Financial Condition Report 2020

ENSTAR

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

Financial Condition Report for the year ended December 31, 2020

Enstar Group Limited and subsidiaries

(collectively "Enstar Group Limited")

Prepared in accordance

With the reporting requirements of the

Bermuda Monetary Authority

Table of Contents

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.

DETAILS OF APPROVED AUDITOR AND GROUP SUPERVISOR

Approved Auditor
KPMG Audit Limited
Crown House | 4 Par-la-Ville Road
Hamilton HM 08 | Bermuda

Group Supervisor
Bermuda Monetary Authority
BMA House | 43 Victoria Street
Hamilton | Bermuda

ITEM 1. BUSINESS AND PERFORMANCE

a) Description of Business

Enstar Group Limited ("Enstar") is a Bermuda-based holding company, formed in 2001. Enstar is a leading global insurance group that offers innovative capital release solutions through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Our ordinary shares are listed on the NASDAQ Global Select Market under the ticker symbol "ESGR." Unless the context indicates otherwise, the terms "Enstar," "we," "us" or "our" mean Enstar Group Limited and its consolidated subsidiaries and the term "Parent Company" means Enstar Group Limited and not any of its consolidated subsidiaries.

As of December 31, 2020, our business was organized into three reportable segments as follows:

(i) *Non-life Run-off:* This segment comprises the operations of our subsidiaries that are in the business of running off property and casualty and other non-life (re)insurance business. It also includes our management business, which manages the run-off portfolios of third parties through our service companies;

(ii) *Atrium:* Atrium Underwriters Ltd. ("AUL") is a managing general agent at Lloyd's of London ("Lloyd's"), which manages Syndicate 609. Through our Lloyd's corporate member, SGL No.1 Limited ("SGL No.1"), we provide 25% of the underwriting capacity for Atrium's Syndicate 609 (with the balance provided by traditional Lloyd's Names). Atrium specializes in a wide range of industry classes, including marine, aviation and transit, property and casualty binding authorities, reinsurance, accident and health and non-marine direct and facultative.

As of December 31, 2020, we have classified the Atrium segment as held-for-sale in view of the exchange transaction which was completed on January 1, 2021. As part of the exchange transaction, we entered into a recapitalization agreement whereby we exchanged a portion of our indirect interest in Northshore Holdings Limited ("Northshore"), the holding company that owns Atrium Underwriting Group Limited and its subsidiaries (collectively, "Atrium") and Arden Reinsurance Company Ltd. ("Arden"), for all of the Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, the "Trident V Funds") indirect interest in StarStone U.S. Holdings, Inc. and its subsidiaries ("StarStone U.S."). Effective January 1, 2021, Northshore was deconsolidated and our remaining investment was accounted for as a privately held equity investment and carried at fair value in the first quarter of 2021; and

(iii) *StarStone:* StarStone was a global specialty insurer that offered a diverse range of property, casualty and specialty insurance through its operations in Bermuda, the United States, the United Kingdom, and Continental Europe. However, during 2020, StarStone's U.S. operations were sold and StarStone's remaining non-U.S. operations ("StarStone International") were placed into an orderly run-off.

In addition, our other activities, which do not qualify as an operating segment, include our corporate expenses, debt servicing costs, preferred share dividends, holding company income and expenses, foreign exchange and other miscellaneous items.

The strategic transactions related to our Atrium and StarStone segments described above will enable us to focus on our core Non-life Run-off business. During the first quarter of 2021, we revised our segment structure to reflect the changes to the StarStone and Atrium segments in the fourth quarter of 2020 and the first quarter of 2021, respectively. Please refer to Subsequent Events in Item 6 for further information.

b) Ownership Details

The table below sets forth information as of April 13, 2021 regarding beneficial ownership of our voting ordinary shares (including restricted voting ordinary shares):

Name of Beneficial Owner	Number of Ordinary Shares (1)	Percent of Class (2)
Hillhouse Capital	1,747,840	9.4 %
Stone Point Capital LLC	1,635,986	8.8 %
Canada Pension Plan Investment Board ("CPPIB")	1,501,211	8.1 %
Wellington Management Group LLP	1,456,965	7.8 %
The Vanguard Group	1,067,122	5.7 %
All Current Executive Officers and Directors as a group (15 persons)	1,826,978	9.8 %

(1) 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.

(2) Percentages are based on 18,597,544 ordinary shares outstanding as of April 13, 2021.

In addition to voting ordinary shares, there were a total of 3,599,272 issued and outstanding non-voting ordinary shares as of April 13, 2021. These shares are held by CPPIB and Hillhouse, as set forth in the table below:

Name of Beneficial Owner	Ordinary Voting Shares	Series C Non-Voting Ordinary Shares	Series E Non-Voting Ordinary Shares	Economic Interest
CPPIB and CPPIB Trust	2,242,946	1,192,941	404,771	17.3 %
Hillhouse Capital	1,747,840	1,496,321	505,239	16.9 %

For additional information on our shares, refer to Note 17 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2020.

c) Group Structure

Please refer to Appendix I for a list of our subsidiaries. Our primary regulated insurance subsidiaries are listed below.

Bermuda:

- Cavello Bay Reinsurance Limited ("Cavello Bay")
- Fitzwilliam Insurance Limited ("Fitzwilliam")
- StarStone Insurance Bermuda Limited ("SIBL")
- Arden Reinsurance Company Ltd.[1]
- Harper Insurance Limited[2]

United States:

- Clarendon National Insurance Company
- Providence Washington Insurance Company
- Yosemite Insurance Company
- Fletcher Reinsurance Company

United Kingdom:

- River Thames Insurance Company Limited
- Mercantile Indemnity Company Limited
- Rombalds Run-Off Limited

[1] Sold on January 1, 2021 as discussed in "Description of Business" above.
[2] Merged into Cavello Bay Reinsurance Limited on February 28, 2021

Europe:

- Alpha Insurance NV
- StarStone Insurance SE

Rest of World:

- Gordian Runoff Limited (Australia)

Ownership structure of Bermuda-regulated subsidiaries:

Cavello Bay and Fitzwilliam were incorporated under the laws of Bermuda on April 8, 2015 and March 15, 2002, respectively. These two companies are both wholly-owned subsidiaries of Kenmare Holdings Limited, a company incorporated in Bermuda on August 16, 2011. Enstar is the ultimate parent company of both Cavello Bay and Fitzwilliam.

SIBL was incorporated under the laws of Bermuda on November 21, 2007, and is a wholly owned subsidiary of StarStone Specialty Holdings Limited, which is, in turn, wholly owned by North Bay Holdings Limited, an entity in which Enstar holds a 59.0% interest.

Other matters:

As of December 31, 2020, we also participated in the Lloyd's market through our interests in: (i) Atrium's Syndicate 609, which is managed by AUL, a Lloyd's managing agent; (ii) StarStone's Syndicate 1301, which is managed by StarStone Underwriting Limited ("SUL"), a Lloyd's managing agent; and (iii) Syndicate 2008, a wholly aligned syndicate that has permission to underwrite RITC business and other run-off or discontinued business type transactions with other Lloyd's syndicates. We participated on each of the three syndicates through a single, wholly owned Lloyd's corporate member. SUL serves as managing agent for Syndicate 2008.

On January 1, 2021, we sold the Atrium business as described above and on March 15, 2021, we completed the sale of SUL, together with the right to operate StarStone's Syndicate 1301. Please refer to Subsequent Events in Item 6 for further information.

d) Insurance Business Written by Line of Business

As described above, as of December 31, 2020, Enstar's business was largely managed and reported through three reportable segments namely (i) Non-life Run-off, (ii) Atrium, and (iii) StarStone. In addition, our other activities include other miscellaneous items.

The following table provides gross premiums written by segment for the years ended December 31, 2020 and 2019:

	2020	2019
	(in thousands of U.S. dollars)	
StarStone	$ 326,695	$ 472,815
Atrium	206,656	192,373
Non-life Run-off	5,191	(25,069)
Other	13,441	18,534
Total	**$ 551,983**	**$ 658,653**

The following table provides gross premiums written by line of business for the StarStone segment for the years ended December 31, 2020 and 2019:

	2020	2019
Line of Business	(in thousands of U.S. dollars)	
Casualty	$ 81,661	$ 97,355
Marine	141,361	215,520
Property	49,417	102,718
Aerospace	52,967	54,245
Workers' Compensation	1,289	2,977
Total	**$ 326,695**	**$ 472,815**

The following table provides gross premiums written by line of business for the Atrium segment for the years ended December 31, 2020 and 2019:

Line of Business	2020	2019
	(in thousands of U.S. dollars)	
Marine, Aviation and Transit	$ 58,081	$ 49,275
Binding Authorities	86,944	78,825
Reinsurance	16,906	17,778
Accident and Health	14,778	21,585
Non-Marine Direct and Facultative	29,947	24,910
Total	**$ 206,656**	**$ 192,373**

The following table provides gross premiums written by geographical area for the year ended December 31, 2020:

Geographical area	2020 (in thousands of U.S. dollars)
United States	$ 182,925
United Kingdom	118,882
Europe	83,501
Asia	68,096
Rest of World	98,579
Total	**$ 551,983**

The following table provides gross and net premiums written for each of Enstar's Bermuda-regulated subsidiaries for the years ended December 31, 2020 and 2019:

	2020		2019	
	Gross	Net	Gross	Net
	(in thousands of U.S. dollars)			
Cavello Bay	$ 14,253	$ 16,020	$ 89,690	$ 91,487
Fitzwilliam	(1,976)	(1,976)	(2,931)	(2,931)
SIBL	295,933	232,020	428,223	316,345

e) Material Income & Expenses for the Reporting Period

Consolidated Results of Operations

The following table sets forth our consolidated statements of earnings for the years ended December 31, 2020 and 2019. The StarStone U.S. business qualifies as a discontinued operation; therefore, prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings, the Non-life Run-off segment, the Atrium segment or other activities; however, these reclassifications did impact our consolidated results of operations and our StarStone segment results of operations.

	2020	2019	Change
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$ 572,092	$ 804,047	$ (231,955)
Fees and commission income	42,446	28,453	13,993
Net investment income	302,817	308,271	(5,454)
Net realized and unrealized gains	1,642,019	1,011,966	630,053
Other income	101,132	37,070	64,062
	2,660,506	2,189,807	470,699
EXPENSES			
Net incurred losses and LAE	415,926	614,179	(198,253)
Acquisition costs	171,020	240,609	(69,589)
General and administrative expenses	501,479	413,084	88,395
Interest expense	59,308	52,541	6,767
Net foreign exchange (gains) losses	16,393	(7,912)	24,305
	1,164,126	1,312,501	(148,375)
EARNINGS BEFORE INCOME TAXES	1,496,380	877,306	619,074
Income tax expense	(23,827)	(12,372)	(11,455)
Earnings from equity method investments	238,569	55,910	182,659
NET EARNINGS FROM CONTINUING OPERATIONS	1,711,122	920,844	790,278
Net earnings from discontinued operations, net of income taxes	16,251	7,375	8,876
NET EARNINGS	1,727,373	928,219	799,154
Net loss attributable to noncontrolling interest	27,671	9,870	17,801
NET EARNINGS ATTRIBUTABLE TO ENSTAR	1,755,044	938,089	816,955
Dividends on preferred shares	(35,700)	(35,914)	214
NET EARNINGS ATTRIBUTABLE TO ENSTAR TO ENSTAR ORDINARY SHAREHOLDERS	$ 1,719,344	$ 902,175	$ 817,169

Results of Operations by Segment

The below table provides a split by operating segment of the net earnings attributable to Enstar ordinary shareholders:

	2020	2019	Change
	(in thousands of U.S. dollars)		
Segment split of net earnings attributable to Enstar ordinary shareholders:			
Non-life Run-off	$ 1,866,127	$ 1,059,804	$ 806,323
Atrium	15,924	12,125	3,799
StarStone	(81,547)	(100,733)	19,186
Other	(81,160)	(69,021)	(12,139)
Net earnings attributable to Enstar ordinary shareholders	$ 1,719,344	$ 902,175	$ 817,169

Consolidated net earnings attributable to Enstar ordinary shareholders increased by $817.2 million from 2019. The most significant drivers of the change in our financial performance included:

- *Non-life Run-off* - Net earnings attributable to the Non-life Run-off segment increased by $806.3 million, primarily due to:
    - An increase in net realized and unrealized gains of $659.2 million. Net realized and unrealized gains in 2020 were driven by an increase in the valuation of our other investments, predominantly in a hedge fund;
    - An increase in earnings from equity method investments of $182.4 million, driven primarily by our investments in Enhanzed Re and Monument Re; and
    - An increase in other income of $65.1 million driven by a change in actuarial estimates of our defendant asbestos and environmental liabilities; partially offset by,
    - An increase in net underwriting losses of $50.9 million.
- *Atrium* - Net earnings attributable to the Atrium segment increased by $3.8 million, primarily due to higher fees and commission income and foreign exchange gains, partially offset by higher corporate expenses and a lower investment return in the current period.
- *StarStone* - Net losses attributable to the StarStone segment decreased by $19.2 million, primarily as a result of lower underwriting losses due to the impact of underwriting remediation activity and the gain on the sale of StarStone U.S. (included in net earnings from discontinued operations, net of income taxes), partially offset by exit costs associated with the StarStone International Run-Off and a lower investment return in the current period.

