ENSTAR GROUP LIMITED, BERMUDA

BMA Registration Number 9001

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Company telephone number: (441) 292-3645

FINANCIAL CONDITION REPORT

December 31, 2017

Prepared in accordance
With the reporting requirements of the
Bermuda Monetary Authority

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.

UNDERWRITING RATIOS

In presenting our results for the Atrium and StarStone segments, we discuss the loss ratio, acquisition cost ratio, operating expense ratio, and the combined ratio of our active underwriting operations within these segments. Management believes that these ratios provide the most meaningful measure for understanding our underwriting profitability. These measures are calculated using GAAP amounts presented on the statements of earnings for both Atrium and StarStone.

The loss ratio is calculated by dividing net incurred losses and LAE by net premiums earned. The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. The operating expense ratio is calculated by dividing operating expenses by net earned premiums. The combined ratio is the sum of the loss ratio, the acquisition cost ratio and the operating expense ratio.

The Atrium segment also includes corporate expenses which are not directly attributable to the underwriting results in the segment. The corporate expenses include general and administrative expenses related to amortization of the definite-lived intangible assets in the holding company, and expenses relating to Atrium Underwriters Limited ("AUL") employee salaries, benefits, bonuses and current year share grant costs. The AUL general and administrative expenses are incurred in managing the syndicate. These are principally funded by the profit commission fees earned from Syndicate 609, which is a revenue item not included in the insurance ratios.

DETAILS OF APPROVED AUDITOR AND GROUP SUPERVISOR

Approved Auditor	*Group Supervisor*
KPMG Audit Limited	**Bermuda Monetary Authority**
Crown House | 4 Par-la-Ville Road	BMA House | 43 Victoria Street
Hamilton HM 08 | Bermuda	Hamilton | Bermuda

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ITEM 1. BUSINESS AND PERFORMANCE

a) Description of Business

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

Our core focus is acquiring and managing insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since the formation of our Bermuda-based holding company in 2001, we have completed over 80 acquisitions or portfolio transfers.

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

In 2013 and 2014, we expanded our business to include active underwriting through our acquisitions of Atrium and StarStone, respectively. We partnered with the Trident V funds ("Trident"), managed by Stone Point Capital LLC (“Stone Point”) in the Atrium and StarStone acquisitions, with Enstar owning a 59.0% interest, Trident owning a 39.3% interest, and Dowling Capital Partners, L.P. ("Dowling") owning a 1.7% interest. We also expanded our portfolio of run-off businesses to include closed life and annuities, primarily through our acquisition of Pavonia Holdings (US) Inc. and its subsidiaries (“Pavonia”) from HSBC Holdings Plc on March 31, 2013, although in 2017 we disposed of Pavonia, which made up the majority of our life and annuities business.

b) Ownership Details

The table below sets forth information as of March 31, 2018 regarding beneficial ownership of our voting ordinary shares (including restricted voting ordinary shares) by each of the following, in each case based on information provided to us by these individuals:

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

Percentages are based on 16,412,892 ordinary shares outstanding as of March 31, 2018.

Name of Beneficial Owner	Number of Shares	Percent of Class(1)
Canadian Pension Plan Investment Board (“CPPIB”)	2,242,946	13.7%
Akre Capital Management, LLC	1,446,996	8.8%
Trident V, L.P. and related affiliates	1,350,000	8.2%
FMR LLC	975,509	5.9%
All Current Executive Officers and Directors as a group (14 persons)	1,624,956	9.9%

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

In addition to voting ordinary shares, there were a total of 3,004,443 issued and outstanding non-voting ordinary shares as of March 31, 2018. Of these shares, CPPIB owns 1,192,941 Series C Non-voting Ordinary Shares and 404,771 Series E Non-voting Ordinary Shares that, together with its voting ordinary shares held directly and indirectly, represented an economic interest of approximately 19.8% as of March 31, 2018. Funds managed by Hillhouse Capital

Management ("Hillhouse") own 1,406,731 Series C Non-voting Ordinary Shares, which together with their voting shares and warrants, represented an economic interest of approximately 10.0% as of March 31, 2018. For additional information on our non-voting ordinary shares, refer to Note 17 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2017.

c) Group Structure

Please refer to Appendix 1 for a complete list of our subsidiaries.

Our primary regulated insurance subsidiaries are listed below.

Bermuda

- Cavello Bay Reinsurance Limited
- Fitzwilliam Insurance Limited
- Arden Reinsurance Company Ltd.
- StarStone Insurance Bermuda Limited
- Brittany Insurance Company Ltd.

United States

- Clarendon National Insurance Company
- Providence Washington Insurance Company
- StarStone Specialty Insurance Company
- StarStone National Insurance Company
- Pavonia Life Insurance Company of New York[(1)]

United Kingdom

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

Europe

- Inter-Ocean Reinsurance (Ireland) Limited
- Alpha Insurance SA
- Harper Insurance Limited
- StarStone Insurance SE

Rest of world

- Gordian Runoff Limited
- East Point Reinsurance Company of Hong Kong Limited
- Hong Kong Reinsurance Company Limited

[(1)] This company is recorded as held-for sale in our consolidated financial statements.

In addition we also participate in the Lloyd's market through our interests in: (i) Atrium's Syndicate 609; (ii) StarStone's Syndicate 1301; and (iii) Syndicate 2008. For the 2017 underwriting year, participation in all three syndicates has been through a common corporate member.

d) Insurance Business Written by Line of Business

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

Enstar's business is largely managed and reported through three business segments namely - (i) Non-life Run-off, (ii) Atrium, and (iii) StarStone. In addition, our other activities include our corporate expenses, debt servicing costs, holding company income and expenses, foreign exchange, our remaining life business and other miscellaneous items.

The following table provides gross premiums written for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
	(in thousands of U.S. dollars)	
StarStone	$ 895,160	$ 854,699
Atrium	153,472	143,170
Non-life Run-off	14,102	17,316
Other	5,719	7,157
Total	**$ 1,068,453**	**$ 1,022,342**

The following table provides gross premiums written by line of business for the StarStone segment for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Line of Business	(in thousands of U.S. dollars)	
Casualty	$ 289,274	$ 267,352
Marine	213,754	202,672
Property	217,680	203,336
Aerospace	65,804	68,104
Workers' Compensation	108,648	113,235
Total	**$ 895,160**	**$ 854,699**

The following table provides gross premiums written by line of business for the Atrium segment for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Line of Business	(in thousands of U.S. dollars)	
Marine, Aviation and Transit	$ 35,105	$ 38,920
Binding Authorities	65,990	60,238
Reinsurance	19,730	14,223
Accident and Health	17,364	14,371
Non-Marine Direct and Facultative	15,283	15,418
Total	**$ 153,472**	**$ 143,170**

The following table provides gross premiums written by geographical area for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Geographical area	(in thousands of U.S. dollars)	
United States	$ 637,300	$ 616,796
United Kingdom	114,565	108,166
Europe	166,355	151,024
Asia	53,578	49,966
Rest of World	96,655	96,390
Total	**$ 1,068,453**	**$ 1,022,342**

e) Material Income & Expenses for the Reporting Period

We reported consolidated net earnings attributable to the EGL shareholders of $311.5 million for the year ended December 31, 2017, an increase of $46.7 million from $264.8 million for the year ended December 31, 2016. Our results were impacted by the loss portfolio transfer reinsurance transactions we completed during 2017 with RSA and QBA. The following table sets forth our consolidated statements of earnings for the years ended December 31, 2017 2016.

	December 31, 2017	December 31, 2016	Change
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$ 613,121	$ 823,514	$ (210,393)
Fees and commission income	66,103	39,364	26,739
Net investment income	208,789	185,463	23,326
Net realized and unrealized gains	190,334	77,818	112,516
Other income	28,509	4,836	23,673
	1,106,856	1,130,995	(24,139)
EXPENSES			
Net incurred losses and LAE	193,551	174,099	19,452
Life and annuity policy benefits	4,015	(2,038)	6,053
Acquisition costs	96,906	186,569	(89,663)
General and administrative expenses	435,985	423,734	12,251
Interest expense	28,102	20,642	7,460
Net foreign exchange losses	17,537	665	16,872
Loss on sale of subsidiary	16,349	—	16,349
	792,445	803,671	(11,226)
EARNINGS BEFORE INCOME TAXES	314,411	327,324	(12,913)
INCOME TAXES	6,395	(34,874)	41,269
NET EARNINGS FROM CONTINUING OPERATIONS	320,806	292,450	28,356
NET EARNINGS FROM DISCONTINUING OPERATIONS, NET OF INCOME TAX EXPENSE	10,993	11,963	(970)
NET EARNINGS	331,799	304,413	27,386
Net earnings attributable to noncontrolling interest	(20,341)	(39,606)	19,265
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 311,458	$ 264,807	$ 46,651

The below table provides a split by operating segment and other activities of the net earnings attributable to Enstar Group Limited:

	December 31, 2017	December 31, 2016	Change
	(in thousands of U.S. dollars)		
Segment split of net earnings attributable to Enstar Group Limited:			
Non-life Run-off	$ 343,800	$ 261,644	$ 82,156
Atrium	5,423	6,416	(993)
StarStone	2,826	25,217	(22,391)
Other	(40,591)	(28,470)	(12,121)
Net earnings attributable to Enstar Group Limited	$ 311,458	$ 264,807	$ 46,651

The most significant drivers of the change in our financial performance during 2017 as compared to 2016 included:

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

Net reduction in the liability for net incurred losses and LAE within our Non-life Run-off segment continued to be one of the predominant drivers of our consolidated earnings for the year ended December 31, 2017, contributing $190.7 million to net earnings in 2017 compared to $285.9 million in 2016.

