong Reinsurance Company Limited	100%			Hong Kong
22) East Point Reinsurance Company of Hong Kong Limited	100%			Hong Kong
23) Poseidon Insurance Co Pty Ltd	100%			Australia

NAME	% OF VOTING SECURITIES	CITY	STATE	JURISDICTION
24) Point Bay Insurance Limited	100%			Isle of Man
25) Monument Insurance Group Limited	20%			Bermuda
D. Hillcot Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
1) Brampton Insurance Company Limited	100%	Guildford	Surrey	England
E. Enstar USA, Inc.	100%	Montgomery	Alabama	Georgia
1) Enstar Financial Services, Inc.	100%	Montgomery	Alabama	Florida
F. Laguna Life Holdings Limited	100%	Hamilton	Pembroke	Bermuda
1) Laguna Life Holdings SARL	100%			Luxembourg
a) Pavonia Holdings (US), Inc.	100%			Delaware
i) Pavonia Life Insurance Company of Michigan	100%			Michigan
A) Pavonia Life Insurance Company of New York	100%			New York
ii) Enstar Life (US), Inc.	100%			Delaware
2) Laguna Life DAC	100%	Dublin		Ireland
3) Guillamene Holdings Limited	100%	Dublin		Ireland
4) Copper Coast Funds ICAV	100%			Ireland
a) Dunmore LLLP	100%			Delaware
b) Woodstown LLLP	100%			Delaware
5) Laguna Life (UK) Limited	100%			England

(1) Inter-Ocean Reinsurance (Ireland) Ltd. is 90% owned by Inter-Ocean Reinsurance Company Limited and 10% owned by Inter-Ocean Holdings Limited

(2) B.H. Acquisition Limited is 33% owned by Enstar USA, Inc. and 67% owned by Enstar Limited

(3) Goshawk Insurance Holdings Limited is 89.44% owned by Enstar Acquisitions Ltd. and 10.1% owned by Kenmare Holdings Ltd.

(4) Torus Specialty Insurance Company Escritorio de Representacao no Brasil Ltda is 99.994% owned by StarStone Specialty Insurance Company and 0.006% owned by StarStone US Holdings Inc.

(5) Global Legacy Acquisition L.P. is 97% owned by Cavello Bay Reinsurance Company Ltd. and 1% owned by Chatsworth Limited

(6) One share in Alpha Insurance SA is owned by Cavell Holdings Limited

(7) BWDAC, Inc. is 95% owned by Dana Companies, LLC and 5% owned by EFMG LLC

(8) One share in Vander Haeghen & Co SA is owned by StarStone Finance Limited

(9) One share in Arena SA is owned by StarStone Finance Limited