COVID-19 Pandemic

During the year ended December 31, 2020, the Atrium and StarStone segments have incurred COVID-19 related net underwriting losses of $18.4 million and $70.7 million, respectively, for which our share was $10.9 million and $45.4 million, respectively. COVID-19 net underwriting losses for the Atrium segment primarily included losses in the accident and health lines of business, whereas losses in the StarStone segment included losses primarily in the casualty and property lines of business. Our Non-life Run-off segment had no underwriting losses related to the COVID-19 pandemic; however, as a result of the loss portfolio transfer and adverse development cover reinsurance agreement with StarStone U.S., as further described in Note 5 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2019, the Non-life Run-off segment assumed $10.0 million of COVID-19 related loss reserves from StarStone U.S. The amounts of Non-life Run-off, Atrium and StarStone losses referenced herein represent our estimate of underwriting losses related to the COVID-19 pandemic incurred through December 31, 2020. Given the uncertainties associated with the COVID-19 pandemic and its impact, and the limited information upon which our current estimates have been made, our preliminary reserves and the estimated liability for losses and LAE arising from the COVID-19 pandemic may materially change.

f) Performance of Investments for the Reporting Period

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, including alternative investment classes, in accordance with our investment guidelines.
- 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 and to the extent practicable.
- To allocate a portion of our investment portfolio to strategic investments, including minority interests in live underwriting companies, that provide diversification to our overall investment portfolio.

We generally seek to maintain investment portfolios that are shorter or of equivalent duration to liabilities in order to provide liquidity for the settlement of losses and, where possible, to avoid having to liquidate longer-dated investments. In the Non-life Run-off segment, the settlements 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, U.S. municipal investments, high-grade corporate investments, and mortgage-backed and asset-backed investments. Our investments in equities consist of a combination of publicly and privately traded investments. We also allocate a portion of our investment portfolio to other investments, including hedge funds, private equity funds, fixed income funds, equity funds, CLO equities, CLO equity funds, real estate debt fund and private credit funds.

Our allocation to other investments and equity method investments collectively constituted 29.4% of our investable assets as of December 31, 2020 (2019: 20.2%). The increase was primarily attributable to significant unrealized gains in our hedge fund managed by AnglePoint Asset Management Ltd. ("AnglePoint") and other alternative investments, as well as additional deployment of capital to these strategies. We believe our other investments and equity method investments provide diversification in our overall investment portfolio since they are generally not correlated with our fixed income investments and provide an opportunity for improved risk-adjusted rates of return.

The table below shows the composition of our investable assets as of December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019	Change
	(in thousands of U.S. dollars)		
Short-term investments, trading, at fair value	5,129	51,490	(46,361)
Short-term investments, available-for-sale, at fair value	263,795	128,335	135,460
Fixed maturities, trading, at fair value	4,594,892	6,143,335	(1,548,443)
Fixed maturities, available-for-sale, at fair value	3,395,100	1,538,052	1,857,048
Funds held - directly managed	1,074,890	1,187,552	(112,662)
Equities, at fair value	846,795	726,721	120,074
Other investments, at fair value	4,244,034	2,518,031	1,726,003
Equity method investments	832,295	326,277	506,018
Total investments	15,256,930	12,619,793	2,637,137
Cash and cash equivalents (including restricted cash)	1,373,116	971,349	401,767
Funds held by reinsured companies	635,819	475,732	160,087
Total investable assets	17,265,865	14,066,874	3,198,991
Duration (in years) (1)	4.82	4.86	(0.04)
Average credit rating (2)	A+	A+	

(1) The duration calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at December 31, 2020 and 2019.

(2) The average credit ratings calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at December 31, 2020 and 2019.

The table below shows the total investment return of $1.9 billion and $1.3 billion on our investment portfolio, excluding equity method investments, for the years ended December 31, 2020 and 2019, respectively, by investment type. The return was calculated as a total of net investment income plus net realized and unrealized gains and losses over the average fair market value for each investment type.

	December 31, 2020			December 31, 2019		
INVESTMENT TYPE	Total Investment Return	Market value	Return (%)	Total Investment Return	Market value	Return (%)
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)		
Fixed maturities	$ 540,464	$ 9,319,179	5.94 %	$ 764,143	$ 9,034,557	8.98 %
Equities	37,506	830,600	4.18 %	152,399	936,876	19.85 %
Bond/loan funds	25,324	763,140	3.48 %	40,123	684,691	5.27 %
Hedge funds	1,221,346	2,638,339	70.5 %	272,477	1,121,904	27.47 %
Private equities	44,204	225,921	20.94 %	51,773	222,515	21.82 %
CLO equities	41,339	294,606	19.63 %	1,058	175,064	78.00 %
Private credit	9,254	298,597	5.67 %	5,127	79,248	8.82 %
Real estate	2,252	39,161	7.44 %	1,193	23,906	7.12 %
Other	903	465	158.49 %	651	548	107.15 %
Cash and cash equivalents (including restricted cash)	3,571	1,373,116	0.26 %	14,003	971,349	1.26 %
Funds held	34,563	650,446	4.25 %	31,730	489,939	6.27 %
Investment expenses	(15,890)			(14,440)		
Total	**$ 1,944,836**	**$ 16,433,570**	**12.99 %**	**$ 1,320,237**	**$ 13,740,597**	**9.78 %**

The increase in total investment return in 2020 was primarily driven by unrealized gains of $1.2 billion in the hedge fund managed by AnglePoint. These unrealized gains were driven by strong performance in equity markets across multiple sectors, including consumer discretionary, communication services, information technology and consumer staples. Historical performance on these investments may not be indicative of future returns. The fund utilizes prime brokerage borrowings and derivatives for both hedging and investment purposes as part of a strategy that can generate significant returns. Funds that employ leverage through borrowings and derivatives can generate outsized returns but can also experience greater levels of volatility.

The following tables show the total investment return on our investment portfolio, excluding equity method investments, by investment type, for each of Enstar's Bermuda-regulated subsidiaries for the years ending December 31, 2020 and 2019:

Cavello Bay:

INVESTMENT TYPE	December 31, 2020 Total Investment Return	December 31, 2020 Market value	December 31, 2020 Return (%)	December 31, 2019 Total Investment Return	December 31, 2019 Market value	December 31, 2019 Return (%)
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)		
Fixed maturities	$ 145,556	$ 3,149,627	5.7 %	$ 175,426	$ 2,361,103	9.6 %
Equities	47,890	479,887	13.7 %	12,799	330,032	6.1 %
Other	1,372,806	3,691,868	54.2 %	347,619	1,733,759	26.9 %
Cash and cash equivalents (including restricted cash)	650	262,420	0.3 %	2,001	134,758	1.7 %
Funds held	48,381	1,327,008	7.8 %	34,312	366,338	9.6 %
Intercompany	34,103			12,583		
Investment expenses	(4,802)			(5,072)		
Total	$ 1,644,584	$ 8,910,810	26.0 %	$ 579,668	$ 4,925,990	14.9 %

Fitzwilliam:

INVESTMENT TYPE	December 31, 2020 Total Investment Return	December 31, 2020 Market value	December 31, 2020 Return (%)	December 31, 2019 Total Investment Return	December 31, 2019 Market value	December 31, 2019 Return (%)
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)		
Fixed maturities	$ 24,078	$ 372,474	5.9 %	$ 52,606	$ 445,033	11.4 %
Equities	(1,445)	6,545	(27.7)%	(1,055)	8,727	(11.1)%
Other	16,943	172,471	9.3 %	37,495	247,468	16.3 %
Cash and cash equivalents (including restricted cash)	318	55,006	0.5 %	1,666	69,078	1.7 %
Funds held	74,902	1,344,814	8.4 %	103,978	919,809	10.8 %
Intercompany	8,112			83,279		
Investment expenses	(714)			(502)		
Total	$ 122,194	$ 1,951,310	7.4 %	$ 277,467	$ 1,690,115	11.0 %

SIBL:

INVESTMENT TYPE	December 31, 2020 Total Investment Return	December 31, 2020 Market value	December 31, 2020 Return (%)	December 31, 2019 Total Investment Return	December 31, 2019 Market value	December 31, 2019 Return (%)
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)		
Fixed maturities	$ 13,374	$ 443,320	2.2 %	$ 30,443	$ 493,039	5.7 %
Equities	4,051	68,461	4.7 %	(615)	123,343	(1.0)%
Other	(3,067)	71,984	(3.9)%	17,359	125,596	9.3 %
Cash and cash equivalents (including restricted cash)	803	97,461	0.8 %	3,539	92,627	3.2 %
Funds held	583	3,137	14.5 %	687	1,835	(32.4)%
Intercompany	5,904			5,425		
Investment expenses	(1,187)			(1,163)		
Total	$ 20,461	$ 684,363	2.3 %	$ 55,675	$ 836,440	6.2 %

g) 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, Executive 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.
Susan L. Cross	Director	Independent Non Executive Board Member. Member of the Audit and Risk Committees.
Myron Hendry	Director	Independent Non Executive Board Member. Member of the Risk 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. Member of Compensation and Risk Committees.
Jie Liu (1)	Director	Non-Executive Board Member. Member of the Investment Committee.
Paul O'Shea	Director	Board Member. President, Head of Mergers & Acquisitions - evaluation and execution of new business opportunities.
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. Member of Investment and Executive Committees.
Poul Winslow	Director	Independent Non Executive Board Member. Member of the Investment, Compensation and Executive Committees.

(1) Resigned from the Board on February 7, 2021.

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. Please see Appendix II for a listing of Board members for our Bermuda-regulated subsidiaries.

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.
Orla Gregory	Chief Operating Officer	Development, oversight and delivery of group strategic initiatives and new business transitions.
Zachary Wolf	Chief Financial Officer	Oversight of Group finance function.
Paul Brockman	Chief Claims Officer	Oversight of global claims management function responsible for management of run-off portfolios.
Nazar Alobaidat	Chief Investment Officer	Oversight of Group investment function.
Audrey Taranto	General Counsel	Oversight of Group legal function.

b) Remuneration Policy

i) *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 factors
Annual Incentive Compensation	Provides "at risk" pay that reflects annual Company performance and individual performance	▪ Aligns executive and shareholder interests ▪ Rewards performance consistent with financial and individual operational performance objectives that are designed to drive the Company's annual business plan and key business priorities
Long-Term Incentive Compensation	Includes (a) PSUs that "cliff vest" following a three-year performance period subject to the Company's achievement of financial performance metrics selected by the Compensation Committee, (b) RSUs that are subject to time- and service-based vesting conditions, and (c) for our CEO, a Joint Share Ownership Plan ("JSOP") award that "cliff vests" following a three-year performance period subject to the Company's share price growth with a payout level determined by appreciation and achievement of financial performance metric selected by the Compensation Committee	▪ Aligns executive and shareholder interests ▪ Drives long-term performance and promotes retention ▪ Heavily weighted towards performance-based awards ▪ PSUs do not vest unless performance measurements are met ▪ PSU vesting occurs within a range of 50-60% to 150-200% depending on the level of achievement ▪ JSOP vesting requires share price hurdle to be met on the vesting date. Additionally, the value of the award would be reduced by 20% if a FDBVPS performance condition is not also achieved
Other Benefits and Perquisites	Reflects the local market and competitive practices such as retirement benefits, and, in the case of our Bermuda headquarters, payroll and social insurance tax contributions	▪ Provides benefits consistent with certain local market practices 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 as well as certain other benefits	▪ Provides Enstar 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 and legal requirements in Bermuda and the United Kingdom

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.

ii) *Employee Compensation*

The Company has 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 Recoupment Policy, which allows for the clawback 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 offer.

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 2020 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, 2020:

i) *Stone Point Capital LLC*

Through several private transactions occurring from May 2012 to July 2012 and an additional private transaction that closed in May 2018, investment funds managed by Stone Point Capital LLC ("Stone Point") have acquired an aggregate of 1,635,986 of our Voting Ordinary Shares (which constitutes 8.8% of our outstanding Voting Ordinary Shares). On November 6, 2013, we appointed James D. Carey to our Board of Directors. 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.

On November 30, 2020, we completed the sale and recapitalization of StarStone U.S. to Core Specialty Insurance Holdings, Inc. ("Core Specialty") in a transaction. Pursuant to the terms of a Recapitalization Agreement entered into on August 13, 2020 among us, the Trident V Funds, which are advised by Stone Point, and Dowling Capital Partners I, L.P. and Capital City Partners LLC (collectively, the "Dowling Funds") (the "Recapitalization Agreement"), we agreed to exchange a portion of our indirect interest in Northshore, the holding company that owns Atrium and Arden, for all of the Trident V Funds' indirect interest in StarStone U.S. (the "Exchange Transaction").

Our interests in StarStone and Atrium are held through North Bay Holdings Limited ("North Bay"), which is a joint venture between us, the Trident V Funds and the Dowling Funds. As of December 31, 2020, we had an indirect 59.0% interest in North Bay and the Trident V Funds and the Dowling Funds owned 39.3% and 1.7%, respectively. North Bay owned 100% of StarStone Specialty Holdings Limited ("SSHL"), the holding company for the StarStone group, which included StarStone U.S. and StarStone International. North Bay also owned 92% of Northshore. North Bay also owns the preferred equity of three segregated cells within our wholly-owned subsidiary Fitzwilliam Insurance Limited (the "Fitzwilliam Cells") that have provided reinsurance to StarStone and are considered part of StarStone International. Following the completion of the sale and recapitalization of StarStone U.S. and the Exchange Transaction, we now own 25.23% of Core Specialty on a fully diluted basis, which owns StarStone U.S., and 13.8% of Northshore, which continues to own Atrium and Arden. The Trident V Funds own 76.3% of

Northshore, and the Dowling Funds own 0.4% of Core Specialty and 1.6% of Northshore. The Exchange Transaction had no impact on the ultimate ownership of SSHL, which continues to own StarStone International, with us, the Trident V Funds and the Dowling Funds retaining our and their prior ownership interests in SSHL of 59.0%, 39.3% and 1.7%, respectively.