Higher Net Investment Income and Change in Net Realized and Unrealized Gains (Losses)

The total investment return, including net investment income of $208.8 million and net realized and unrealized gains and losses of $190.3 million, was $399.1 million for the year ended December 31, 2017, compared to $263.3 million for the year ended December 31, 2016, an increase of $135.8 million. The increase was primarily attributable to an increase in the average invested assets as well as an increase in the yield due to higher reinvestment rates, an increase in duration, as well as tighter credit spreads in fixed income markets. See Item 1 (f) for additional analysis on investment performance.

Atrium

Net earnings attributable to the Atrium segment were $5.4 million for the year ended December 31, 2017 as compared to $6.4 million for the year ended December 31, 2016. Atrium's combined ratio(1) was 99.9% in 2017 compared to 94.3% in 2016. The 2017 results included the impact of the large catastrophe losses, namely hurricanes Harvey, Irma and Maria.

(1) Refer to *Underwriting Ratios,* immediately preceding the Table of Contents above, for a description of how these ratios are calculated.

StarStone

Net earnings attributable to the StarStone segment were $2.8 million for the year ended December 31, 2017, as compared to $25.2 million for the year ended December 31, 2016. StarStone's combined ratio (1) was 108.5% in 2017 compared to 98.2% in 2016. The 2017 results included the impact of the large catastrophe losses, namely hurricanes Harvey, Irma and Maria.

(1) Refer to *Underwriting Ratios,* immediately preceding the Table of Contents above, for a description of how these ratios are calculated.

Loss on Sale of Subsidiary and Net Earnings from Discontinued Operations, Net of Tax

During 2017 we sold our wholly-owned Irish life subsidiary Laguna and recorded a loss on disposal of $16.3 million.

For 2017 and 2016 the contribution to earnings from our Pavonia life and annuities business, classified as discontinuing operations, was $11.0 million and $12.0 million respectively. The 2017 earnings from Pavonia included a gain on disposal of $20.9 million, partially offset by net losses from Pavonia's operations of $9.9 million.

Noncontrolling Interest

Noncontrolling interest in losses (earnings) is directly attributable to the results from those subsidiary companies in which there are either noncontrolling interests or redeemable noncontrolling interests. For the year ended December 31, 2017, the noncontrolling interest in earnings was $20.3 million as compared to the noncontrolling interest in losses of $39.6 million for the year ended December 31, 2016.

f) Performance of Investments for the Reporting Period

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

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

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

The table below shows the composition of our investable assets as at December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016	Change
	(in thousands of U.S. dollars)		
Short-term investments, trading, at fair value	180,211	222,918	(42,707)
Short-term investments, available-for-sale, at fair value	—	268	(268)
Fixed maturities, trading, at fair value	5,696,073	4,388,242	1,307,831
Fixed maturities, available-for-sale, at fair value	210,285	267,499	(57,214)
Equities, trading, at fair value	106,603	95,047	11,556
Other investments, at fair value	913,392	937,047	(23,655)
Other investments, at cost	125,621	131,651	(6,030)
Total investments	7,232,185	6,042,672	1,189,513
Cash and cash equivalents (including restricted cash and cash equivalents)	1,212,836	1,318,645	(105,809)
Funds held - directly managed	1,179,940	994,665	185,275
Funds held by reinsured companies	175,383	82,073	93,310
Total investable assets	9,800,344	7,361,317	2,439,027
Duration (in years)	4.98	2.56	2.42
Average credit rating [1]	A+	AA-	

[1] Included in the calculation are the credit ratings of cash and cash equivalents, short-term investments, fixed maturities and funds held - directly managed at December 31, 2017 and 2016.

The table below shows the total investment return of $399.1 million and $263.3 million on our investment portfolio for the years ended December 31, 2017 and 2016, 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, 2017			December 31, 2016		
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	$ 189,928	$ 6,086,571	3.18%	$ 155,839	$ 4,878,927	3.05 %
Equities	66,619	356,078	19.36%	37,671	318,618	13.69 %
Bond and Loan Funds	12,497	229,999	5.15%	17,175	249,023	6.64 %
Hedge funds	5,693	63,773	7.74%	7,118	85,976	4.01 %
Private equities	51,647	289,556	18.6%	17,791	300,529	7.02 %
CLO equities	8,595	69,605	12.19%	29,509	77,004	38.28 %
Other	356	10,984	7.68%	5,023	944	39.38 %
Life settlements and other	7,186	131,896	5.52%	12,841	129,474	10.06 %
Cash and cash equivalents	4,873	1,212,836	0.42%	2,740	1,318,645	0.22 %
Funds Held	62,763	1,355,323	4.93%	(14,581)	1,076,738	(1.44)%
Investment Expenses	(11,034)			(7,845)		
Total	**$ 399,123**	**$ 9,806,621**	**4.18%**	**$ 263,281**	**$ 8,435,878**	**3.09 %**

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

The increase in total investment return was primarily driven by higher returns on the funds held, fixed maturities, private equities and equity investments. The increase in the total investment return on funds held was primarily driven by increased invested assets and an increase due to a tightening of credit spreads. The increased return on fixed maturities was primarily driven by increased average balance of invested assets and the total investment return on private equity and equities increased due to strong returns in the public and private equity markets in which we were invested.

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 and Nominating and Governance Committees.
B. Frederick Becker	Director	Independent Non Executive Board Member. Chair of the Compensation and Nominating and Governance Committees. Member of the Audit Committee.
Sandra Boss	Director	Independent Non Executive Board Member. Chair of Risk Committee. Member of the Compensation and Nominating and Governance Committees.
James Carey	Director	Non-Executive Board Member. Member of the Investment Committee.
Hans-Peter Gerhardt	Director	Independent Non Executive Board Member.
Jie Liu	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. StarStone Executive Chairman.
Hitesh Patel	Director	Independent Non Executive Board Member. Member of the Audit, Risk and Nominating and Governance Committees.
Dominic Silvester	Director	Board Member. Chief Executive Officer.
Poul Winslow	Director	Independent Non Executive Board Member. Member of the Investment and Compensation Committees.

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

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

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

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

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

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

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

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 performance in the preceding year
Annual Incentive Compensation	Provides "at risk" pay that reflects annual Company performance and individual performance.	Aligns executive and shareholder interests Designed to reward performance consistent with financial and individual operational performance objectives Since 2016 we have used defined performance objectives, following our previous use of a fully discretionary program
Long-Term Incentive Compensation	Provides equity-based pay, aimed at incentivizing long-term performance. Performance stock unit ("PSUs") and restricted stock unit ("RSUs") awards are used with our senior management team, including executives.	Aligns executive and shareholder interests Drives long-term performance and promotes retention Shareholder dilution issues are considered when making equity awards
Other Benefits and Perquisites	Reflects the Bermuda location of our corporate headquarters, as well as specific local market and competitive practices such as retirement benefits, Bermudian payroll and social insurance tax contributions, and administrative assistance	Provides benefits consistent with certain local market practices in our Bermuda location in order to remain competitive in the marketplace for industry talent Promotes retention of executive leadership team
Employment Agreements	Provides certain protections for executives and their families in the event of death or long-term disability, termination, or change in control Change in control contractual benefits are payable only in a "double trigger" situation where employment is terminated following a change of control	Provides Company with protections such as restrictive covenants (non-competition, non-solicitation, confidentiality, etc.) Promotes retention over a multi-year term and a sense of security among the leadership team Consistent with competitive conditions in Bermuda and legal requirements in Bermuda and the U.K.

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

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

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

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

ii) *Employee Compensation*

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

All Enstar non-executive employees receive a fixed base salary (commensurate with their role, experience, annual performance in the prior year and prevailing market conditions), an annual performance-based bonus and, at senior levels, employees are eligible to receive equity awards designed to incentivize and reward long term performance aligned with shareholder interests and retain and attract new qualified employees. In addition employees, in accordance with local employment law may benefit from various benefit plans, including medical and dental insurance, long-term disability insurance and life insurance. All employee equity awards are subject to the Company's 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 2017 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, 2017:

i) *Stone Point*

Through several private transactions occurring from May 2012 to July 2012, Trident acquired 1,350,000 of our Voting Ordinary Shares (which now constitutes approximately 8.2% 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 Capital LLC ("Stone Point"), the manager of the Trident funds.