In connection with the closing of the Exchange Transaction, we entered into amended and restated shareholders' agreements with the Trident V Funds and the Dowling Funds with respect to our investment in SSHL and Northshore. With respect to SSHL, we have the right to designate three of five members of the SSHL board of directors and the Trident V Funds have the right to designate the other two members. The Trident V Funds also have certain customary rights as a minority shareholder to approve certain material matters and transactions. Each shareholder of SSHL must provide us and the Trident V Funds with a right of first offer to acquire its shares in SSHL if such shareholder wishes to sell them. Each shareholder will also have certain rights to participate in sales of SSHL shares by the other shareholders, and we have certain rights to cause the Trident V Funds and the Dowling Funds to sell their SSHL shares if we wish to sell control of SSHL or the StarStone International business.

Also pursuant to the terms of the shareholders' agreement for SSHL, at any time after December 31, 2022, the Trident V Funds have the right to cause us to purchase their shares in SSHL at their fair market value, and the Dowling Funds have the right to participate in any such sale transaction initiated by the Trident V Funds. We would be entitled to pay the purchase price for such SSHL shares in cash or in unrestricted ordinary shares of Enstar that are then listed or admitted to trading on a national securities exchange. At any time after March 31, 2023, we will have the right to cause the Trident V Funds and the Dowling Funds to sell their shares in SSHL to us at their fair market value. We would be obligated to pay the purchase price for such SSHL shares in cash.

Pursuant to the terms of the shareholders' agreement for Northshore, for so long as we own 50% or more of the Northshore shares we held upon the closing of the Exchange Transaction, we have the right to designate one member to the board of directors of Northshore and each of its material subsidiaries. Our shares in Northshore are subject to an 18-month restriction on transfer following the closing of the Exchange Transaction, after which the Trident V Funds have a right of first offer to acquire our shares in Northshore if we wish to sell them. We have certain rights to participate in sales of Northshore shares by the Trident V Funds, and the Trident V Funds have certain rights to cause us to sell our Northshore shares if the Trident V Funds wish to sell control of Northshore or the Atrium business. We, in partnership with StarStone's other shareholders, have previously completed transactions to provide capital support to StarStone in the form of:

(i) a contribution to its contributed surplus account and a loss portfolio transfer, effective October 1, 2018. To fund the transaction, the North Bay shareholders contributed an aggregate amount of $135.0 million to North Bay in proportion to their ownership interests. Trident's proportionate contribution of $53.1 million was temporarily funded by North Bay and was reimbursed in the first quarter of 2019; and

(ii) a loss portfolio transfer, effective April 1, 2019, for which shareholders agreed to contribute an aggregate amount of $48.0 million.

In addition, Enstar has separately entered into a loss portfolio transfer and adverse development cover with StarStone effective October 1, 2019, whereby StarStone transferred $189.4 million in loss reserves and unearned premium to a wholly-owned Enstar subsidiary in exchange for premium of $189.4 million. Enstar also provided an additional $59.0 million adverse development cover in excess of the $189.4 million.

As of December 31, 2020 and 2019, the RNCI on our balance sheet relating to these Trident co-investment transactions was $350.2 million and $420.5 million, respectively.

As of December 31, 2020, we had the following additional relationships with Stone Point and its affiliates:

- Investments in funds (carried within other investments) managed by Stone Point, with respect to which we recognized net unrealized gains (losses);
- Investments in registered investment companies affiliated with entities owned by Trident or otherwise affiliated with Stone Point, with respect to which we recognized net unrealized gains (losses) and interest income;
- Separate accounts managed by Eagle Point Credit Management, PRIMA Capital Advisors and SKY Harbor Capital Management, which are affiliates of entities owned by Trident, with respect to which we incurred management fees;

- Investments in funds (carried within other investments) managed by Sound Point Capital, an entity in which Mr. Carey has an indirect minority ownership interest and serves as a director, with respect to which we recognized net unrealized gains (losses);
- Sound Point Capital has acted as collateral manager for certain of our direct investments in CLO debt and equity securities, with respect to which we recognized net unrealized gains (losses) and interest income;
- Marble Point Capital, which is an affiliate of an entity owned by Trident, has acted as collateral manager for certain of our direct investments in CLO debt and equity securities, with respect to which we recognized net unrealized gains (losses) and interest income;
- A separate account managed by Sound Point Capital, with respect to which we incurred management fees in prior periods;
- In the fourth quarter of 2018, we invested $25.0 million in Mitchell TopCo Holdings, the parent company of Mitchell International and Genex Services, as a co-investor alongside certain Trident funds; and
- In the second quarter of 2020, we invested $10.0 million in a 2 year senior secured unrated floating rate term loan facility with an extension option which was arranged and managed by Sound Point Capital. The facility's borrower, Amplify U.S. Inc., is a subsidiary of Evergreen (as defined below) and has used the proceeds to purchase AmTrust's preferred stock. The facility ranks senior to all other claims of the borrower, the purchased preferred stock and cash flows therefrom serve as collateral, and AmTrust has provided an unsecured guarantee for the facility. For further information on our relationships with Evergreen and AmTrust, refer to the AmTrust section below.

As of December 31, 2020 and 2019, our net investments with Stone Point and its affiliated entities were $1.1 billion and $1.2 billion, respectively. Net earnings from transactions with Stone Point and its affiliated entities amounted to $40.1 million and $35.4 million for the years ended December 31, 2020 and 2019, respectively.

ii) *Hillhouse*

Investment funds managed by Hillhouse Capital (defined below) collectively own 9.4% of Enstar's voting ordinary shares. These funds also own non-voting ordinary shares and warrants to purchase additional non-voting ordinary shares, which together with their voting ordinary shares, represent 16.6% economic interest in Enstar. The warrants, which were set to expire in April 2021, permit these funds to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share, subject to certain adjustments. During the three months ended March 31, 2021, Hillhouse Capital exercised the warrants on a cashless basis, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued to Hillhouse Capital during the period. From February 2017 to February 2021, Jie Liu, a partner of AnglePoint (defined below), served on our Board.

We have made significant direct investments in funds (the "Hillhouse Funds") managed by Hillhouse Capital Management, Ltd. and Hillhouse Capital Advisors, Ltd. (together, "Hillhouse Capital") and AnglePoint Asset Management Ltd., an affiliate of Hillhouse Capital ("AnglePoint"). As of December 31, 2020, the carrying value (i.e., the net asset value) of our direct investment in the InRe Fund, L.P. (the "InRe Fund"), which is managed by AnglePoint, was $2.4 billion (December 31, 2019: $918.6 million). The growth in the fund for the year ended December 31, 2020 was generated by significant unrealized investment gains during the year and an increase in our subscription to the fund of $300.0 million in June 2020.

The InRe Fund qualifies as a variable interest entity and our maximum exposure to loss is the amount of our investment in the fund. As of December 31, 2020, the InRe Fund's assets were invested (5)% in net short fixed income securities, 20% in North American equities, 67% in international equities and 18% in financing, derivatives and other items. The derivatives in the InRe Fund are used for both hedging and investment purposes. The InRe Fund utilizes prime brokerage borrowing facilities and has also securitized certain letters of credit relating to intragroup reinsurances. We do not provide any financial support to the InRe Fund. Funds that employ leverage through borrowings and derivatives can generate outsized returns but can also experience greater levels of volatility.

As of December 31, 2020 and 2019, our equity method investee, Enhanzed Re, had investments in a fund managed by AnglePoint. Our share of investments in funds managed by AnglePoint held by Enhanzed Re (through our equity method investment ownership of 47.4%) was $403.6 million and $155.4 million, respectively. Our investment in other funds managed by AnglePoint and Hillhouse, including our investment in the InRe Fund, totaled $2.7 billion and $1.2 billion as of December 31, 2020 and 2019, respectively.

We incurred management and performance fees of $489.0 million, which is deducted from the Hillhouse Funds' reported NAV, for the year ended December 31, 2020 in relation to the investment in funds managed by Hillhouse Capital and AnglePoint as described above.

On February 21, 2021, we entered into a Termination and Release Agreement (the "TRA") with the InRe Fund, Hillhouse Capital, AnglePoint Cayman, AnglePoint Asset Management Limited (“AnglePoint HK”), and InRe Fund GP, Ltd. (“InRe GP”) pursuant to which we agreed to terminate certain relationships with Hillhouse and its affiliates, primarily with respect to the InRe Fund. In connection with AnglePoint Cayman ceasing to serve as investment manager of the InRe Fund, affiliates of Hillhouse Capital agreed to a deduction of $100.0 million from amounts due to them from the InRe Fund and to waive their right to receive any performance fees that could have been earned for 2021. We also redeemed our investments in the other Hillhouse Funds at their carrying value plus an implied interim return and received $381.3 million in the form of additional interest in the InRe Fund.

AnglePoint Cayman previously received sub-advisory services with respect to InRe Fund from its affiliate, AnglePoint HK, an investment advisory company licensed by the Securities and Futures Commission in Hong Kong. Pursuant to the TRA, we acquired an option to buy AnglePoint HK, which we also had the right to assign to a third-party. On April 1, 2021, we entered into a Designation Agreement with Jie Liu (the "Designation Agreement"), pursuant to which we designated Mr. Liu, an AnglePoint HK partner, as the purchaser of AnglePoint HK, and he acquired the company from an affiliate of Hillhouse Capital on the same day. AnglePoint Cayman simultaneously assigned its investment management agreement with InRe Fund to AnglePoint HK. The Designation Agreement requires us and AnglePoint HK to amend the InRe Fund investment management agreement and limited partnership agreement to incorporate a revised fee structure for AnglePoint HK and certain other agreed changes.

In April 2021, we redeemed $800 million of our investment in the InRe Fund for cash.

We will re-evaluate our conclusions with regard to consolidation of the InRe Fund in accordance with the accounting for variable interest entities at the June 30, 2021 balance sheet measurement date.

iii) *Monument Re*

Monument Insurance Group Limited ("Monument Re") was established in October 2016 and Enstar has invested a total of $59.6 million in the common and preferred shares of Monument Re as of December 31, 2020 (December 31, 2019: $26.6 million). We own 20% of the common shares of Monument Re, as well as different classes of preferred shares which have fixed dividend yields, and which collectively represented a total economic interest of 23.0% as of December 31, 2020 (December 31, 2019: 23.5%). In connection with our investment in Monument Re, we entered into a Shareholders Agreement with the other shareholders and have accounted for our equity interest in Monument Re as an equity method investment since we have significant influence over its operating and financial policies.

On May 31, 2019, we completed the transfer of our remaining life assurance policies written by our wholly-owned subsidiary Alpha Insurance SA to a subsidiary of Monument Re. In this transaction, we transferred policy benefits for life and annuity contracts with a carrying value of €88.8 million (or $99.1 million) and total assets with a fair value of €91.1 million (or $101.6 million) to a subsidiary of Monument Re.

Our investment in the common and preferred shares of Monument Re, which is included in equity method investments on our consolidated balance sheet, as of December 31, 2020 and 2019 was $193.7 million and $60.6 million, respectively.

During the years ended December 31, 2020 and 2019 our share of net earnings on our investment in Monument Re was $88.3 million and $19.8 million, respectively. In addition, we received director fees from Monument Re of less than $0.1 million in connection with one of our representatives serving on Monument Re's board of directors during the year ended December 31, 2020.

iv) *Clear Spring (formerly SeaBright)*

Effective January 1, 2017, we sold SeaBright Insurance Company (“SeaBright Insurance”) to Clear Spring PC Acquisition Corp., a subsidiary of Delaware Life Insurance Company ("Delaware Life"). Following the sale, SeaBright Insurance was capitalized with $56.0 million of equity, with Enstar retaining a 20% indirect equity interest in SeaBright Insurance. Subsequently, SeaBright Insurance was renamed Clear Spring Property and Casualty Company ("Clear Spring"). Effective December 30, 2020, we sold our remaining interest in Clear Spring to Delaware Life for $12.2 million and recorded a gain on sale of $0.6 million in the fourth quarter of 2020. As a result, Clear Spring was not a related party as of December 31, 2020.

Prior to the sale, we accounted for our equity interest in Clear Spring as an equity method investment as we had significant influence over its operating and financial policies. Our investment in the common shares of Clear Spring which is included in equity method investments on our consolidated balance sheet, as of December 31, 2020 and 2019 was $0 and $10.6 million, respectively.

During the years ended December 31, 2020 and 2019 our share of net earnings on our investment in Clear Spring was $1.0 million and $0.6 million, respectively.

Effective January 1, 2017, StarStone National Insurance Company ("StarStone National") entered into a ceding quota share treaty with Clear Spring pursuant to which Clear Spring reinsures 33.3% of core workers' compensation business written by StarStone National. This agreement was terminated as of December 31, 2018.