In addition, we have entered into certain agreements with Trident with respect to Trident's co-investments in the Atrium, Arden, and StarStone acquisitions. These include investors' agreements and shareholders' agreements, which provide for, among other things: (i) our right to redeem Trident's equity interest in the Atrium/Arden and StarStone transactions in cash at fair market value within the 90 days following September 9, 2018 and April 1, 2019, respectively, and at any time following September 9, 2020 and April 1, 2021, respectively; and (ii) Trident's right to have its equity co-investment interests in the Atrium/Arden and StarStone transactions redeemed by us at fair market value (which we may satisfy in either cash or our ordinary shares) following September 9, 2020 and April 1, 2021. As of December 31, 2017, we have included $459.6 million (December 31, 2016: $435.6 million) as RNCI on our balance sheet relating to these Trident co-investment transactions. Pursuant to the terms of the shareholders' agreements, Mr. Carey serves as a Trident representative on the boards of the holding companies established in connection with the Atrium/Arden and StarStone co-investment transactions. Trident also has a second representative on these boards who is a Stone Point employee.

As at December 31, 2017, we had investments in funds (carried within other investments) and a registered investment company affiliated with entities owned by Trident or otherwise affiliated with Stone Point. The fair value of the investments in the funds was $255.9 million and $232.1 million as of December 31, 2017 and December 31, 2016, respectively. The fair value of our investment in the registered investment company was $22.1 million and $20.9 million as at December 31, 2017 and December 31, 2016, respectively. For the years ended December 31, 2017 and 2016, we recognized net unrealized gains of $22.3 million and $17.2 million, respectively, in respect of the fund investments, and net unrealized gains of $2.9 million and net realized and unrealized losses of $0.4 million, respectively, in respect of the registered investment company investment. For the years ended December 31, 2017 and 2016, we recognized interest income of $2.5 million and $3.1 million, respectively, in respect of the registered investment company.

We also have separate accounts, with a balance of $183.4 million and $215.0 million as at December 31, 2017 and 2016, respectively, managed by Eagle Point Credit Management and PRIMA Capital Advisors, which are affiliates of entities owned by Trident, with respect to which we incurred approximately $0.5 million in management fees for each of the years ended December 31, 2017 and 2016.

In addition, we are invested in two 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 director. The fair value of our investments in Sound Point Capital funds was $27.4 million and $25.4 million as of December 31, 2017 and December 31, 2016, respectively. For the years ended December 31, 2017 and 2016, we have recognized net unrealized gains of $2.0 million and $1.9 million, respectively, in respect of investments managed by Sound Point Capital.

Sound Point Capital has acted as collateral manager for certain of our direct investments in CLO equity securities. The fair value of these investments was $17.8 million and $20.3 million as at December 31, 2017 and December 31, 2016, respectively. For the years ended December 31, 2017 and 2016, we recognized net unrealized losses of $2.5 million and net unrealized gains of $2.1 million, respectively. For the years ended December 31, 2017 and 2016, we recognized interest income of $4.3 million and $6.7 million, respectively, in respect of these investments.

We have a separate account managed by Sound Point Capital, with a balance of $63.6 million and $61.2 million as at December 31, 2017 and 2016, respectively, with respect to which we incurred approximately $0.3 million in management fees for each of the years ended December 31, 2017 and 2016.

ii) *CPPIB*

CPPIB, together with management of Wilton Re, owns 100% of the common stock of Wilton Re. Subsequent to the closing of our transaction with Wilton Re, as described in Note 3 - "Acquisitions" in our Annual Report on Form 10-K for the year ended December 31, 2017, CPPIB purchased voting and non-voting shares in Enstar from FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII-A Parallel Vehicle L.P. and FR Torus Co-Investment, L.P. On September 29, 2015, CPPIB exercised its acquired right to appoint a representative, Poul Winslow, to our Board of Directors. During November 2016, CPPIB acquired additional non-voting shares in Enstar from Goldman Sachs affiliates in a private transaction. Following this transaction, CPPIB's shares constitute an approximate 9.1% voting interest and an approximate 16% aggregate economic interest in Enstar. In addition, approximately 4.5% of our voting shares (constituting an aggregate economic interest of approximately 3.8%) are held indirectly by CPPIB through CPPIB Epsilon Ontario Limited Partnership ("CPPIB LP"). CPPIB is the sole limited partner of CPPIB LP, and CPPIB Epsilon Ontario Trust ("CPPIB Trust") is the general partner. CPPIB's director representative is a trustee of CPPIB Trust.

We also have a pre-existing reinsurance recoverable from a company later acquired by Wilton Re, which was carried on our balance sheet at $7.0 million and $9.4 million as of December 31, 2017 and December 31, 2016, respectively.

iii) *KaylaRe*

On December 15, 2016, our equity method investee, KaylaRe Holdings Ltd. ("KaylaRe") completed an initial capital raise of $620.0 million. As of December 31, 2017, we have an approximate 48.2% ownership interest in KaylaRe. We have recorded the investment in KaylaRe using the equity method basis of accounting, pursuant to the conclusion that we are not required to consolidate following an analysis based on the guidance in ASC 810 - *Consolidation*. Our investment in KaylaRe was carried at $309.8 million and $294.6 million in other assets on our consolidated balance sheet as at December 31, 2017 and December 31, 2016, respectively.

In connection with our investment in KaylaRe, we entered into a shareholders agreement with the other shareholders in KaylaRe, including the Trident funds and HH KaylaRe Holdings, Ltd., an affiliate of Hillhouse Capital Management (“Hillhouse”). The Shareholders Agreement (i) provides us with the right to appoint one member to the KaylaRe Board of Directors until the date that we own less than 1,250,000 common shares, (ii) includes a five year lock-up period on common shares of KaylaRe (unless KaylaRe completes an initial public offering before the expiry of this five year lock-up period) and (iii) provides customary tag-along rights and rights of first refusal in the case of certain proposed transfers by any other shareholder and customary preemptive rights in the event of a proposed new issuance of equity securities by KaylaRe. In the event that KaylaRe has not consummated an initial public offering by March 31, 2021, the Trident funds have the right to require us and Hillhouse to purchase on a pro rata basis all of their common shares in KaylaRe at the then-current fair market value.

On May 14, 2018, we completed the the previously announced transaction to acquire all of the outstanding shares and warrants of KaylaRe Holdings, Ltd. ("KaylaRe"), following the receipt of all required regulatory approvals. In consideration for the acquired shares and warrants of KaylaRe, we issued an aggregate of 2,007,017 of our ordinary shares, comprising 1,501,778 voting ordinary shares and 505,239 Series E non-voting ordinary shares to the shareholders of KaylaRe. In the transaction, Hillhouse increased its overall economic interest in Enstar from 9.98% to 17.1% and its voting interest from 3.2% to 9.7%, and Stone Point increased its economic interest from 6.9% to 7.6% and its voting interest from 8.2% to 9.1%. In addition, the shareholders agreement described above among Enstar and the other KaylaRe shareholders was effectively terminated.

Our subsidiary, Enstar Limited, acts as insurance and reinsurance manager to KaylaRe's subsidiary, KaylaRe Ltd., for which it received fee income of $8.7 million during the year ended December 31, 2017 (2016: $6.8 million). Affiliates of Enstar have also entered into various reinsurance agreements with KaylaRe Ltd., and KaylaRe Ltd. will also have the opportunity to participate in future Enstar legacy transactions. We also provide administrative services to KaylaRe and KaylaRe Ltd.

Through a Quota Share Agreement dated December 31, 2017 (the "KaylaRe-StarStone QS"), several of our StarStone affiliates have entered into a Quota Share Treaty with KaylaRe Ltd. pursuant to which KaylaRe Ltd. reinsures 35% of all business written by these StarStone affiliates for risks attaching from January 1, 2016, net of the StarStone affiliates’ reinsurance programs. During the year ended December 31, 2017, StarStone ceded $234.1 million (2016: $117.6 million) of premium earned, $155.4 million (2016: $75.7 million) of net incurred losses and LAE and $99.5 million (2016: $42.5 million) of acquisition costs to KaylaRe Ltd. under the KaylaRe-StarStone QS. The amounts in 2016 were recorded in the aggregate as net incurred losses and LAE of $1.4 million in our consolidated statement of earnings for the year ended December 31, 2017 in accordance with retroactive reinsurance accounting. The amounts in 2017 were recorded in their appropriate category on our consolidated statement of earnings in accordance with prospective reinsurance accounting.

In addition, Fitzwilliam Insurance Limited ("Fitzwilliam"), one of our non-life run-off subsidiaries, ceded $nil (2016: $177.2 million) of loss reserves to KaylaRe Ltd. during the year ended December 31, 2017, on a funds held basis. Under the terms of this reinsurance agreement, Fitzwilliam is entitled to receive a profit commission calculated with reference to reserve savings made during the currency of this agreement. During the year ended December 31, 2017, Fitzwilliam recognized $18.8 million of profit commission (2016: $7.1 million), recorded as fees and commission income.