Effective January 1, 2017, we also entered into an assuming quota share treaty with Clear Spring pursuant to which an Enstar subsidiary reinsures 25% of all workers' compensation business written by Clear Spring. This is recorded as other activities.

Net earnings (loss) from transactions with Clear Spring amounted to $3.9 million and $(6.6) million for the years ended December 31, 2020 and 2019, respectively.

v) *AmTrust*

In November 2018, pursuant to a Subscription Agreement with Evergreen Parent L.P. ("Evergreen"), K-Z Evergreen, LLC and Trident Pine Acquisition LP ("Trident Pine"), we purchased equity in Evergreen in the aggregate amount of $200.0 million. Evergreen is an entity formed by private equity funds managed by Stone Point and the Karfunkel-Zyskind family that acquired the 45% of the issued and outstanding shares of common stock of AmTrust that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. The equity interest was in the form of equity securities issued at the same price and in the same proportion as the equity interest purchased by Trident Pine. In a second transaction in December 2019, Enstar acquired an additional $25.9 million of Evergreen securities from another investor.

Following the closing of the second transaction, Enstar owns 8.5% of the equity interest in Evergreen and Trident Pine owns 21.8%. Evergreen owns all of the equity interest in AmTrust. In addition, upon the successful closing of the transaction we received a fee of $3.3 million, half of which was received upon closing, and the other half was received on the first anniversary of the closing. The fee was recorded in full in other income within our consolidated statements of earnings for the year ended December 31, 2018.

Our indirect investment in the shares of AmTrust, carried in equities on our consolidated balance sheet, as of December 31, 2020 and 2019 was $230.3 million $240.1 million, respectively. Net earnings (loss) from transactions with AmTrust amounted to $(3.8) million and $17.8 million for the years ended December 31, 2020 and 2019, respectively.

vi) *Citco*

In June 2018, we made a $50.0 million indirect investment in the shares of Citco III Limited ("Citco"), a fund administrator with global operations. As of December 31, 2020, we owned 31.9% of the common shares in HH CTCO Holdings Limited, which in turn owns 15.4% of the convertible preferred shares, amounting to a 6.2% interest in the total equity of Citco. Pursuant to an investment agreement and in consideration for participation therein, a related party of Hillhouse Capital provided us with investment support. In a private transaction that preceded our co-investment opportunity, certain Citco shareholders, including Trident, agreed to sell all or a portion of their interests in Citco. As of December 31, 2020, Trident owned 3.4% interest in Citco. Mr. Carey currently serves as an observer to the board of directors of Citco in connection with Trident's investment therein.

Our indirect investment in the shares of Citco, which is included in equity method investments on our consolidated balance sheet, as of December 31, 2020 and 2019 was $53.0 million and $51.7 million, respectively.

During the years ended December 31, 2020 and 2019 our share of net earnings on our indirect investment in Citco was $2.2 million and $2.7 million, respectively.

vii) *Enhanzed Re*

Enhanzed Re is a joint venture between Enstar, Allianz SE ("Allianz") and Hillhouse Capital that was capitalized in December 2018. Enhanzed Re is a Bermuda-based Class 4 and Class E reinsurer and will reinsure life, Non-life Run-off, and property and casualty insurance business, initially sourced from Allianz and Enstar. Enstar, Allianz and Hillhouse Capital affiliates have made equity investment commitments in the aggregate of $470.0 million to Enhanzed Re. Enstar owns 47.4% of the entity, Allianz owns 24.9%, and an affiliate of Hillhouse Capital owns 27.7%. As of December 31, 2020, Enstar contributed $154.1 million of its total capital commitment to Enhanzed Re and had an uncalled amount of $68.7 million. We have accounted for our equity interest in Enhanzed Re as an equity method investment as we have significant influence over its operating and financial policies.

Enstar acts as the (re)insurance manager for Enhanzed Re, for which it receives fee income recorded within fees and commission income, AnglePoint acts as the primary investment manager, and an affiliate of Allianz provides investment management services. Enhanzed Re writes business from affiliates of its operating sponsors, Allianz SE and Enstar. It also underwrites other business to maximize diversification by risk and geography.

Our investment in the common shares of Enhanzed Re, which is included in equity method investments on our consolidated balance sheet, as of December 31, 2020 and 2019 was $330.3 million and $182.9 million, respectively.

During the years ended December 31, 2020 and 2019 our share of net earnings on our investment in Enhanzed Re was $147.3 million and $28.9 million, respectively.

We have ceded 10% of the 2019 Zurich and 2020 AXA transactions, to Enhanzed Re on the same terms and conditions as those received by Enstar.

In addition, during the year ended December 31, 2020, one of our UK-based Non-life Run-off subsidiaries ceded $137.0 million of net loss reserves to Enhanzed Re. The reinsurance is on a funds held basis with fixed crediting rates.

Net earnings (loss) from transactions with Enhanzed Re amounted to $(8.0) million and $0.8 million for the years ended December 31, 2020 and 2019, respectively.

viii) *Core Specialty*

Following the sale and recapitalization of StarStone U.S. our investment in the common shares of Core Specialty, which is included in equity method investments on our consolidated balance sheet was $235.0 million as of December 31, 2020.

In connection with the sale and recapitalization of StarStone U.S. we entered into an LPT and ADC reinsurance agreement with respect to StarStone U.S.' legacy reserves. Concurrent with the closing of the LPT and ADC reinsurance agreement, we entered into an ASA with StarStone U.S., through which one of our wholly-owned subsidiaries was appointed as an independent contractor to provide certain administrative services covering the business we assumed from StarStone U.S. through the LPT and ADC reinsurance agreement.

In addition, concurrent with the sale of StarStone U.S. to Core Specialty, one of our wholly-owned subsidiaries entered into a TSA with Core Specialty through which our subsidiary and Core Specialty agreed to provide certain transitional services to each other relating to the StarStone U.S. businesses, for a specified period of time.

On completion of the sale and recapitalization of StarStone U.S. on November 30, 2020, we received $235.0 million of Core Specialty shares and $51.5 million of cash. Subsequently, the cash component of the consideration has been determined to be $47.0 million. The surplus of $4.5 million is repayable to Core Specialty and is recorded within other liabilities.

Furthermore, there are existing reinsurance agreements whereby (i) certain of our subsidiaries provide reinsurance protection to StarStone U.S. ("the assuming reinsurances") and (ii) StarStone U.S. provides reinsurance protection to certain of our subsidiaries ("the ceding reinsurances"). These arrangements remain in place.

Net earnings (loss) from transactions with Core Specialty amounted to $3.3 million for the year ended December 31, 2020.

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.

The most recent addition to the Board was Susan L. Cross, who joined the Board in October 2020. Ms. Cross was appointed following a director search process led by the Nominating and Governance Committee to add actuarial expertise and gender diversity to the Board. Ms. Cross, an independent director, brings extensive industry experience and executive-level actuarial expertise to our Board, which is relevant to the Board's oversight responsibility.

Ms. Cross filled the vacancy created by the resignation of Sandra Boss, who resigned from the Board effective April 2020 to pursue a full-time executive role with another business. Jie Liu, a director since 2017, resigned from the Board on February 7, 2021 in connection with the transactions described in "Certain Relationships and Related Transactions – Transactions with Hillhouse and its Affiliates. The Nominating and Governance Committee has initiated a search to replace him.

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 risk management, investments, regulatory matters, industry-specific audit and accounting, operations and technology, corporate governance 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.

Our Board also seeks to identify candidates who represent a mix of backgrounds and experiences that will improve the Board's ability, as a whole, to serve our needs and the interests of our shareholders. In February 2019, the Board adopted a formal diversity policy applicable to the selection of directors. The Board considers diversity to include gender, ethnicity, nationality, age, sexual orientation, geographic background, and other personal characteristics. The Board's diversity policy requires the Nominating and Governance Committee to actively consider diversity in its regular assessments of board composition and in its efforts to identify potential director candidates, including specifically instructing any director search firm (if engaged) to include diverse candidates in its search. The Board is committed to adding another woman as part of an initiative to increase its overall diversity.

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 judgment to undertake and fulfill 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 license 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 Silvester

Chief Executive Officer

<u>Biographical Information</u>

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 Enstar 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 O'Shea

President

Biographical Information

Paul O'Shea was appointed as President of the Company in December 2016. 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 Silvester in his run-off business venture in Bermuda, and he served as a director and Executive Vice President of Enstar 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 Campbell

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

Biographical Information

Robert J. Campbell has been a director of the Company since August 2007 and 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. From 2015 through 2017, he was 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 has 40 years of experience in the insurance and healthcare industries. He served as Chairman of Clarity Group, Inc., a company he co-founded more than 18 years ago that specialized as a healthcare professional liability and risk management service provider until it was sold in early 2020. Prior to co-founding 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. He began his career as a practicing attorney.

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

Mr. Becker has over 40 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.

Susan L. Cross

Enstar Committees: Audit, Risk

Biographical Information

Susan L. Cross has served as a director since October 2020. She served as Executive Vice President and Global Chief Actuary at XL Group (now AXA XL), from 2008 to 2018, and prior to that served as Senior Vice President and Chief Actuary of various operating segments of XL Group since 1999.

Certain Other Directorships

Ms. Cross currently serves as a non-executive director at Unum Group, a Fortune 500 publicly held insurance company and leading provider of financial protection benefits, where she sits on the Audit Committee and Risk and Finance Committee. Previously, she has served on the boards of IFG Companies, American Strategic Insurance and several XL subsidiaries, including Mid Ocean Limited and XL Life Ltd.

Skills and Qualifications - Actuarial expertise; risk management, regulatory and governance skills; industry experience

Ms. Cross brings significant actuarial expertise to our Board, obtained from over 20 years of senior management experience as an actuary with XL Group. Her industry experience is particularly valuable to our Audit Committee and our Risk Committee given the complex nature of our run-off business. As a director of a Fortune 500 company, Ms. Cross also has knowledge of corporate governance matters and practices, which is valuable to our Board.

Myron Hendry

Enstar Committees: Risk, Nominating and Governance

Biographical Information

Myron Hendry most recently served as an executive advisor to AXA on integration matters. He previously served as the Executive Vice President and Chief Platform Officer for XL Catlin from 2009-2018, where he was responsible, on a Global basis, for Technology, Operations, Real Estate, Procurement, Continuous Improvement Programs and XL Catlin's Service Centers in India and Poland. He also served as Director on the XL India Business Services Private Limited Board, and he was the Chairman of the XL Catlin Corporate Crisis Committee responsible for Disaster Recovery and Business Continuity. Mr. Hendry was the founder of the XL Catlin's Leadership Listening Program. Throughout his career, he also held technology, operational and claims leadership roles at Bank of America's Balboa Insurance Group, Safeco Insurance and CNA Insurance.

Skills and Qualifications: Operations and Technology

Mr. Hendry brings to our Board expertise in insurance industry-specific information technology and operations management. His extensive experience as an executive engaging on technology matters at the board level is valuable to our Board and Risk Committee.

James Carey

Enstar Committees: Investment

Biographical Information

James Carey is a Managing Director of Stone Point Capital LLC, a private equity firm based in Greenwich, Connecticut. Stone Point Capital serves as the manager of the Trident Funds, which invest exclusively in the global financial services industry. Mr. Carey has been with Stone Point Capital and its predecessor entities since 1997. He previously served as a director of the Company from its formation in 2001 until the Company became publicly traded in 2007. Mr. Carey rejoined the Board in 2013.

Certain Other Directorships

From July 2018, Mr. Carey has served as a director of Focus Financial Partners, a publicly traded company that invests in independent fiduciary wealth management firms. Mr. Carey also currently serves on the boards of certain privately held portfolio companies of the Trident Funds. He previously served as non-executive chairman of PARIS RE Holdings Limited and as a director of Alterra Capital Holdings Limited, Cunningham Lindsay Group Limited, Lockton International Holdings Limited, and Privilege Underwriters, Inc.

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

Having worked in the private equity business for over 20 years, Mr. Carey brings 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. We also value his contributions as an experienced director in the insurance industry, as well as his extensive knowledge of the Company.

Hans-Peter Gerhardt

Enstar Committees: Risk

Biographical Information

Hans-Peter Gerhardt served as the Chief Executive Officer of Asia Capital Reinsurance Group from October 2015 through June 2017. 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 served as a non-executive director of our subsidiary StarStone Specialty Holdings Ltd. until January 1, 2021. He previously served as a non-executive director of African Risk Capacity, Tokio Millennium Re and Tokio Marine Kiln as well as Asia Capital Reinsurance Group (until May 2017) and 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 insurance industry management expertise to our Board. He is a proven industry veteran, with significant leadership experience, including several successful tenures in CEO roles.

Hitesh Patel

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

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 is the Independent Non-Executive Chairman of Capital Home Loans Limited, a privately held buy-to-let mortgage provider and also a non-executive director of Landmark Mortgages Limited. Mr. Patel chairs the Audit Committee and is a member of the Risk Committee and Nomination and Remuneration Committee for Capital Home Loans and Landmark Mortgages Limited. Mr. Patel is a member of the Council of the London School of Hygiene and Tropical Medicine. He is also the Non-Executive Chairman of Augusta Ventures Holdings Limited which provides litigation finance. He is also the Chair of the Insurance Committee of the Institute of Chartered Accountants of England and Wales since 2012. Until December 2019, Mr. Patel served as a non-executive director at Aviva Life Holdings UK Ltd and Aviva Insurance Limited (subsidiaries of Aviva plc) and as Chairman of its Audit Committee and member of the Risk and Investment Committees.

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 Winslow

Enstar Committees: Compensation, Investment, Executive

Biographical Information

Poul Winslow is a Senior Managing Director & Global Head of Capital Markets and Factor Investing of the Canada Pension Plan Investment Board ("CPP Investments"), a role he has held since 2018. Previously Mr. Winslow served as Head of External Portfolio Management and Head of Thematic Investing for CPP Investments. Prior to joining CPP Investments in 2009, 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 is a director for the Standards Board for Alternative Investments, an international standard-setting body for the alternative investment industry. He previously served as a director of Viking Cruises Ltd., a private company, from 2016 to 2018.

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 CPP Investments, including exposure to compensation and governance policies, are valuable in his role on our Compensation Committee.

(2) Executive Officers:

Dominic Silvester

Chief Executive Officer

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 Enstar Limited, which is now a subsidiary of the Company. Prior to co-founding the Company, Mr. Silvester served as the Chief Financial Officer of Anchor Underwriting Managers Limited from 1988 until 1993.

Paul O'Shea

President

Paul O’Shea was appointed as President of the Company in December 2016. 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 Silvester in his run-off business venture in Bermuda, and he served as a director and Executive Vice President of Enstar 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.

Orla Gregory

Chief Operating Officer

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

Zachary Wolf

Chief Financial Officer

Zachary Wolf was appointed as Chief Financial Officer, effective March 2, 2021. He joined Enstar as Deputy Chief Financial Officer in September 2020, having previously served as Executive Vice President, Strategic Development at AmTrust Financial Services, Inc. (“AmTrust”) since January 2020. From 2017 to 2020, he served as Deputy CFO and Senior Vice President at AmTrust, and prior to that was Vice President of Strategic Development from 2013 to 2017. Before joining AmTrust, Mr. Wolf worked in the financial services industry, including for six years at Standard & Poor’s as a senior director.

Paul Brockman

Chief Claims Officer

Paul Brockman was appointed Chief Claims Officer in September 2020. He previously served as the President and Chief Executive Officer of Enstar (US) Inc. ("Enstar US") from July 2016 to September 2020. He served as President and Chief Operating Officer of Enstar US from November 2014 to July 2016. From October 2012 to November 2014, he served as Senior Vice President, Head of Commutations for Enstar US. Before joining Enstar US, 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.

Nazar Alobaidat

Chief Investment Officer

Nazar Alobaidat joined Enstar as Chief Investment Officer in 2016. He formerly served as Managing Director and CIO of AIG Property Casualty’s U.S., Canada and Bermuda regions and was with AIG from 2009-2016. Prior to that, he served as Vice President within the investment banking division of Lehman Brothers and Barclays Capital, specializing in derivatives and financing transactions for corporate clients of the investment bank. He previously served in the capital markets group of Deloitte from 2001-2006. Mr. Alobaidat is a Certified Public Accountant with a Master’s Degree from the University of Florida.

Audrey Taranto

General Counsel

Audrey Taranto has served as General Counsel since February 2019. From June 2017 to February 2019, she served as Group Head of Legal and from to April 2012 to June 2017 as SVP, Securities Counsel. She continues to serve as the Company's Corporate Secretary, a position she has held since 2012. Prior to 2012, she was Senior Counsel and Assistant Corporate Secretary at Cigna Corporation and an Associate in the corporate department of Drinker Biddle & Reath LLP.

f) Risk Management & Solvency Self-Assessment

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

Risk Management Strategy

Our risk management strategy is to:

- engage in highly disciplined acquisition, management and (re)insurance practices across a diverse portfolio of loss reserves;
- seek investment risk where it is adequately rewarded;
- maintain reserving risk at low to moderate levels; and
- maintain capital, liquidity, credit, operational and regulatory risks at low levels.

These strategies are pursued through the use of appropriate controls, analytics (including scenario testing), governance structures and highly skilled teams working together effectively.

We embed our risk strategy across the organization by promoting and rewarding a strong culture of risk awareness. This is demonstrated through our day-to-day approach to managing our business and in how we manage and assess the potential challenges and opportunities.

Risk Appetite

The primary objective of our risk appetite framework is to monitor and protect the Group from an unacceptable level of loss, compliance failures and adverse reputational impact. It considers material risks to the business relating to: strategy, capital adequacy, insurance, investment, reinsurance counterparty/credit, regulatory, tax and operational risk. Risk appetite and tolerance is set by our Board and reviewed annually. It represents the amount of risk that we are willing to accept as a Group compared to risk metrics based on our shareholders' equity, capital resources, potential financial loss, and other risk-specific measures.

Accountability for the implementation, monitoring and oversight of risk appetite is assigned to individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and deviations from pre-established levels are reported in order to facilitate responsive action.

Our subsidiary companies' risk appetite frameworks are aligned with the risk appetite framework of the Group, while local company appetite and tolerances are set by the local boards. A review is undertaken annually to confirm the subsidiary risk appetite does not in the aggregate exceed the Group risk appetite.

Risk metrics are set and monitored regularly by an appointed owner for respective areas of the business and reported to management committees and to our Board and Risk Committee at least quarterly. Stress and scenario tests are key tools within our risk appetite framework, used as risk indicators across risk categories and to support a forward-looking assessment of risk. As part of monitoring and aggregating risk exposures across the Group, capital impact assessments are performed for risks that are deemed material.

Risk Governance and Risk Management Organization

Our ERM framework comprises robust processes and controls that have been designed by management, with oversight by the Board of Directors and its committees, and implemented by employees across the organization. The purpose of our ERM framework is to appropriately assess and manage risk as we continue to take opportunities to meet our business objectives. Senior executives are ultimately accountable for key defined risks and are responsible for providing regular reporting to the Group Executive Team (our "executives"), Management Risk Committee ("MRC"), Board Risk Committee and Board; and to facilitate the same to subsidiary committees and boards to support decision making and strong risk governance. The collective boards, management and employees are responsible for the effective implementation and/or operation of processes and controls.

Board of Directors

Our Board and its committees (and subsidiary boards of directors) receive management information from our executives, Board committees and management committees relating to performance against strategy and regularly review information regarding, among other things, acquisitions, loss reserves, credit, liquidity and investments, operations and information security and the risks associated with each.

Our Risk Committee assists the Board in overseeing the integrity and effectiveness of the Company's ERM framework, including reviewing and evaluating the risks to which the Company is exposed, as well as monitoring and overseeing the guidelines and policies that govern the processes by which the Company identifies, assesses and manages its exposure to risk.

Our Audit Committee, comprised entirely of independent directors, oversees our accounting and financial reporting-related risks and internal control environment, receiving regular reports via the annual internal and external audit process.

Our Investment Committee is responsible for overseeing the Company's investment portfolio and investment-related risk, determining the Group's investment strategy and guidelines and approving investment transactions in accordance with these guidelines.

Our Compensation Committee oversees compensation-related risks. On an annual basis, the Compensation Committee undertakes a risk assessment of our compensation programs to ensure they do not provide incentives for our employees to take inappropriate or excessive risks.

Our Nominating and Governance Committee considers risk relating to management succession planning and other corporate governance matters.

Executive and Risk Management Organization

In addition to the director oversight provided by our Risk Committee, our ERM governance structure is supported by our MRC, comprising executives and members of senior management who are responsible for the management of key risks and representatives from assurance functions. At the operating subsidiary level, risks relating to our individual (re)insurance subsidiaries are also overseen by the subsidiary boards of directors, subsidiary risk committees and other committees, and management teams, consistent with applicable regulatory requirements and our ERM framework.

The MRC is chaired by the Chief Operating Officer and meets regularly. The MRC discusses, challenges and debates the risks to the business (both emerging and emerged) and recommends changes to the course of activity in reacting to, and/or proactively managing these risks (where required). The MRC also provides oversight and governance of ERM matters for the Group, monitoring risk assumption and risk mitigation activities and their consistency with the Risk Appetite Framework while promoting and sponsoring risk culture and awareness throughout the Group.

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

We have adopted the "three lines of defense" model. Our first line consists of our executives and members of senior management and their function as leaders and risk owners. They are responsible for executing the risk management strategy and appropriately managing the activities and conduct of the business functions, as well as promoting staff understanding of strategy, risk mitigating policies and procedures and overall governance framework.

Our second line comprises our various risk, control and compliance oversight functions. Our Risk Management function reports to our executives, the MRC and our Risk Committee and focuses primarily on implementing and overseeing the administration of the MRC and Risk Committee directives and facilitating an efficient, effective and consistent approach to risk management across the Group. Our management assurance is further complemented by our compliance function which seeks to mitigate legal and regulatory compliance risks and ensures that appropriate, effective and responsive compliance services are available to the business units across the Group. Other second line functions include certain activities of our actuarial function and other Group functions contributing to our management assurance.

Our third line of defense comprises our internal audit function which independently reviews the effectiveness of our ERM framework. The results of audits are monitored by the Audit Committee. Independent assurance from external third parties (e.g., independent actuarial services, etc.) also sits within our third line of defense.

A risk management software system acts as a repository for all risk information and records these risks in a risk library as well as housing the entity-specific risk registers maintained at both local and jurisdictional level across the group. Individual risk policies for each category of risk document the description of the risk, sub-risks and potential sources or causes of risk for that given risk area. Risks are analyzed and assessed to establish the appropriate risk treatment/mitigation strategy. Risk accumulation across multiple risk categories is also considered when performing the assessment. The risk policies highlight factors considered when analyzing and evaluating a particular risk area.

Stress and scenario tests are key tools within our capital management and risk appetite frameworks. There are used as risk indicators across risk categories, enabling the business to have a forward-looking view of risk. As part of monitoring and aggregating risk exposures across the Company, capital impact assessments are required to be performed for risks that are deemed material to the Company. Capital impact assessments are performed in accordance with applicable regulatory or similar standards (including internal models where available).

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.

The Group endeavors to manage its capital such that all of its regulated entities meet local regulatory capital requirements at all times and maintain adequate capital to enable its insurance obligations to be met while taking into account the risks faced. As a Bermuda regulated group, we are required to maintain available statutory capital and surplus in an amount that is at least equal to its enhanced capital requirement, as well as having its own view of required capital. The Group utilizes an internal capital model to assist with assessing our internal view of capital requirements and inform the Group Solvency Self-Assessment ("GSSA") process.

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

The 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. The GSSA framework is fully integrated into our broader ERM Framework.

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

i. the 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. a consideration of 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. the 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. a consideration of 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. 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, the MRC and Risk Committee. At least annually, the Directors of the Company 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 and Compliance

i) *Internal Control System*

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework as the criteria for evaluating the effectiveness of the Company's internal controls. The COSO 2013 framework includes the following components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communications; and
- Monitoring Activities

The Company's assessment of its internal control framework takes into consideration all the components of the COSO 2013 framework and includes an evaluation of the design and operating effectiveness of all five components.

The Control Environment and Risk Assessment components apply broadly across the Company, while the Control Activity component is specific to processes and/or functions. The other COSO 2013 component, namely Information and Communication and Monitoring, applies at the entity level, as well as the process level.

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 subsidiary boards and management committees.

On an annual basis, Management attest to both the design and the operating effectiveness for all controls tested as part of the annual SOX 404 assessment program. The Audit Committee 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*

The Compliance Function is responsible for embedding and monitoring compliance across the Group. As a second line of defense function, the Compliance Function is responsible for monitoring the performance of internal controls designed to prevent breaches of regulatory, legal and internal compliance guidelines. Where such breaches are identified, the Compliance Function escalates these internally, working with business units to remediate such issues and recommending/implementing improvements where the control environment has not met its objective.

The Group Compliance Committee ("GCC") monitors and co-ordinates compliance activities across the Group. The GCC is chaired by our Group Head of Compliance, 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 comprised of dedicated Compliance teams, who work closely with Legal, Company Secretarial and other functions, particularly Risk Management and Internal Audit, to provide integrated assurance for the Group.

The GCC coordinates all of the local Compliance teams' activities and ensures Group compliance issues are managed in a consistent manner. The GCC 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 regular training, policies and procedures to facilitate on-going compliance awareness;
iii. Overseeing the Group's compliance program and monitoring its performance; and
iv. Exercising general management oversight of compliance with the Group's Code of Conduct and related internal policies;

The Compliance Function reports regularly to the Board and to local subsidiary boards and/or committees (collectively 'Governing Bodies') on compliance issues, covering compliance with laws, regulations and administrative provisions from regulators (including Lloyd's), as well as the possible impact of changes in the legal environment and the assessment of compliance risk. The Compliance Function ensures that any major compliance issues identified are reported promptly to the appropriate Governing Body.

h) Internal Audit

The Internal Audit team conducts independent and objective assurance and consulting activities which are designed to improve the Group's operations.

As a third line of defense function, Internal Audit assists Enstar in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of our organizations risk management, control, and governance processes.

i) Role of Internal Audit

The Internal Audit function reports to Group and local Audit Committees or Boards. The key role of Internal Audit is to provide assurance over the controls that operate to manage the Group's key risks. This is achieved through risk-based reviews of the Enstar Group's processes as part of an Internal Audit Annual Plan, delivery of the SOX Compliance Program and through audit consultancy to provide control based input into key projects and developments.