Our consolidated balance sheet as at December 31, 2017 included the following balances related to transactions between us and KaylaRe and KaylaRe Ltd.: reinsurance recoverable of $357.4 million (2016: $242.1 million), prepaid reinsurance premiums of $116.4 million (2016: $109.0 million), funds held of $174.2 million (2016: $182.3 million) recorded in other liabilities, insurance and reinsurance balances payable of $232.9 million (2016: $132.6 million), and ceded acquisition costs of $36.1 million (2016: $41.2 million) recorded as a reduction of deferred acquisition costs.

iv) *Hillhouse*

Investment funds managed by Hillhouse collectively own approximately 3.2% 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 an approximate 9.98% economic interest in Enstar.

As of December 31, 2017 and December 31, 2016, our equity method investee, KaylaRe, had investments in a fund managed by Hillhouse with a fair value of $456.7 million and $350.0 million, respectively.

As of December 31, 2017, our wholly-owned subsidiary, Cavello Bay, had transferred funds to Hillhouse of $200.0 million, which were invested on January 2, 2018. A further $50.0 million will be invested by Cavello Bay in funds managed by Hillhouse during the second quarter of 2018**.**

e) Fitness and Proprietary Requirements

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

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

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

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

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

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

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

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

- possess the necessary competencies, skills, experience, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the role;
- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;

- demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and 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 F. Silvester

Chief Executive Officer

Biographical Information

Dominic Silvester has served as a director and the Chief Executive Officer of the Company since its formation in 2001. In 1993, Mr. Silvester began a business venture in Bermuda to provide run-off services to the insurance and reinsurance industry. In 1995, the business was assumed by 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 J. O'Shea

President

Biographical Information

Paul O'Shea was appointed as President of the Company in December 2016, when he was also named Executive Chairman of StarStone. He previously served as Executive Vice President and Joint Chief Operating Officer of the Company since our formation in 2001, and has also been a director throughout this time. He leads our mergers and acquisitions operations, including overseeing our transaction sourcing, due diligence, and negotiations processes. In 1994, Mr. O'Shea joined Dominic F. Silvester in the 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 J. Campbell:

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

Biographical Information

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

Certain Other Directorships

Mr. Campbell is a director and chairman of the audit committee of AgroFresh Solutions, Inc. (formerly Boulevard Acquisition Corp.), a publicly traded global agricultural technologies company. 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 is the Chairman of Clarity Group, Inc., a US national healthcare professional liability and risk management organization, which he co-founded over 15 years ago. 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.

Certain Other Directorships

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

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

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

Sandra L. Boss:
Enstar Committees: Risk (Chair), Compensation, Nominating and Governance, Executive

Biographical Information

Sandra Boss has served since September 2014 as an external member of the Bank of England's Prudential Regulation Committee, which is responsible for the prudential regulation of banks, insurers, building societies, credit unions and major investment firms authorized in the United Kingdom. She is also an external member and Risk Committee Chairman of the Bank's RTGS/CHAPS Board, which oversees the United Kingdom's high value payment system. From 2005 to 2014, Ms. Boss was a Senior Partner with McKinsey & Company, a global management consulting firm, where she held a number of senior management positions in both the United States and the United Kingdom and served as a strategic advisor to global banks and investment banks as well as to a number of public sector institutions and industry bodies on financial services policy and financial markets structure.

Certain Other Directorships

As noted, Ms. Boss has been an independent director of the Prudential Regulation Authority since September 2014. Ms. Boss has also served as a non-executive director of Elementis plc, a FTSE 250 specialty chemicals company, since February 2017

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

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

James D. Carey:
Enstar Committees: Investment

Biographical Information

James Carey is a senior principal of Stone Point 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

Mr. Carey currently serves on certain private company boards of the portfolio companies of the Trident Funds, including Alliant Insurance Services Inc., Amherst Pierpont Securities LLC, Citco III Limited, Eagle Point Credit Management LLC, Kestra Financial Holdings GP LLC, Oasis Outsourcing Corporation, Privilege Underwriters, Inc. and Sedgwick Claims Management Services, Inc. He previously served as non-executive Chairman of PARIS RE Holdings Limited and as a director of Alterra Capital Holdings Limited (until 2013), Cunningam Lindsay Group Limited and Lockton International Holdings Limited. Mr. Carey also serves as a director of StarStone Insurance Holdings Limited and the holding companies that we and Trident established in connection with the Atrium/Arden and StarStone co-investment transactions.

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

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

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

Skills and Qualifications - Underwriting expertise; proven industry veteran

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

Hitesh R. Patel:
Enstar Committees: Audit, Nominating and Governance, Risk

Biographical Information

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

Certain Other Directorships

Mr. Patel serves as a non-executive director at Aviva Life Holdings UK Ltd and Aviva Insurance Limited (subsidiaries of Aviva plc) and as Chairman of its Audit Committee and member of the Risk and Investment Committees. He 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. He has served as the Chair of the Insurance Committee of the Institute of Chartered Accountants of England and Wales since 2012.

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

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

Poul A. Winslow:
Enstar Committees: Compensation, Investment, Executive

Biographical Information

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

Certain Other Directorships

Mr. Winslow serves as a director for the Standards Board for Alternative Investments, a standard setting body for the hedge fund industry, and Viking Cruises Ltd, a private company.

Skills and Qualifications - Investment expertise; compensation and governance experience

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

Jie Liu:
Enstar Committees: Investment

Biographical Information

Jie Liu is a Managing Director at Hillhouse Capital. Prior to joining Hillhouse Capital in 2015, Mr. Liu spent more than 10 years in the financial services industry in North America. From 2010 to 2015, he was Head of Credit and a Senior Portfolio Manager at Sentry Investments, a leading Canadian asset manager. Before that, he worked at RBC Capital Markets and Standard & Poor’s. Mr. Liu obtained his M.A. in Economics from the University of Toronto and M.Sc. in Finance from the University of New Brunswick. He is also a CFA charterholder.

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

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

(2) Executive Officers:

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

Paul J. O'Shea:

President

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

Guy Bowker:

Chief Financial Officer

Guy Bowker was appointed Group CFO in January 2018 and previously served as Group Chief Accounting Officer since 2015. He formerly served as Senior Vice President and Controller of Platinum Underwriters from 2010 to 2015, and Director of Finance for American International Group in Bermuda from 2007 to 2010. Prior to that, he served in the Assurance & Advisory practice of Deloitte for seven years, specializing in insurance. Mr. Bowker is a Chartered Accountant, a Chartered Insurer and Fellow (FCII) of the Chartered Insurance Institute.

Orla M. Gregory:

Chief Operating Officer

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

Paul Brockman:

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

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

David Atkins:

Chief Executive Officer of Enstar (EU) Limited

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

David Foley:

Group Chief Actuary

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

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 practices;
- take on underwriting risks, via active underwriting segments, across a balanced range of select specialty lines where the expected margins compensate for the risk and/or the costs of risk mitigation;
- seek investment risk where it is adequately rewarded;
- maintain reserving risk at low to moderate levels; and
- ensure capital, liquidity, credit, operational and regulatory risks remain low.

These strategies are pursued through the use of appropriate controls, governance structures and highly skilled teams effectively working together.

Our risk strategy is embedded in our organization by promoting a culture of high risk awareness. This is achieved through the demonstration of our day-to-day approach in how we manage our business and in how we manage and assess challenges and opportunities.

Risk Appetite

The primary objective of our risk appetite framework is to monitor and control activities in order to protect the Group from an unacceptable level of loss, compliance failures and adverse reputational impact. Risk appetite and tolerance is set by our Board and reviewed annually to ensure alignment with the business plan. Our risk appetite framework considers material risks in the business relating to, among other things, strategic risk, insurance risk, investment/market risk, liquidity risk, reinsurance credit/counterparty risk, operational risk, tax risk and regulatory risk. Established at the Group level, it represents the amount of risk that we are willing to accept compared to risk metrics based on our shareholders' equity, capital resources, potential financial loss, and other risk-specific measures.

Accountability for the implementation, monitoring and oversight of risk appetite is aligned with individual corporate executives and monitored and maintained by the Risk Management function. Risk tolerance levels are monitored and any 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. Subsidiary risk appetites are reviewed annually to ensure they do not, in the aggregate, exceed Group risk appetite.

Risk Governance and Risk Management Organization

Our Enterprise Risk Management ("ERM") framework consists of numerous 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. Senior executives are ultimately accountable for key defined risks and are responsible for providing regular reporting to the Group Executive Team, Management Risk Committee, 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.

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

Our Risk Committee has responsibility to assist the Board in overseeing the integrity and effectiveness of the Company's ERM framework, including by 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. 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; and our Nominating and Governance Committee is responsible for overseeing corporate governance-related risks.

In addition to this director oversight, our ERM governance structure is supported by our Management Risk Committee ("MRC") comprising members of executive and 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 insurance and reinsurance 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 at least quarterly and as required during the year to discharge specific responsibilities. The MRC discusses, challenges and debates the risks in the business and those emerging and where required recommends changes to the course of activity in reacting to these risks. The MRC also provides oversight and governance of ERM matters for the Group, ensuring that risk assumption and risk mitigation activities are consistent with the Risk Appetite Framework (including with regard to business planning, major transactions and significant projects) 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 senior corporate executives and their function as leaders and risk owners. They are accountable for executing the risk management strategy. They are responsible for the appropriate management of the activities and conduct of the business functions and for ensuring that staff understand the business strategy, risk mitigating policies and procedures and have in place personal objectives focused on achieving these.