Internal Audit perform this by :

- Delivering an annual Internal Audit plan including:
    - Carrying out integrated assurance reviews in conjunction with Risk and Compliance
    - Providing agile assurance upfront as part of project change management or new business acquisitions; to enhance controls at the point of implementation rather than after the fact.
    - Consulting with and providing assurance over business integrations and data migrations.
- Assisting in enabling the Chief Executive Officer and Chief Financial Officer in discharging their responsibilities related to Enstar's Sarbanes-Oxley (SOX) requirements, as part of the annual Internal Controls over Financial Reporting (ICOFR) assurance program.

ii) Independence of Internal Audit

Internal Audit ensure they maintain independence, in order to facilitate an independent and objective attitude when performing its duties. Where Internal Audit have provided consultancy services, this is documented within a conflicts register so that the appropriate action is taken to ensure team objectivity is maintained. In addition, Internal Audit have full, free and unrestricted access to the records and personnel relevant to the functions they review. Documents and information given to Internal Audit during a periodic review are handled in a prudent and confidential manner.

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 modeling and input to acquisition due diligence.

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

Internal and external actuarial reserving estimates are reviewed by the Reserve Committees to ensure that the carried loss reserves 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 Chief Actuary attends the Audit Committee meeting associated with the year-end financial statements to present and report on Group actuarial matters. In addition, independent actuarial experts are brought in to present to the Audit Committee.

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 Vendor Operations 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 (re)insurance 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, Operations, Actuarial, Risk Management, Compliance and Internal Audit functions.

k) Other Material Information

N/A

ITEM 3. *RISK PROFILE*

a) Material Risks

The risks facing the Group currently include those related to strategic risk, capital adequacy risk, investment risk, insurance risk, acquisition risk, reserving risk, liquidity risk, credit/counterparty risk, operational risk, cyber and information security risk, regulatory risk and tax 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, 2020.

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 Committee and other ERM Committees as appropriate. The mitigation activities performed by risk type are outlined below:

Strategic Risk

Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond our control. We manage strategic risk by utilizing a strategic business planning process involving our executives and Board. Our annual business plan is reviewed and overseen by our executives 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 and potential collateral requirements, as well as risks specifically related to our ability to integrate the acquired business and the impact it may have on our risk appetite framework and related tolerances. Our governance process, led by our Board of Directors and including management's Peer Review Committee and process and the Risk Management function, reviews newly proposed transaction opportunities, capital matters, and other significant business initiatives. In order to effectively participate in future opportunities and manage downside risks (due to external events) we review and monitor our liquidity and available financing. We rely on our processes to help us to anticipate potential adverse changes and, where possible, avoid or mitigate them.

Capital Adequacy Risk

Capital adequacy risk is the risk that capital levels are or become insufficient to ensure our insurance obligations will be met and policyholders are protected. We have a low appetite for capital adequacy risk. As well as meeting our regulatory and rating agency obligations, the ability to effectively participate in future opportunities is dependent upon the Group and its subsidiaries continually meeting (and/or exceeding) solvency requirements. We endeavor to manage our capital such that all of our regulated entities meet local regulatory capital requirements at all times and maintain adequate capital to enable our insurance obligations to be met while taking into account the risks faced. We aim to deploy capital efficiently and to establish adequate loss reserves that we believe will protect against future adverse developments. Capital adequacy and the need for our capital to continuously support the business under adverse circumstances is assessed via stress and scenario testing. Specific scenarios are mandated under the various regulatory regimes in which the Group and its subsidiaries operate. User-defined scenarios have also been developed and are regularly tested and reported on.

Investment Risk

Investment risk is the risk of loss resulting from under-performing investment returns, dilution of investment capital, or adverse financial market movements (such as interest rates or exchange rates). Investment risk can be broken down into the following sub-risks which may threaten our ability to effectively manage the investment portfolio: interest rate risk, credit spread risk, public equity risk, alternative investment risk, inflation risk and concentration risk. We manage Investment risk in a number of ways, including through our investment policy; regular reviews of investment opportunities; market conditions; portfolio duration; concentration limitations; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; and established risk tolerance levels. Any changes to our established investment policy or risk tolerance levels are approved by our board of directors. In addition, we manage foreign currency exposure through management of asset/liability matching and use of derivatives. Investments are primarily managed by our Investment function, which is overseen by the Investment Committee of our board of directors.

Insurance Risk

Insurance risk spans many aspects of our insurance operations, including underwriting risk, risk assumed upon acquisitions/portfolio transfers and risk associated with our reserving assumptions.

Acquisition Risk

We manage acquisition risks through our acquisition evaluation process and our reserving practices discussed above in "Liability for Losses and Loss Adjustment Expenses." Acquisition pricing risk can arise from a potential loss in value following an acquisition due to an underestimation of liabilities, a failure to generate assumed future cash flows that supported the pricing analysis (due to an underperformance of investments and/or underestimation of expenses) or an unexpected increase in capital requirements necessary to support the transaction due to unanticipated regulatory changes. We rely on due diligence to strategically select risks, and assume only select portfolios when our due diligence supports our negotiated pricing and meet our result targets. In aggregate, we have a high risk appetite to continue to execute transactions, with no express restrictions on the size, geography or lines of business that we will review and consider. However, we have a low aggregate risk appetite for transactions that could ultimately have a negative impact on book value per share.

Reserving Risk

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, legal and regulatory matters. We manage reserving risk through our reserving practices, our commutation and policy buy-back strategy, and our claims management practices. We also have local and group Reserving Committees that are responsible for managing reserving risk and making recommendations to our Chief Financial Officer on the appropriate level of reserves to include in our consolidated financial statements. For additional information relating to our loss reserving processes and our loss reserves by segment, see "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates," in our Annual Report on Form 10-K for the year ended December 31, 2020.

Liquidity Risk

Liquidity risk is the risk that we are unable to realize investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. We manage this risk generally by following an 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 of our future cash flows upon the availability of dividends or other statutorily permissible payments from our subsidiaries, which is limited by applicable laws and regulations. Due to our acquisitive strategy, liquidity risk at the Group level also includes immediate cash needs as a result of the purchase of (re)insurance portfolios and/or capital injections into a new or existing subsidiary to support associated solvency requirements as a direct result of merger and acquisition activity or other significant changes. We manage this risk through our capital management and planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, regular stress testing of our subsidiaries' solvency and collateral requirements against known and hypothetical scenarios; as well as anticipated capital needs. We also seek to maintain the ability to draw on our Group revolving credit facility or access the capital markets to meet liquidity needs, as appropriate.

Credit/Counterparty Risk

Credit risk relates to the uncertainty of a counterparty's ability to make timely payments in accordance with contractual terms of the instrument or contract. We are exposed to direct credit risk primarily within our portfolios of fixed maturity and short-term investments, and through customers, brokers and reinsurers in the form of premiums receivable and reinsurance recoverables. In addition, we are exposed to credit risk through our funds withheld arrangements if the reinsured company is unable to honor the value of the funds held balances, such as in the event of insolvency. 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. For funds withheld arrangements, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us to the reinsured for losses payable and other amounts contractually due. Where reinsurance is placed to mitigate any remaining active exposures in select portfolios, we firstly 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

Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events, personnel, systems or third parties. Due to our acquisitive strategy, operational risk also includes risks and challenges associated with integrating new companies or portfolios into the Group. 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 operational incident management, business continuity planning, information security procedures, financial reporting controls and a review process for material third-party vendor usage.

Cyber and Information Security Risk

Cyber and information security risk is the risk that our IT infrastructure could be breached, resulting in a loss of confidential information, damage to our reputation, financial liability and/or a disruption to business operations, including an inability to access the underlying data. Cybersecurity threats extend from individual attempts to gain unauthorized access to our information technology systems to coordinated, elaborate, targeted or opportunistic attempts via a third party supplier's compromised IT environment. We have in place, and seek to continuously improve, a comprehensive system of security controls that are implemented by dedicated staff. Control activities are designed to prevent, detect and mitigate such threats. Such control activities include independent and in-house vulnerability assessments, access controls, data encryption, continuous monitoring of our information technology networks and systems, desktop testing of our cyber response plan, regular security risk education awareness and training sessions for all staff including on-going phishing testing, maintenance of backup and protective systems and embedding IT security assessments into the third party due diligence and oversight program.

Regulatory Risk

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

Tax Risk

Tax risk is the risk that tax requirements are not adhered to accurately or in a timely manner resulting in a financial loss. We proactively seek to identify, evaluate, manage, monitor and mitigate tax risks. We are committed to complying with all tax laws, rules and regulations applicable to the Group. In evaluating potential transactions we consider the overall commercial, financial and tax aspects. Where there is uncertainty or complexity in relation to a tax risk, we may seek external advice and, where appropriate, we may obtain tax clearances from relevant tax authorities.

Emerging Risks

As part of our ERM Framework, we maintain a Framework for the Management of Emerging Risk, which sets out the minimum standards by which emerging risks are identified, analyzed, evaluated, treated and reported on. Pursuant to this framework, the MRC and our Board Risk Committee continually monitor emerging risks and oversee changes to our ERM Framework to react to these risks, where appropriate. Emerging risks are defined as risks which may develop or which already exist but are difficult to quantify. They are marked by a high degree of uncertainty, and may or may not fall within the categories outlined above under "Risk Categories." While emerging risks are not fully understood or explicitly considered within the day-to-day operation of our business due to the lack of quantifiable data, we expect that the potential impacts of these risks may crystallize over time and therefore merit additional analysis, monitoring, evaluation and, when appropriate, management of the emerging risk. Recent examples of emerging risks that we review and consider include:

- Risks relating to the recalculation and/or transition from LIBOR to alternative benchmark rates;
- Risks relating to developing tax frameworks such as the OECD Pillar II Blueprint framework;
- Risks relating to our claims management activities, including social inflation, increased litigation funding, latent injury claims (e.g. Talcum powder, Glyphosate, Opioids) and laws that impose absolute liability for certain types of claims;
- Risks relating to climate change, including as a result of our investments, to transition risk (which arises from our efforts to mitigate the physical risks posed by climate change, for example by increasing our internal business investment to support transition to a low carbon economy or by incurring higher costs when using carbon intensive products); and
- Risks arising from the ongoing uncertainty in markets and other matters related to the COVID-19 global pandemic.

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 are performed (including relating to the investment portfolio, risk exposure within the underwriting segments and for other categories of risk). This stress testing is carried out at both the Group and significant subsidiary levels.

Investment Risk stress 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-modeled 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. Adverse scenarios and mitigating factors are also considered for our non-life run off portfolios and in particular where we have a relatively higher concentration of reserves such as Asbestos and Workers Compensation.

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

The consolidated financial statements for EGL are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP")[3] and form the basis for the preparation of both the Economic Balance Sheet ("EBS") and the Statutory Financial Statements ("SFS") as required under Bermuda insurance regulations. The EBS and SFS are used by both Enstar and the Bermuda Monetary Authority ("BMA") in assessing the minimum solvency and capital requirements.

Enstar has used the valuation principles outlined by the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 and the BMA's "Guidance Note for Statutory Reporting Regime" to prepare its EBS. Those valuation principles are summarized below:

Investments and Cash and Cash Equivalents (including Restricted Cash)

The valuation methodology for investments and cash and cash equivalents (including restricted cash) under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Premiums Receivable

Under the EBS approach premiums receivable are valued in line with U.S. GAAP with the exception that any balance due related to unearned premium reserves are included within the technical provisions. Refer to Item 4(b) for further information on our technical provisions.

Reinsurance Balances Recoverable on Paid and Unpaid Losses (including Fair Value Option)

Under the EBS approach, reinsurance balances recoverable on paid and unpaid losses (including Fair Value Option) are included within the technical provisions. Refer to Item 4(b) and (c) for further information on our technical provisions and reinsurance balances recoverable on paid and unpaid losses, respectively.

Insurance Balances Recoverable

The valuation methodology for insurance balances recoverable under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Funds Held by Reinsured Companies

The valuation methodology for funds held by reinsured companies under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Deferred Acquisition Costs

Under the EBS approach deferred acquisitions costs are valued at zero in order to avoid double counting as deferred acquisitions costs are implicitly included in the premium provision valuation within the technical provision.

Prepaid Reinsurance Premiums

Under the EBS approach, prepaid reinsurance premiums are included within the technical provisions. Refer to Item 4(b) for further information on our technical provisions.

Goodwill and Intangible Assets

Under the EBS valuation approach, goodwill is valued at zero and intangible assets can only be recognized if they can be sold separately and the expected future economic benefits will flow to the insurer and the value of the assets can be reliably measured.

As of December 31, 2020, the intangible assets related the Lloyd's syndicate capacity for Atrium and the Atrium management contract were classified as held-for-sale in view of the exchange transaction which was completed on January 1, 2021 as described above. During the year ended December 31, 2020, we recognized an impairment loss of $4.0 million on StarStone's Lloyd's syndicate capacity as a result of placing StarStone International into run-off in the second quarter of 2020 as described above. As of December 31, 2019, the intangible assets related to the Lloyd's syndicate capacity for both Atrium and StarStone International, the StarStone U.S. insurance licenses and the Atrium management contract met the definition of intangible assets eligible for inclusion in the EBS.

[3] For additional information on our significant accounting policies, refer to Note 2 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2020.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for more information on our goodwill and intangible assets.