Our second line comprises our various risk, control and compliance oversight functions. Our Risk Management function reports to the Group Executive Team, 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) also sits within our third line of defense.

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

The Group and each regulated insurance and reinsurance subsidiary has its own risk register documenting its risk landscape with risk, key risk metric and control owners assigned, which is maintained through a risk management software system. The Group information technology department maintains risk registers with more detailed IT and information security-specific risks.

The risk and control assessment process is carried out on a quarterly basis. The assessment process is facilitated using the risk management software system which records all risk management related information.

Some of our regulated active underwriting businesses utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. They also use internally developed capital models, which provide information on key risks and facilitate an understanding of the interaction among the risks and related exposures, mainly as a comprehensive tool for business and capital planning, but not necessarily for formal capital setting purposes.

The Group endeavours 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, the group is 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.

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

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

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

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

iv) *The Solvency Self-Assessment Approval Process*

The Risk Management function prepares and presents the quarterly ERM Report and annual GSSA Report to Senior Management, 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

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 controls 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, apply 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 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 all entities within the Group. As a second line of defence 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, compliance 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 Compliance Management Committee (‘CMC’) monitors and co-ordinates compliance activities across the Group. The CMC 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, with certain compliance activities undertaken by local finance teams and supported by legal counsel.

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

i. Providing assurance that the Group is in compliance with prevailing statutory requirements, guidelines, regulations and best practice codes;
ii. Developing, enhancing and maintaining the Group's compliance culture and ensuring 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 Audit Committee 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 report also covers progress against the compliance plan. The compliance function ensures that any major compliance issues identified are reported promptly to the appropriate Governing Body.

h) Internal Audit

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

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

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

Internal Audit liaises with the external auditors and internal assurance functions to foster a collaborative and professional working relationship, and optimise assurance coverage while as far as possible avoiding the duplication of assurance efforts. Internal Audit shares information with the external auditors and internal assurance functions such as internal audit plans and reports produced. It is ensured that Internal Audit's independence is maintained at all times.

Internal Audit assists in enabling the Chief Executive Officer and Chief Financial Officer in discharging their Sarbanes-Oxley (SOX) responsibilities through review and testing of key control activities.

A written report is prepared and issued by the Internal Audit Function following the conclusion of each audit and appropriately distributed. Following the completion of each audit, management actions are agreed with those directly responsible for controls and then with those with overall responsibility for a process. Management's responses include a timetable for completion of actions to be taken and an explanation for any risks or issues not addressed. Each audit report and a summary is then shared with the Group Executive Team and relevant Senior Leadership Team, Boards and Audit Committees.

Internal Audit is responsible for appropriate follow-up on audit findings and management actions. All significant findings remain open until management provides evidence to Internal Audit that the action can be closed.

The Group Head of Internal Audit periodically reports to the Audit Committee on Internal Audit's performance relative to its plan. Reporting also includes significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

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

A report is provided to the Audit Committee quarterly and the Group 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 Procurement Function as well as the implementation of other risk mitigation techniques as appropriate (for example establishing alternate suppliers and contingency plans in the event of the supplier or outsourced service provider failing to deliver their contractual obligations).

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

ii) *Material Intra-Group Outsourcing*

Enstar comprises a number of regulated insurance and reinsurance 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 to which Enstar is Exposed

In addition to the Strategic, Capital Adequacy, Insurance Risk (comprising both Underwriting and Reserving Risk) and Investment/Market risks inherent in the business we operate and the investment portfolio profile, the other risks facing the Group currently include those related to 1) Operational Risk (including the risks and challenges associated with integrating new companies into the Group), 2) Regulatory Risk, 3) Liquidity Risk, 4) Credit / Counterparty risk and 5) 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, 2017.

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 executive management and Board of Directors. Our annual business plan is reviewed and overseen by our executive management and Board of Directors, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year. We specifically evaluate acquisition opportunities pursuant to a detailed and proprietary process that takes into account, among other things, the risk of the transaction and potential returns, the portfolio's risk exposures, claims management practices, reserve requirements and outstanding claims, as well as risks specifically related to our ability to integrate the acquired business. Our governance process, led by our Board of Directors, reviews newly proposed transaction opportunities, capital-raising matters, and other significant business initiatives. In order to effectively participate in future opportunities and manage downside risks (due to external events) we ensure we have sufficient liquidity and available financing. We expect our processes to allow us to anticipate potential adverse changes in our business and to have the foresight to make the necessary changes to avoid unacceptable loss.

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 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.

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.

Underwriting risk in our active underwriting businesses relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities we assume through our underwriting process. We manage exposure levels across risk categories to maintain them within the approved risk appetite. Underwriting risk management strategies may differ depending on the line of business involved and the type of account being insured or reinsured.

We strive to mitigate underwriting risk through our controls and strategies, including our underwriting risk selection, diversification of our underwriting portfolios by class and geography, purchasing reinsurance, establishing a business plan and associated parameters, underwriting peer review, authority limits, underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialized underwriting teams supported by actuarial, catastrophe modeling, claims, risk management, legal, finance, and other technical personnel.

We utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. We also use internally developed capital models, which provide information on key risks and facilitate an understanding of the interaction among the risks and related exposures, as a comprehensive tool for business and capital planning.

In some business lines we are exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). We model and manage our individual and aggregate exposures to these events and other material correlated exposures in accordance with our risk appetite. Our modeling process utilizes major commercial vendor models to measure certain of these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around our ability to measure exposures, which can cause actual exposures and losses to deviate from our estimates.

To monitor catastrophe risk, we review exceedance probability curves aggregated across Atrium and StarStone together with aggregated realistic disaster scenarios. We consider occurrence exceedance probability and aggregate exceedance probability, which reflect losses resulting from single or multiple events, from individual perils and in the aggregate. We manage our underwriting exposure through a combination of reporting zonal aggregations, realistic disaster scenarios and stochastic modeling. StarStone also manages its underwriting exposure through monitoring realistic disaster scenarios for man-made events and certain natural catastrophe risks, and applying absolute maximum limits by line of business.

Reserving Risk

Reserving risk is the risk related to our carried reserves for losses and loss expenses. 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, and legal and regulatory matters. We manage reserving risk through our reserving practices discussed above in "Liability for Losses and Loss Adjustment Expenses - Loss Reserving," as well as through our commutation and policy buy-back strategy and claims management practices. We also have a Reserving Committee that is 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 reserves by segment, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2017.

Investment / Market Risk

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

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 a conservative investment strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. Liquidity risk also includes the risk of our dependence 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. We manage this risk through our capital planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, as well as anticipated capital needs.

Credit / Counterparty Risk

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.

In our run-off businesses, we manage credit risk with respect to our reinsurance recoverables by ongoing monitoring of counterparty ratings and working to achieve prompt payment of reinsured claims, as well as through our commutation strategy. 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. In our active underwriting businesses, 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 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.

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 reporting and/or compliance requirements are not completed accurately or expediently or that tax expense is incurred unexpectedly resulting in 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.

c) Material Risk Concentrations

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

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

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

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

The guidelines establish as an objective:

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

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

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

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

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

Insurance Risk exposure and associated concentration and aggregation is simulated principally through the use of proprietary models and scenario testing within our active underwriting segment. These tests are designed to quantify both aggregate and single event perils by region and the potential for clash between regions/sub-regions. In addition non-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.

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"). These consolidated financial statements 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 in assessing the minimum solvency and capital requirements. With certain exceptions, assets and liabilities are assessed and included on the EBS at fair value. The valuation of technical provisions is described below in note 4b.

The following paragraphs detail how the asset classes are valued in accordance with U.S GAAP and documents any differences between the valuation base in our consolidated financial statements under U.S. GAAP and the EBS.

Fixed Maturity Investments (short-term, trading and available for sale)

The fair values for all securities in the fixed maturity investments and funds held - directly managed portfolios are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to: (i) comparison of prices against alternative pricing sources; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark); (iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and (iv) comparing the price to our knowledge of the current investment market. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

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

The valuation methodology for fixed maturity investments under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Equities

Our investments in equities are predominantly traded on the major exchanges and are primarily managed by our external advisors. We use an internationally recognized pricing service to estimate the fair value of our equities. The fair values of these investments are based on unadjusted quoted prices in active markets for identical assets. The fair value estimates of our investments in preferred stock are based on observable market data.

The valuation methodology for equity investments under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Other Investments, at fair value

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

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

The valuation methodology for other investments, at fair value under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Cash and Cash Equivalents (including restricted cash and cash equivalents)

Cash and cash equivalents includes money market funds, fixed interest deposits and highly liquid debt instruments purchased with an original maturity of three months or less. Cash and cash equivalents are recorded at amortized cost, which due to the short-term, liquid nature of these securities, approximates fair value.

The valuation methodology for Cash and cash equivalents, at fair value under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Funds Held (directly managed and held by reinsured company)

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

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

Premiums Receivable

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

Under the EBS approach premiums receivable are valued in line with U.S. GAAP with the exception that any balance due in more than one year is discounted. In addition, premium receivable that is not contractually due or is deferred as at the balance sheet date is included within the technical provisions.

Deferred Tax Assets

Certain of our subsidiaries and branches operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income, or, in certain cases, to accumulated other comprehensive income, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the financial statements and those used in the various jurisdictional tax returns. When our assessment indicates that it is more likely than not that all or some portion of deferred income tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets.

We recognize a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

The valuation methodology for deferred tax assets under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Prepaid Reinsurance Premiums

Unearned premiums represent the portion of premiums written that relate to the unexpired terms of policies in force. Premiums ceded are similarly pro-rated over the period the coverage is provided with the unearned portion being deferred as prepaid reinsurance premiums.

Under the EBS approach prepaid reinsurance premiums are valued in line with U.S. GAAP with the exception that any balance due in more than one year is discounted. In addition, premium receivable that is not contractually due or is deferred as at the balance sheet date is included within the technical provisions.

Reinsurance Balances Recoverable

Amounts billed to, and due from, reinsurers resulting from paid movements in the underlying business are calculated in accordance with the terms of the individual reinsurance contracts. Similarly, reinsurance balances recoverable related to our case reserves are calculated by applying the terms of any applicable reinsurance coverage to movements in the underlying case reserves. Our estimate of reinsurance balances recoverable related to incurred but not reported ("IBNR") reserves is recognized on a basis consistent with the underlying IBNR reserves.

Our reinsurance balances recoverable are presented net of a provision for uncollectible amounts, reflecting the amount deemed not collectible due to credit quality, collection problems due to the location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage issues.

Refer to Item 4(c) for more detail on our reinsurance balances recoverable.

Reinsurance Recoverables - Fair Value Option

The Company has elected the fair value option for certain retroactive reinsurance contracts in our Non-life Run-off segment. The Company uses an internal model to calculate the fair value of the liability for losses and loss adjustment expenses and reinsurance balances recoverable assets for these contracts.

Under the EBS approach prepaid reinsurance premiums are valued in line with U.S. GAAP with the exception that any balance due in more than one year is discounted. In addition, premium receivable that is not contractually due or is deferred as at the balance sheet date is included within the technical provisions.

Refer to Item 4(c) for more detail on our reinsurance balances recoverable.

Deferred Acquisition Costs

Under U.S. GAAP acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts, are deferred and amortized over the period in which the related premiums are earned.

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

Goodwill and Intangible assets

Goodwill is carried at historic cost under U.S. GAAP and assessed at least annually for impairment. Under the EBS valuation approach goodwill is valued at nil.

Intangible assets are carried at historic cost, adjusted for amortization and assessed at least annually for impairment. Intangible assets can only be recognized under the EBS approach if they can be sold separately and that the expected future economic benefits will flow to the insurer and value of these assets can be reliably measured. No intangible assets have been recognized in the EBS for EGL.

Other Assets

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

Derivative Instruments (included within Other assets or other liabilities on the consolidated balance sheet)

The fair values of our foreign currency exchange contracts are recorded at fair values are based upon prices in active markets for identical contracts.

The valuation methodology for derivative instruments under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Assets Held for Sale

We report a business as held for sale when certain criteria are met which include, (1) management either approving the sale or receiving approval to sell the business and is committed to a formal plan to sell the business, (2) the business is available for immediate sale in its present condition, (3) the business is being actively marketed for sale at a price that is reasonable in relation to its current fair value, (4) the sale is anticipated to occur during the next 12 months, among other specified criteria. A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less costs to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to the businesses classified as held-for-sale are separately reported in our Consolidated Balance Sheets beginning in the period in which the business is classified as held-for-sale.

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

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

All reserves are initially established in accordance with accounting principles generally accepted in accordance with U.S. GAAP. We establish reserves for individual claims incurred and reported, as well as for IBNR claims. We use considerable judgment in estimating losses for reported claims on an individual claim basis based upon our knowledge of the circumstances surrounding the claim, the severity of the injury or damage, the jurisdiction of the occurrence, the potential for ultimate exposure, the type of loss, and our experience with the line of business and policy provisions relating to the particular type of claim. We also use considerable judgment to establish reserves for IBNR claims using a variety of generally accepted actuarial methodologies and procedures to estimate the ultimate cost of settling IBNR claims.

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

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

Once U.S. GAAP provisions have been determined, insurance technical provisions for our Economic Balance Sheet (“EBS”) are calculated in accordance with the methodology prescribed by the Bermuda Monetary Authority (“BMA”). 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 at December 31, 2017, the total Technical Provisions were comprised of the following:

		Net provision
		(in thousands of U.S. dollars)
Best Estimate Loss and Loss Expense Provision (1)	$	5,393,058
Best Estimate Premium Provision (2)		87,755
Risk Margin (3)		739,182
Total	**$**	**6,219,995**

(1) The best estimate for the loss and loss expense provision is calculated by using U.S. GAAP reserves as the starting point and then performing a series of adjustments:
- Removal of prudence margins;
- Incorporation of expected reinsurance counterparty defaults;
- Incorporation of Events not in Data (“ENIDs”);
- Other adjustments related to consideration for investment expenses, etc.; and
- Discounting of cash flows.

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

(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

As at December 31, 2017 and 2016, we had reinsurance balances recoverable of $2.0 billion and $1.5 billion, respectively. Our insurance and reinsurance run-off subsidiaries, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. On an annual basis, both Atrium and StarStone purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium’s and StarStone's third-party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

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

In our Non-life Run-off and StarStone segments we have ceded business to KaylaRe Ltd., an affiliated reinsurer, and as at December 31, 2017, recorded a reinsurance balance recoverable of $357.4 million. KaylaRe Ltd. is not rated but is an affiliated company partly owned by Enstar, and security is provided in the form of funds withheld.

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

The following paragraphs detail how the liability classes are valued in accordance with U.S. GAAP and documents any differences between the valuation base in our consolidated financial statements under U.S. GAAP and the EBS.

Losses and Loss Adjustment Expenses

Refer to Item 4(b) for further information on our technical provisions.

Losses and Loss Adjustment Expenses - Fair Value Option

The Company has elected the fair value option for certain retroactive reinsurance contracts in our Non-life Run-off segment. The Company uses an internal model to calculate the fair value of the liability for losses and loss adjustment expenses and reinsurance balances recoverable assets for these contracts.

Under the EBS approach technical previsions are calculated in accordance with the methodology prescribed by the Bermuda Monetary Authority ("BMA").

Refer to Item 4(b) for further information on our technical provisions.

Policy Benefits

Refer to Item 4(b) for further information on our technical provisions.

Unearned Premiums

Refer to Item 4(b) for further information on our technical provisions.

Insurance and Reinsurance Balances Payable

Refer to Item 4(b) for further information on our technical provisions.

Deferred Tax Liabilities

Certain of our subsidiaries and branches operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income, or, in certain cases, to accumulated other comprehensive income, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the financial statements and those used in the various jurisdictional tax returns. When our assessment indicates that it is more likely than not that all or some portion of deferred income tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets.

We recognize a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

The valuation methodology for deferred tax liabilities under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Debt Obligations

Debt obligations are recorded at amortized cost in accordance with U.S. GAAP.

The valuation methodology for debt obligations under U.S. GAAP is consistent with the valuation approach for EBS purposes.

Other Liabilities

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

Liabilities Held for Sale

Refer to discussion above to determine if we report a business as 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

In connection with the acquisitions of Arden, Atrium and StarStone, certain subsidiaries issued shares to noncontrolling interests. These shares provide certain redemption rights to the holders, which may be settled in our own shares or cash or a combination of cash and shares, at our option. Redeemable noncontrolling interest with redemption features that are not solely within our control are classified within temporary equity in the consolidated balance sheets and carried at the redemption value, which is fair value. Change in the fair value is recognized through retained earnings as if the balance sheet date were also the redemption date.

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.

ITEM 5. *CAPITAL MANAGEMENT*

a) Eligible Capital

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

Our capital resources as at December 31, 2017 included shareholders' equity of $3.1 billion (2016: $2.8 billion), redeemable noncontrolling interest of $0.5 billion (2016: $0.5 billion) classified as temporary equity and loans payable of $0.6 billion (2016: $0.7 billion). The redeemable noncontrolling interest may be settled in the future in cash or in our ordinary shares, at our option. Based on our current loss reserves position, our portfolios of in-force insurance and reinsurance business, and our investment positions, we believe we are well capitalized.

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

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

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

Subsidiaries

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

Credit Facility

At December 31, 2017, EGL had in place a revolving credit facility which permits the Company to borrow up to $831.3 million. As of December 31, 2017, there was $607.2 million of available unutilized capacity under this facility. Subsequent to December 31, 2017, and up to the date of this report, we utilized $362.0 million and repaid $132.0 million bringing the available unutilized capacity under this facility to $378.0 million. Our borrowing includes €50.0 million designated as a non-derivative hedge of our net investment in certain subsidiaries whose functional currency is denominated in Euros. Gains or losses arising from the currency translation adjustment are recognized within accumulated other comprehensive income (loss).