Other Assets (including Derivative Instruments and Deferred Tax Assets)

The valuation methodology for other assets (including derivative instruments and deferred tax assets) under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Assets Held-for-Sale

The valuation methodology for assets held-for-sale under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Letters of Credit

Under both U.S. GAAP and the EBS approach letters of credit are not recorded on our consolidated balance sheet as assets, except for in the case of Cavello Bay whereby a $100.0 million letter of credit is admitted under the EBS approach as Other Fixed Capital.

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

All reserves are initially established in accordance with U.S. GAAP. Once U.S. GAAP provisions have been determined, insurance technical provisions for our EBS are calculated in accordance with the methodology outlined by the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 and the BMA's "Guidance Notes for Commercial Insurers and Insurance Groups' Statutory Reporting Regime 2016."

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, and include a risk margin. As of December 31, 2020 and 2019, the total technical provisions comprised the following for Enstar and its Bermuda-regulated subsidiaries:

December 31, 2020	Best Estimate Net Loss and Loss Expense Provision (1)	Best Estimate Net Premium Provision (2)	Risk Margin (3)	Total
		(in thousands of U.S. dollars)		
Enstar	$ 8,578,667	$ 102,612	$ 1,012,056	$ 9,693,335
Cavello Bay	4,371,861	22,705	572,912	4,967,478
Fitzwilliam	1,236,102	—	128,705	1,364,807
SIBL	394,275	75,245	22,375	491,895

December 31, 2019	Best Estimate Net Loss and Loss Expense Provision (1)	Best Estimate Net Premium Provision (2)	Risk Margin (3)	Total
		(in thousands of U.S. dollars)		
Enstar	$ 7,909,012	$ 44,510	$ 871,372	$ 8,824,894
Cavello Bay	3,561,200	(29,168)	430,291	3,962,323
Fitzwilliam	1,444,800	(601)	130,807	1,575,006
SIBL	648,069	75,802	57,418	781,289

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

- Removal of prudence margins;
- Incorporation of Events Not in Data Set ("ENIDS");
- Other adjustments related to consideration for investment expenses, etc.;
- Adjustments for fair value items contained in the US GAAP net loss reserves; and
- Discounting of cash flows.

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

(3) The 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.

c) Description of Recoverables from Reinsurance Contracts

Technical provisions valued under the EBS approach are presented net of reinsurance balances recoverable on paid and unpaid losses. Recoverables from reinsurance contracts are valued based on principles similar to the gross best estimate bases and include reinstatement premiums required to be paid to the reinsurer, and expenses in relation to the management and administration of reinsurance claims. The balance is adjusted for counterparty credit rating based on rating agency and experience default statistics.

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

Losses and Loss Adjustment Expenses (including Fair Value Option)

Under the EBS approach, losses and loss adjustment expenses (including fair value option) are included within the technical provisions. Refer to Item 4(b) for further information on our technical provisions.

Defendant Asbestos and Environmental Liabilities

The valuation methodology for defendant asbestos and environmental liabilities under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Unearned Premiums

Under the EBS approach, unearned premiums are included within the technical provisions. Refer to Item 4(b) for further information on our technical provisions.

Insurance and Reinsurance Balances Payable

The valuation methodology for insurance and reinsurance balances payable under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Debt Obligations

The valuation methodology for debt obligations under U.S. GAAP is consistent with the valuation approach for EBS purposes, however certain of our debt obligation have been approved by the BMA as eligible capital as described in the following section.

Other Liabilities (including Derivative Instruments and Deferred Tax Liabilities)

The valuation methodology for other liabilities (including derivative instruments and deferred tax liabilities) under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Liabilities Held-for-Sale

The valuation methodology for liabilities held-for-sale under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Redeemable Noncontrolling Interest

The valuation methodology for redeemable noncontrolling interest under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Letters of Credit

Under both U.S. GAAP and the EBS approach letters of credit are not recorded on our consolidated balance sheet as liabilities.

ITEM 5. *CAPITAL MANAGEMENT*

a) Eligible Capital

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

Overview

We aim to generate cash flows from our (re)insurance operations and investments, preserve sufficient capital for future acquisitions, and develop relationships with lenders who provide borrowing capacity at competitive rates.

Our U.S. GAAP capital resources as of December 31, 2020 included ordinary shareholders' equity of $6.2 billion (2019: $4.3 billion), preferred equity of $510.0 million (2019: $510.0 million), noncontrolling interests of $379.0 million (2019: $453.0 million) and our debt obligations of $1.4 billion (2019: $1.2 billion). Based on our current loss reserves position, our portfolios of in-force (re)insurance business, and our investment positions, we believe we are well capitalized.

Dividends

Historically, Enstar has not declared a dividend on its ordinary shares. The strategy has been to retain earnings and invest distributions from operating subsidiaries into our business. We may re-evaluate this strategy from time to time based on overall market conditions and other factors, but we do not currently expect to pay any dividends on our ordinary shares.

Dividends on the preferred shares are non-cumulative and may be paid quarterly in arrears on the first day of March, June, September and December of each year, only when, as and if declared. For further information on preferred share dividends, refer to Note 17 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2020.

Any payment of common or preferred dividends must be approved by our Board of Directors. Our ability to pay ordinary and preferred dividends is subject to certain restrictions as described in Note 22 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2020.

Sources and Uses of Cash

The potential sources of cash flows to Enstar as a holding company consist of cash flows from our subsidiaries including dividends, advances and loans, and interest income on loans to our subsidiaries. We also utilize our credit and loan facilities, and we have issued senior notes and preferred shares and guaranteed junior subordinated notes issued by one of our subsidiaries.

We use cash to fund new acquisitions of companies and significant new business. We also utilize cash for our operating expenses associated with being a public company and to pay dividends on our preference shares and interest and principal on loans from subsidiaries and debt obligations, including loans under our credit facilities, our 4.50% senior notes due 2022 (the “2022 Senior Notes”), our 4.95% senior notes due 2029 (the "2029 Senior Notes” and, together with the 2022 Senior Notes, the "Senior Notes") and our 5.75% Junior Subordinated Notes due 2040 (the “Junior Subordinated Notes”), as well as for ordinary share repurchases. Under the eligible capital rules of the BMA, the Senior Notes qualify as Tier 3 capital and the Preferred Shares and Junior Subordinated Notes qualify as Tier 2 capital when considering the BSCR.

We may, from time to time, raise capital from the issuance of equity, debt or other securities as we continuously evaluate our strategic opportunities. We filed an automatic shelf registration statement on August 17, 2020 with the U.S. Securities and Exchange Commission ("SEC") to allow us to conduct future offerings of certain securities, if desired, including debt, equity and other securities.

As we are a holding company and have no substantial operations of our own, our assets consist primarily of investments in subsidiaries and our loans and advances to subsidiaries. Dividends from our (re)insurance subsidiaries are restricted by (re)insurance laws and regulations. As of December 31, 2020, all of our (re)insurance subsidiaries’ capital requirement levels were in excess of the minimum levels required. The ability of all of our subsidiaries to make distributions and transfers to us may also be restricted by, among other things, other applicable laws and regulations and the terms of our credit facilities and our subsidiaries’ bank loans and other issued debt instruments.

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

ii) *Eligible Capital Categorized 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, 2020 and 2019, the Company's eligible capital was categorized as follows:

	December 31, 2020	December 31, 2019
	(expressed in thousands of U.S. dollars)	
Tier 1	$ 5,289,764	$ 3,987,562
Tier 2	973,959	514,069
Tier 3	850,000	794,538
Total	**$ 7,113,723**	**$ 5,296,169**

	December 31, 2020	December 31, 2019
	(expressed in thousands of U.S. dollars)	
Fully paid common shares	$ 22,086	$ 21,512
Preference shares	389	389
Contributed Surplus	1,836,074	1,836,779
Statutory Economic Surplus	3,955,131	2,548,421
Noncontrolling (Minority) interest	13,609	14,168
Treasury shares	(422,125)	(421,559)
Encumbered assets transferred to Tier 2 in respect of policyholder obligations	(113,959)	(4,069)
Encumbered assets not securing policy holder obligations	(1,441)	(8,079)
Total Tier 1 Capital	$ 5,289,764	$ 3,987,562
Total Tier 2 Capital	973,959	514,069
Total Tier 3 Capital	850,000	850,000
Less Tier 3 Capital in excess of limits	—	(55,462)
Total Eligible capital	**$ 7,113,723**	**$ 5,296,169**

A 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, is as follows:

Tier 1 capital is all eligible capital of Enstar, except those described below.

Tier 2 capital consists of the following:

- $400.0 million of Series D Preferred Shares, approved by the BMA as Tier 2 basic capital on July 25, 2018;
- $110.0 million of Series E Preferred Shares, approved by the BMA as Tier 2 basic capital on February 1, 2019;
- $350.0 million of Junior Subordinated Notes[4], pre-approved by the BMA as Tier 2 ancillary capital on March 16, 2020; and
- $114.0 million which is the amount in respect of the excess of encumbered assets for policy holder obligations, which is greater than the respective liabilities (December 31, 2019: $4.1 million).

Tier 3 capital consists of the following:

- $350.0 million of senior notes due March 2022, approved by the BMA as Tier 3 ancillary capital on March 27, 2019; and
- $500.0 million of senior notes due June 1, 2029, approved by the BMA as Tier 3 ancillary capital on May 20, 2019.

[4] Issued on August 26, 2020.

The following table shows the Eligible Capital of Enstar's Bermuda-regulated subsidiaries, categorized by Tier, as at December 31, 2020 and 2019:

	Cavello Bay		Fitzwilliam		SIBL	
	2020	2019	2020	2019	2020	2019
	(expressed in thousands of U.S. dollars)					
Tier 1	$ 4,512,309	$ 2,408,642	$ 607,530	$ 745,239	$ 243,743	$ 613,283
Tier 2	127,636	104,828	12,923	6,374	81,906	72,580
Tier 3	—	—	—	—	—	—
Total	**$ 4,639,945**	**$ 2,513,470**	**$ 620,453**	**$ 751,613**	**$ 325,649**	**$ 685,863**

Tier 1 capital is all eligible capital of the subsidiary, except those described below.

Tier 2 capital consists of the following:

- $100.0 million Letter of Credit, approved by the BMA as Tier 2 ancillary capital on December 22, 2017 for Cavello Bay; and
- $27.6 million, $12.9 million and $81.9 million, which is the amount in respect of the excess of encumbered assets for policy holder obligations, which is greater than the respective liabilities, for Cavello Bay, Fitzwilliam and SIBL, respectively (December 31, 2019: $4.8 million, $6.4 million and $72.6 million, respectively).

	Cavello Bay		Fitzwilliam		SIBL	
	2020	2019	2020	2019	2020	2019
	(expressed in thousands of U.S. dollars)					
Fully paid common shares	$ 120	$ 120	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Preference shares	—	—	34	36	—	—
Contributed Surplus	2,759,025	2,226,541	483,782	522,340	872,631	1,114,600
Statutory Economic Surplus	1,981,490	387,498	135,637	228,237	(547,982)	(429,737)
Treasury shares	(200,689)	(200,689)	—	—	—	—
Encumbered assets transferred to Tier 2 in respect of policyholder obligations	(27,637)	(4,828)	(12,923)	(6,374)	(81,906)	(72,580)
Total Tier 1 Capital	**4,512,309**	**2,408,642**	**607,530**	**745,239**	**243,743**	**613,283**
Total Tier 2 Capital	127,636	104,828	12,923	6,374	81,906	72,580
Total Eligible capital	**$ 4,639,945**	**$ 2,513,470**	**$ 620,453**	**$ 751,613**	**$ 325,649**	**$ 685,863**

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

The following table shows the MSM and ESR for the Company categorized by Tier as at December 31, 2020:

	Limits	MSM	ECR	Minimum Margin of Solvency	Enhanced Capital Requirement
				(expressed in thousands of U.S. dollars)	
Tier 1	Min	80%	60%	$ 5,289,764	$ 5,289,764
Tier 2	Max	20%	40%	973,959	973,959
Tier 3			15%	—	850,000
Total				**$ 6,263,723**	**$ 7,113,723**

The following tables show the MSM and ESR for Enstar's Bermuda-regulated subsidiaries categorized by Tier as at December 31, 2020:

		Cavello Bay		Fitzwilliam		SIBL	
	Limits	MSM	ECR	MSM	ECR	MSM	ECR
Tier 1	Min	80%	60%	80%	50%	80%	60%
Tier 2	Max	20%	66.67%	25%	50%	25%	66.67%
Tier 3			17.65%		17.65%		17.65%

	Cavello Bay		Fitzwilliam		SIBL	
	MSM	ECR	MSM	ECR	MSM	ECR
	(expressed in thousands of U.S. dollars)					
Tier 1	$ 4,512,309	$ 4,512,309	$ 607,530	$ 607,530	$ 243,743	$ 243,743
Tier 2	127,636	127,636	12,923	12,923	60,936	81,906
Tier 3	—	—	—	—	—	—
Total	**$ 4,639,945**	**$ 4,639,945**	**$ 620,453**	**$ 620,453**	**$ 304,679**	**$ 325,649**

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*

The Junior Subordinated Notes and Senior Notes were approved by the BMA as ancillary capital for Enstar and a $100.0 million Letter of Credit was approved as ancillary capital for Cavello Bay. Refer to Tier 2 and Tier 3 capital for Enstar and Tier 2 capital for Cavello Bay in Item 5(a)(ii) above.