Senior Notes

On March 10, 2017, we issued Senior Notes (the "Notes") for an aggregate principal amount of $350.0 million. The Notes pay 4.5% interest semi-annually and mature on March 10, 2022. The Notes are unsecured and unsubordinated obligations that rank equal to any of our other unsecured and unsubordinated obligations, senior to any future obligations that are expressly subordinated to the Notes, effectively subordinate to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally subordinate to all liabilities of our subsidiaries.

The Notes are rated BBB- and are redeemable at our option on a make whole basis at any time prior to the date that is one month prior to the maturity of the Notes. On or after the date that is one month prior to the maturity of the Notes, the Notes are redeemable at a redemption price equal to 100% of the principal amount of the Notes to be redeemed.

We incurred costs of $2.9 million in issuing the Notes. These costs included underwriters' fees, legal and accounting fees, and other fees, and are capitalized and presented as a direct deduction from the principal amount of debt obligations in the consolidated balance sheets. These costs are amortized over the term of the Notes and are included in interest expense in our consolidated statements of earnings.

Capital Markets

At December 31, 2017 our equity was $3.1 billion (excluding non-controlling interest) and the debt / capital ratio was 17.1% (2016: 19.3%). Historically we have raised debt to finance material acquisitions. Additionally, we have the ability to issue additional debt or equity if required. We filed an automatic shelf registration statement on October 10, 2017 with the SEC to allow us to conduct future offerings of certain securities, if desired. This shelf registration statement allows us to issue debt, equity and other securities.

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

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

Eligible Capital represents the Company's assessment of the quality of its capital resources eligible to satisfy its regulatory requirements. As at December 31, 2017, the Company's Eligible Capital was categorized as follows:

	December 31, 2017	December 31, 2016
	(expressed in thousands of U.S. dollars)	
Tier 1	$ 2,748,914	$ 2,210,933
Tier 2	110,964	598,919
Tier 3	—	—
Total	**$ 2,859,878**	**$ 2,809,852**

Eligible Capital	December 31, 2017	December 31, 2016
	(expressed in thousands of U.S. dollars)	
Fully paid common shares	$ 19,407	$ 19,372
Contributed surplus	1,395,067	1,380,109
Statutory Economic Surplus	1,902,460	1,855,527
Noncontrolling (Minority) interest	9,264	8,520
Treasury shares	(421,559)	(421,559)
Hybrid capital instruments: Preferred Shares	389	389
Encumbered assets transferred to Tier 2 in respect of policyholder obligations	(110,964)	(598,919)
Encumbered assets not securing policy holder obligations	(45,150)	(32,506)
Total Tier 1 Capital	$ 2,748,914	$ 2,210,933
Total Tier 2 Capital	110,964	598,919
Total Eligible Capital	**$ 2,859,878**	**$ 2,809,852**

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

	Limits	MSM	ECR	Minimum Margin of Solvency	Enhanced Capital Requirement
				(expressed in thousands of U.S. dollars)	
Tier 1	Min	80%	60%	$ 2,750,804	$ 2,750,804
Tier 2	Max	20%	40%	109,074	109,074
Tier 3			15%	—	—
Total				**$ 2,859,878**	**$ 2,859,878**

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

All Eligible Capital of the Group is classified as Tier 1 capital, apart from $109.1 million which is an amount in respect of the excess of encumbered assets for policy holder obligations, which is greater than those same underlying policyholder obligations.

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

N/A

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

N/A

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

N/A

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

The following is a reconciliation of the U.S. GAAP shareholders' equity attributable to shareholders to the available statutory capital and surplus as at December 31, 2017:

	December 31, 2017		December 31, 2016	
Reconciliation of US GAAP to BSCR (EBS) Capital	(expressed in thousands of U.S. dollars)			
Shareholders' Equity per 10-K	$	3,145,948	$	2,810,832
Net reclassification of investments held at cost to fair value		6,275		(3,237)
Remove non-admitted Prepaid Expenses		(9,710)		(8,262)
Remove non-admitted Goodwill		(180,589)		(184,855)
Remove non-admitted Value Of Business Acquired		—		(46,519)
Redeemable noncontrolling interest		479,606		454,522
Bermuda Statutory Capital and Surplus	**$**	**3,441,530**	**$**	**3,022,481**
General business technical provision adjustments		(547,895)		(277,655)
Reclassification of equity method investment held at adjusted cost to fair value		11,393		36,606
Long term business technical provision adjustments		—		60,926
BSCR (EBS) Statutory Economic Capital and Surplus	**$**	**2,905,028**	**$**	**2,842,358**
Encumbered assets not securing policy holder obligations		(45,150)		(32,506)
Group Eligible Capital	**$**	**2,859,878**	**$**	**2,809,852**

b) Regulatory Capital Requirements

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

	December 31, 2017		Ratio
	(expressed in thousands of U.S. dollars)		
Minimum Margin of Solvency	$	976,146	298%
Enhanced Capital Requirement	$	1,705,849	170%

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) Agreements

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

Zurich Australia

On February 23, 2018, we entered into an agreement with an Australian subsidiary of Zurich Insurance Group ("Zurich") to reinsure its New South Wales Vehicle Compulsory Third Party ("CTP") insurance business. Under the agreement, which is effective as of January 1, 2018, we assumed gross loss reserves of AUD$359.4 million ($280.8 million) in exchange for a reinsurance premium consideration of AUD$343.9 million ($268.7 million).

Following the initial reinsurance transaction, which transferred the economics of the CTP insurance business, we and Zurich are also pursuing a portfolio transfer of the CTP insurance business under Division 3A Part III of Australia's Insurance Act 1973 (Cth), which will provide legal finality for Zurich's obligations. The transfer is subject to court, regulatory and other approvals.

Neon RITC Transaction

On February 16, 2018, we closed the previously announced reinsurance-to-close transaction with Neon Underwriting Limited ("Neon"), under which we reinsured to close the 2015 and prior underwriting years of account (comprising underwriting years 2008 to 2015) of Neon's Syndicate 2468. We assumed gross loss reserves of £403.9 million ($546.3 million) or net loss reserves of £342.1 million ($462.6 million) relating to the portfolio in exchange for a reinsurance premium consideration of £329.1 million ($445.1 million). Following the closing of the transaction, Enstar has taken responsibility for claims handling and will provide complete finality to Neon's obligations.

Novae RITC Transaction

On January 29, 2018, we entered into an RITC transaction with AXIS Managing Agency Limited, under which we reinsured to close the 2015 and prior underwriting years of account of Novae Syndicate 2007. We assumed gross loss reserves of £860.1 million ($1,163.2 million) relating to the portfolio or net loss reserves of £630.7 million ($853.0 million) for a reinsurance premium consideration of £594.1 million ($803.5 million. Following the closing of the transaction, Enstar has taken responsibility for claims handling and will provide complete finality to Novae's obligations.

Kayla Re

On May 14, 2018, we completed the the previously announced transaction to acquire all of the outstanding shares and warrants of KaylaRe Holdings, Ltd. ("KaylaRe"), following the receipt of all required regulatory approvals. In consideration for the acquired shares and warrants of KaylaRe, we issued an aggregate of 2,007,017 of our ordinary shares, comprising 1,501,778 voting ordinary shares and 505,239 Series E non-voting ordinary shares to the shareholders of KaylaRe.

For a detailed discussion of various transactions related to KaylaRe and its other shareholders, refer to Note 21 - "Related Party Transactions" in the notes to our consolidated financial statements included within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2017.

These acquisitions will not adversely impact the Company’s aggregated risk appetite framework and tolerances.

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

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/ PAUL O'SHEA

Enstar Group Limited, President
May 29, 2018

/s/ KAREN ESDALE

Enstar Group Limited, Chief Risk Officer
May 29, 2018

APPENDICES

Appendix I - Corporate Structure as at December 31, 2017

Changes to our corporate structure subsequent to December 31, 2017 are not reflected in this Appendix.