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 for the Company as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
	(expressed in thousands of U.S. dollars)	
Shareholders' Equity per U.S. GAAP	$ 6,688,004	$ 4,856,351
Remove non-admitted Prepaid Expenses	(17,167)	(16,384)
Remove non-admitted Goodwill and Intangibles	(62,958)	(216,468)
Remove non-admitted Value Of Business Acquired	—	(1,310)
Redeemable noncontrolling interest	365,436	438,791
Reallocate Senior Notes and Junior Subordinated Notes to Eligible Capital	1,200,000	850,000
Statutory Capital and Surplus	**$ 8,173,315**	**$ 5,910,980**
General business technical provision adjustments	(1,058,151)	(638,301)
Add back eligible Intangible assets	—	87,031
Statutory Economic Capital and Surplus (EBS)	**$ 7,115,164**	**$ 5,359,710**
Encumbered assets not securing policy holder obligations	(1,441)	(8,079)
Tier 3 Capital in excess of limits	—	(55,462)
Group Eligible Capital	**$ 7,113,723**	**$ 5,296,169**

The following is a reconciliation of the U.S. GAAP shareholders' equity attributable to shareholders to the available statutory capital and surplus for Enstar's Bermuda-regulated subsidiaries as of December 31, 2020 and 2019:

	Cavello Bay		Fitzwilliam		SIBL	
	2020	2019	2020	2019	2020	2019
	(expressed in thousands of U.S. dollars)					
Shareholders' Equity per U.S. GAAP	$ 5,121,749	$ 2,772,200	$ 665,901	$ 686,902	$ 297,453	$ 622,973
Other fixed capital - letter of credit	100,000	100,000	—	—	—	—
Remove non-admitted assets	(26)	—	(13)	(9)	(2,742)	(2,796)
Statutory Capital and Surplus	**$ 5,221,723**	**$ 2,872,200**	**$ 665,888**	**$ 686,893**	**$ 294,711**	**$ 620,177**
General business technical provision adjustments	(581,778)	(358,730)	(45,435)	64,720	(60,086)	(44,817)
Deferred retroactive reinsurance gain	—	—	—	—	91,025	110,503
Statutory Economic Capital and Surplus (EBS)	4,639,945	2,513,470	620,453	751,613	325,650	685,863
Eligible capital	**$ 4,639,945**	**$ 2,513,470**	**$ 620,453**	**$ 751,613**	**$ 325,650**	**$ 685,863**

b) Regulatory Capital Requirements

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

	Minimum Margin of Solvency		Enhanced Capital Requirement	
	December 31, 2020	Ratio	December 31, 2020	Ratio
	(in thousands of U.S. dollars)		*(in thousands of U.S. dollars)*	
Enstar	$ 1,132,460	553 %	$ 3,484,025	204 %
Cavello Bay	$ 683,899	678 %	$ 2,293,252	202 %
Fitzwilliam	$ 197,991	313 %	$ 266,778	233 %
SIBL	$ 100,815	302 %	$ 187,177	174 %

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

N/A, the Company was compliant with the MSM and ECR capital requirements.

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

The company does not utilize an approved internal capital model to derive its ECR. The ECR is based on the BSCR model.

ITEM 6. *SUBSEQUENT EVENTS*

a) Significant New Business

We define significant new business as material transactions other than business acquisitions. Generally, our significant new business takes the form of loss portfolio transfer ("LPT") or adverse development cover ("ADC") reinsurance transactions or direct business transfers.

The table below sets forth a summary of significant new business that we have signed or completed between January 1, 2021 and May 31, 2021:

Transaction	Date Completed	Initial Estimate of Liabilities Assumed or Total Liabilities Assumed on Completion	Primary Nature of Business
ProSight	Announced January 15, 2021	$ 500,000	LPT of U.S. discontinued workers' compensation and excess workers' compensation lines of business and ADC on a diversified mix of general liability classes of business
AXA Group	May 3, 2021	$ 1,395,000	LPT and ADC of a diversified mix of global casualty and professional lines
CNA	February 5, 2021	$ 757,215	LPT of U.S. excess workers' compensation liabilities
Liberty Mutual	January 8, 2021	$ 388,561	LPT of U.S. energy liability, construction liability and homebuilders liability

These transactions are being assumed by Cavello Bay. Internal solvency calculations indicate that the Company and Cavello Bay will continue to meet all regulatory (including solvency) requirements following these transactions.

b) Atrium Exchange Transaction

As described above in Item 1(a), the Atrium exchange transaction was completed on January 1, 2021 and Northshore, the holding company that owns Atrium and Arden was deconsolidated and our remaining investment was accounted for as a privately held equity investment and carried at fair value in the first quarter of 2021.

c) Sale of SUL

As described above in Item 1(c), on March 15, 2021, we completed the sale of SUL along with the right to operate StarStone's Syndicate 1301.

d) Segment Structure

During the first quarter of 2021, we revised our segment structure to align with how our chief operating decision maker who was determined to be our Chief Executive Officer, views our business, assesses performance and allocates resources to our business components. Effective January 1, 2021, our business is organized into three reportable segments:

(i) Run-off: consists of our acquired property and casualty and other non-life (re)insurance business and the StarStone International business (from January 1, 2021) following our decision to place it into formal run-off. This segment also includes our consulting and management business, which manages the run-off portfolios of third parties through our service companies. Management's primary objective with respect to the Run-off segment is to generate reserve/claims savings over time by settling claims in a timely, cost efficient manner using our extensive internal claims management expertise;

(ii) Investments: consists of our investment portfolio, excluding those investable assets attributable to our Legacy Underwriting segment. Management's primary objective of the Investments segment is to maximize total returns generated from our investment portfolio while maintaining high quality investments that meet the duration characteristics of our liabilities; and

(iii) Legacy Underwriting: consists of businesses that are no longer core to our operations. Prior to January 1, 2021, this segment comprised SGL No. 1's 25% net share of Atrium's Syndicate 609 business at Lloyd's and StarStone International (through December 31, 2020). From January 1, 2021, this segment comprises SGL No.1's 25% gross share of the 2020 and prior underwriting years of Atrium's Syndicate 609 at Lloyd's, offset by the contractual transfer of the results of that business to the Atrium entities that were divested in the Exchange Transaction. There is no net retention for Enstar on Atrium's 2020 and prior underwriting years.

In addition, our corporate and other activities, which do not qualify as an operating segment, includes income and expense items that are not directly attributable to our reportable segments. These include, (a) holding company income and expenses, (b) the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts, (c) the amortization of fair value adjustments recorded on our business acquisitions, (d) changes in the fair value of assets and liabilities related to our assumed retroactive reinsurance contracts for which we have elected the fair value option, (e) corporate expenses not allocated to our reportable segments, (f) debt servicing costs, (g) net foreign exchange (gains) losses, (h) gains (losses) arising on the sale of subsidiaries (if any), (i) income tax benefit (expense), (j) net earnings (losses) from discontinued operations, net of income tax (if any), (k) net (earnings) loss attributable to noncontrolling interest, and (l) preferred share dividends.

e) Related Party Transactions

Refer to Item 2(d)ii for further information on subsequent events with Hillhouse.

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:

/s/ Dominic Silvester
Enstar Group Limited, Chief Executive Officer
May 31, 2021

/s/ Andrew Hedley
Enstar Group Limited, Interim Chief Risk Officer
May 31, 2021

Appendix I - Listing of Subsidiaries as of December 31, 2020

Changes to our listing of subsidiaries subsequent to December 31, 2020 are not reflected in this Appendix.

Subsidiary Name	Jurisdiction of Incorporation
AG Australia Holdings Limited	Australia
Alopuc Limited	United Kingdom
Alpha Insurance NV	Belgium
Arden Reinsurance Company Ltd.*	Bermuda
Arena SA*	Belgium
Atrium 5 Limited*	United Kingdom
Atrium Corporate Capital Limited	United Kingdom
Atrium Group Services Limited	United Kingdom
Atrium Insurance Agency Limited*	United Kingdom
Atrium Nominees Limited	United Kingdom
Atrium Risk Management Services (Washington) Ltd	Washington
Atrium Underwriters Limited*	United Kingdom
Atrium Underwriting Holdings Limited	United Kingdom
Atrium Underwriting Group Limited*	United Kingdom
B.H. Acquisitions	Bermuda
Brake Systems, Inc.	Delaware
BWDAC, Inc.	Delaware
Cavello Bay Reinsurance Limited	Bermuda
Clarendon National Insurance Company	Texas
Cranmore (UK) Limited	United Kingdom
Cranmore (US) Inc.	Delaware
Cranmore Asia Pte. Limited	Singapore
Cranmore Asia Pacific Pty Limited	Australia
Cranmore Europe BVBA	Belgium
Cranmore Insurance & Reinsurance Services Europe Limited	Ireland
DCo LLC	Virginia
East Point Reinsurance Company of Hong Kong Limited	Hong Kong
Echlin Argentina S.A.	Argentina
EFMG LLC	Virginia
Enstar (EU) Holdings Limited	United Kingdom
Enstar (EU) Limited	United Kingdom
Enstar (US Asia-Pac) Holdings Limited	United Kingdom
Enstar (US) Inc.	Delaware
Enstar Acquisitions Limited	United Kingdom
Enstar Asia Pacific Pty Ltd	Australia
Enstar Australia Holdings Pty Limited	Australia
Enstar Australia Limited	Australia
Enstar Finance LLC	Delaware
Enstar Holdings (US) LLC	Delaware
Enstar Insurance Management Services Ireland Limited	Ireland
Enstar Limited	Bermuda
Enstar Malta Limited	Malta
Enstar Managing Agency Limited	United Kingdom
Enstar USA, Inc.	Georgia
EPE, Inc.	California
Fitzwilliam Insurance Limited	Bermuda
Fletcher Reinsurance Company	Missouri
Flight Operations, Inc.	Delaware
Friction Inc.	Delaware

Subsidiary Name	Jurisdiction of Incorporation
Friction Materials, Inc.	Massachusetts
Global Legacy Acquisition L.P.	Bermuda
Gordian Runoff Limited	Australia
Goshawk Insurance Holdings Limited	United Kingdom
Harper Holding, S.a.r.l.	Luxembourg
Harper Insurance Limited	Bermuda
Hong Kong Reinsurance Company Limited	Hong Kong
Inter-Ocean Reinsurance (Ireland) Limited	Ireland
Kenmare Holdings Ltd.	Bermuda
Kinsale Brokers Limited	United Kingdom
Lipe Corporation	Delaware
Lipe Rollway Mexicana S.A. de C.V.	Mexico
Mercantile Indemnity Company Limited	United Kingdom
Midland Brake, Inc.	Delaware
Morse TEC LLC	Delaware
North Bay Holdings Limited*	Bermuda
Northshore Holdings Limited*	Bermuda
Paladin Managed Care Services, Inc.	California
Pavonia Life Insurance Company of New York	New York
Prattville Mfg., Inc.	Delaware
Providence Washington Insurance Company	Rhode Island
Regis Agencies Limited	United Kingdom
Reinz Wisconsin Gasket LLC	Delaware
River Thames Insurance Company Limited	United Kingdom
Rombalds Run-Off Limited	United Kingdom
SGL No.1 Limited	United Kingdom
Shelbourne Group Limited	United Kingdom
StarStone Corporate Capital 1 Limited*	United Kingdom
StarStone Corporate Capital Limited*	Ireland
StarStone Finance Limited	United Kingdom
StarStone Insurance Bermuda Limited*	Bermuda
StarStone Insurance SE*	Liechtenstein
StarStone Insurance Services Limited*	United Kingdom
StarStone Specialty Holdings Limited	Bermuda
StarStone Underwriting Limited*	United Kingdom
StarStone Underwriting Services B.V.	Netherlands
Torus Business Solutions Private Ltd.	India
United Brake Systems Inc.	Delaware
Yosemite Insurance Company	Oklahoma

Notes:

(1) The subsidiary listing excludes noncontrolled entities and branches of subsidiaries. Subsidiaries marked with an asterisk are not wholly held, directly or indirectly, by Enstar Group Limited.

Appendix II - Details of Subsidiary Board Membership

The tables below detail the membership of the Boards of Directors for our Bermuda-regulated subsidiaries:

Company	Name	Board & Senior Executive Position	Enstar Role
Cavello Bay	Paul C. Bohus	Director & Chief Executive Officer	SVP Corporate Development
	Duncan Scott	Director & Chairperson	SVP Managing Director
	Orla Gregory	Director	Group Chief Operating Officer
	Karen Esdale	Director	Operations Business Partner (1)
	Robin Mehta	Independent Non-Executive Director	
Fitzwilliam	Duncan Scott	Director, Chairperson & Chief Executive Officer	SVP Managing Director
	Paul C. Bohus	Director	SVP Corporate Development
	Orla Gregory	Director	Group Chief Operating Officer
	Karen Esdale	Director	Operations Business Partner (1)
	Robin Mehta	Independent Non-Executive Director	
SIBL	Walker Rainey	Independent Non-Executive Director & Chairperson	
	Duncan Scott	Director & Chief Executive Officer	SVP Managing Director, Finance
	Orla Gregory	Director	Group Chief Operating Officer
	Karen Esdale	Director	Operations Business Partner (1)

(1) Effective June 1, 2021, subject to immigration approval.

ENSTAR GROUP LIMITED, BERMUDA
Windsor Place | 3rd Floor | 22 Queen Street | Hamilton HM JX | Bermuda
BMA Registration Number: 9001 Company telephone number: (441) 292-3645
Prepared in accordance with the reporting requirements of the Bermuda Monetary Authority