Name	% of Voting Securities	City	State	Jurisdiction
Enstar Group Limited	N/A	Hamilton	Pembroke	Bermuda
A. Enstar Limited	100%	Hamilton	Pembroke	Bermuda
1) Enstar (EU) Holdings Limited	100%	Guildford	Surrey	England
a) Enstar (EU) Limited	100%	Guildford	Surrey	England
b) Cranmore (UK) Limited	100%	London		England
c) Enstar (EU) Finance Limited	100%	Guildford	Surrey	England
d) Kinsale Brokers Limited	100%	Guildford	Surrey	England
2) Enstar Insurance Management Services Ireland Limited	100%	Dublin		Ireland
3) Cranmore Insurance & Reinsurance Services Europe Limited	100%	Dublin		Ireland
a) Cranmore Europe BVBA	100%(1)			Belgium
4) B.H. Acquisition Limited	100%(2)	Hamilton	Pembroke	Bermuda
a) Brittany Insurance Company Ltd	100%	Hamilton	Pembroke	Bermuda
B. Kenmare Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
1) Fitzwilliam Insurance Limited	100%	Hamilton	Pembroke	Bermuda
2) River Thames Insurance Company Limited	100%	Guildford	Surrey	England
a) LSU Limited	66.67%			England
3) Regis Agencies Limited	100%	Guildford	Surrey	England
4) Harper Holding, S.à r.l.	100%			Luxembourg
a) Harper Insurance Limited	100%	Zurich		Switzerland
b) Alpha Insurance SA	100%(4)			Belgium
5) Echlin Argentina S.A.	99.90%	Buenos Aires		Argentina
6) Lipe Rollway Mexicana S.A. de C.V.	98.40%			Mexico
7) Mercantile Indemnity Company Limited	100%	Guildford	Surrey	England
8) Cavell Holdings Limited	100%	Guildford	Surrey	England
9) Enstar Acquisitions Limited	100%	Guildford	Surrey	England
a) Goshawk Insurance Holdings Limited	99.60%	Guildford	Surrey	England
i) Goshawk Dedicated Limited	100%	Guildford	Surrey	England
10) Rombalds Run-Off Limited	100%	Guildford	Surrey	England
11) Shelbourne Group Limited	100%	Guildford	Surrey	England
a) SGL No.1 Limited	100%	Guildford	Surrey	England
b) SGL No.3 Limited	100%	Guildford	Surrey	England
12) North Bay Holdings Limited	58.98%	Hamilton	Pembroke	Bermuda
a) Northshore Holdings Limited	100% (5)	Hamilton	Pembroke	Bermuda
i) Arden Reinsurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
ii) Alopuc Limited	100%	London		England
A) Atrium Underwriting Group Limited	100%	London		England

Name	% of Voting Securities	City	State	Jurisdiction
I) Atrium Risk Management Services (Washington) Ltd.	100%			Washington
II) Atrium Risk Management Services (British Columbia) Ltd.	100%	British Columbia		Canada
III) Atrium Insurance Agency (Asia) Pte. Ltd.	100%			Singapore
IV) Atrium 5 Limited	100%	London		England
V) Atrium Insurance Agency Limited	100%	London		England
VI) Atrium Group Services Limited	100%	London		England
(a) Atrium Nominees Limited	100%	London		England
VII) Atrium Underwriters Limited	100%	London		England
VIII) Atrium Underwriting Holdings Limited	100%	London		England
(a) Atrium 1 Limited	100%	London		England
(b) Atrium 2 Limited	100%	London		England
(c) Atrium 3 Limited	100%	London		England
(d) Atrium 4 Limited	100%	London		England
(e) Atrium 6 Limited	100%	London		England
(f) Atrium 7 Limited	100%	London		England
(g) Atrium 8 Limited	100%	London		England
(h) Atrium 9 Limited	100%	London		England
(i) Atrium 10 Limited	100%	London		England
(j) 609 Capital Limited	100%	London		England
b) StarStone Specialty Holdings Limited	100%	Hamilton	Pembroke	Bermuda
i) StarStone Insurance Bermuda Limited	100%	Hamilton		Bermuda
A) StarStone Corporate Capital Limited	100%			Ireland
B) StarStone Corporate Capital 2 Limited	100%			England
C) StarStone Underwriting Limited	100%			England
D) StarStone Corporate Capital 1 Limited	100%			England
E) StarStone Bermuda Intermediaries Ltd.	100%	Hamilton		Bermuda
F) StarStone Finance Limited	100%			England
I) StarStone US Holdings, Inc.	100%			Delaware
(a) StarStone Specialty Insurance Company	100%			Delaware
xa) StarStone National Insurance Company	100%			Delaware
xb) StarStone Specialty Insurance Company Escritorio de Representacao no Brasil Ltda	100%(6)			Brazil
(b) StarStone US Services, Inc.	100%			New Jersey
xa) StarStone US Intermediaries, Inc.	100%			New Jersey
G) StarStone Insurance SE	100%			Liechtenstein
H) StarStone Insurance Services Limited	100%			England
I) Vander Haeghen & Co SA	100%(7)			Belgium
II) Arena SA	100%(8)			Belgium
III) Objective Underwriting Limited	28.50%			Hong Kong

Name	% of Voting Securities	City	State	Jurisdiction
IV) StarStone Underwriting Australia Pty Ltd	100%			Australia
V) Malakite Underwriting Partners Limited	80%			Dubai
13) Enstar Asia Holdings Limited	100%	Guildford	Surrey	England
a) Enstar Asia Pacific Pty Ltd	100%			Australia
i) Cranmore Asia Pte. Limited	100%			Singapore
ii) Enstar Australia Holdings Pty Limited	100%	Sydney	NSW	Australia
A) Enstar Australia Limited	100%	Sydney	NSW	Australia
I) Cranmore Australia Pty Limited	100%	Sydney	NSW	Australia
B) AG Australia Holdings Limited	100%	Sydney	NSW	Australia
I) Gordian Runoff Limited	100%	Sydney	NSW	Australia
14) Knapton Holdings Limited	100%	Guildford	Surrey	England
15) DLCM No. 1 Limited	100%	Guildford	Surrey	England
16) DLCM No. 2 Limited	100%	Guildford	Surrey	England
17) DLCM No. 3 Limited	100%	Guildford	Surrey	England
18) Cavello Bay Reinsurance Limited	100%	Hamilton	Pembroke	Bermuda
a) Global Legacy Acquisition L.P.	98%(9)	Hamilton	Pembroke	Bermuda
b) Chatsworth Limited	100%	Hamilton	Pembroke	Bermuda
c) KaylaRe Holdings Ltd.	48.23%	Hamilton	Pembroke	Bermuda
i) KaylaRe Ltd.	100%	Hamilton	Pembroke	Bermuda
d) Inter-Ocean Reinsurance (Ireland) Limited	100%	Dublin		Ireland
19) Hong Kong Reinsurance Company Limited	100%			Hong Kong
20) East Point Reinsurance Company of Hong Kong Limited	100%			Hong Kong
21) Monument Insurance Group Limited	20%			Bermuda
a) Monument Midco Limited	100%			Bermuda
i) Monument Finco Limited	100%			Cayman Island
A) Monument Re Limited	100%			Bermuda
I) Monument Insurance DAC	100%			Ireland
(a) Monument Assurance DAC	100%			Ireland
(xa) Laguna Life DAC	100%			Ireland
II) Monument Insurance Services Limited	100%			Ireland
22) Belmont Run-Off Limited	100%			England
23) Enstar USA, Inc.	100%	St. Petersburg	Florida	Georgia
a) Enstar Financial Services, Inc.	100%	St. Petersburg	Florida	Florida
b) Enstar Holdings (US) LLC	100%			Delaware
i) Enstar (US) Inc.	100%			Delaware
ii) Cranmore (US) Inc.	100%			Delaware
iii) Providence Washington Insurance Company	100%	Warwick		Rhode Island
iv) Clarendon National Insurance Company	100%			Illinois
v) Paladin Managed Care Services, Inc.	100%			California
vi) Clear Spring PC Holdings, LLC	20%			Delaware
A) Clear Spring PC Acquisition Corp.	100%			Delaware

Name	% of Voting Securities	City	State	Jurisdiction
I) SeaBright Insurance Company	100%			Texas
vii) Dana Companies, LLC	100%			Virginia
A) Flight Operations, Inc.	100%			Delaware
B) CP Product, LLC	100%			Virginia
C) Reinz Wisconsin Gasket LLC	100%			Delaware
D) Glacier Vandervell LLC	100%			Michigan
E) BWDAC, Inc.	100%(3)			Delaware
F) EFMG LLC	100%			Virginia
I) Friction Material, Inc.	100%			Massachusetts
(a) Friction, Inc.	100%			Delaware
xa) Brake Systems, Inc.	100%			Delaware
xb) EPE, Inc.	100%			California
xc) Prattville Mfg., Inc.	100%			Delaware
II) United Brake Systems Inc.	100%			Delaware
III) Lipe Corporation	100%			Delaware
IV) Midland Brake, Inc.	100%			Delaware
V) Resource Development Gas Partners 1986-1 L.P.	29.32%			Connecticut
C. Laguna Life Holdings Limited	100%	Hamilton	Pembroke	Bermuda
1) Laguna Life Holdings S.à r.l.	100%			Luxembourg
a) Pavonia Life Insurance Company of New York	100%			New York
2) Guillamene Holdings Limited	100%	Dublin		Ireland
3) Copper Coast Funds ICAV	100%	Dublin		Ireland
a) Dunmore LLLP	100%			Delaware
b) Woodstown LLLP	100%			Delaware
4) Laguna Life (UK) Limited	100%			England

(1) One share in Cranmore Europe BVBA is owned by Alpha Insurance

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

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

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

(5) (Northshore Holdings Limited is 95.49% owned by North Bay Holdings Ltd. and 4.51% owned by Atrium Nominees Limited, on behalf of employee participants in Atrium's equity incentive plans)

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

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

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

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