ENSTAR GROUP LIMITED, BERMUDA
BMA Registration Number 9001

Windsor Place | 3rd Floor | 22 Queen Street | Hamilton HM JX | Bermuda

Company telephone number: (441) 292-3645

FINANCIAL CONDITION REPORT

December 31, 2018

Prepared in accordance

With the reporting requirements of the

Bermuda Monetary Authority

Table of Contents

IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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 95 acquisitions or portfolio transfers.

While our core focus remains acquiring and managing non-life run-off business, we expanded our business to include active underwriting through our acquisitions of Atrium and StarStone in 2013 and 2014, respectively. We partnered with Trident in the Atrium and StarStone acquisitions, with Enstar owning a 59.0% interest, Trident owning a 39.3% interest, and Dowling owning a 1.7% interest. We also expanded our portfolio of run-off businesses in 2013 to include closed life and annuities, primarily through our acquisition of Pavonia. However, we disposed of Pavonia, which made up the majority of our life and annuities business, in 2017.

b) Ownership Details

The table below sets forth information as of March 31, 2019 regarding beneficial ownership of our voting ordinary shares (including restricted voting ordinary shares):

Name of Beneficial Owner	Number of Ordinary Shares (1)	Percent of Class (2)
Hillhouse Capital Management, Ltd.	1,747,840	9.7 %
Stone Point Capital LLC	1,635,986	9.1 %
Canada Pension Plan Investment Board	1,501,211	8.4 %
FMR LLC	991,801	5.5 %
The Vanguard Group	958,253	5.3 %
Akre Capital Management, LLC	902,278	5.0 %
All Current Executive Officers and Directors as a group (14 persons)	1,687,445	9.4 %

(1) In each case based on information provided to us by these individuals:
- each person or group known to us to be the beneficial owner of more than 5% of our ordinary shares; and
- all of our current directors and executive officers as a group.

(2) 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. Percentages are based on 17,966,593 ordinary shares outstanding as of March 31, 2019.

In addition to voting ordinary shares, there were a total of 3,509,682 issued and outstanding non-voting ordinary shares as of March 31, 2019. These shares are held by CPPIB and Hillhouse, as set forth in the table below:

Name of Beneficial Owner	Ordinary Voting Shares	Series C Non-Voting Ordinary Shares	Series E Non-Voting Ordinary Shares	Economic Interest (Excluding Warrants)
Hillhouse Capital Management, Ltd. (1)	1,747,840	1,406,731	505,239	17.0 %
CPPIB and CPPIB Trust	2,242,946	1,192,941	404,771	17.9 %

(1) Does not include warrants outstanding to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share, subject to certain adjustments, which are also held by Hillhouse.

For additional information on our shares, refer to Note 17 to our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2018.

c) Group Structure

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

Our primary regulated insurance subsidiaries are listed below.

<u>Bermuda:</u>

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

<u>United States:</u>

- Clarendon National Insurance Company
- Providence Washington Insurance Company
- Yosemite Insurance Company
- Maiden Reinsurance North America, Inc.
- StarStone Specialty Insurance Company
- StarStone National Insurance Company
- Pavonia Life Insurance Company of New York(1)

<u>United Kingdom:</u>

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

<u>Europe:</u>

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

<u>Rest of World:</u>

- Gordian Runoff Limited (Australia)
- East Point Reinsurance Company of Hong Kong 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 2018 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 and our remaining life business and other miscellaneous items.

The following table provides gross premiums written for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	(in thousands of U.S. dollars)	
StarStone	$ 1,121,135	$ 895,160
Atrium	171,494	153,472
Non-life Run-off	(8,910)	14,102
Other	32,378	5,719
Total	**$ 1,316,097**	**$ 1,068,453**

The following table provides gross premiums written by line of business for the StarStone segment for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Line of Business	(in thousands of U.S. dollars)	
Casualty	$ 332,042	$ 289,274
Marine	272,714	213,754
Property	304,939	217,680
Aerospace	73,534	65,804
Workers' Compensation	137,906	108,648
Total	**$ 1,121,135**	**$ 895,160**

The following table provides gross premiums written by line of business for the Atrium segment for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Line of Business	(in thousands of U.S. dollars)	
Marine, Aviation and Transit	$ 40,227	$ 35,105
Binding Authorities	76,389	65,990
Reinsurance	17,763	19,730
Accident and Health	18,836	17,364
Non-Marine Direct and Facultative	18,279	15,283
Total	**$ 171,494**	**$ 153,472**

The following table provides gross premiums written by geographical area for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Geographical area	(in thousands of U.S. dollars)	
United States	$ 830,602	$ 637,300
United Kingdom	66,096	114,565
Europe	199,464	166,355
Asia	72,342	53,578
Rest of World	147,593	96,655
Total	**$ 1,316,097**	**$ 1,068,453**

e) Material Income & Expenses for the Reporting Period

The comparability of our results were impacted by the loss portfolio transfer reinsurance transactions we completed during 2018 with Neon, Novae, Coca-Cola, Zurich Australia, Maiden and Allianz, and also by the acquisitions we completed during 2018 of KaylaRe and Maiden Re North America. The following table sets forth our consolidated statements of earnings for the years ended December 31, 2018 and 2017.

	December 31, 2018	December 31, 2017	Change
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$ 895,575	$ 613,121	$ 282,454
Fees and commission income	35,088	66,103	(31,015)
Net investment income	270,671	208,789	61,882
Net realized and unrealized gains	(412,884)	190,334	(603,218)
Other income	35,085	22,605	12,480
	823,535	1,100,952	(277,417)
EXPENSES			
Net incurred losses and LAE	454,025	193,551	260,474
Life and annuity policy benefits	1,003	4,015	(3,012)
Acquisition costs	192,790	96,906	95,884
General and administrative expenses	407,375	435,985	(28,610)
Interest expense	26,217	28,102	(1,885)
Net foreign exchange losses	2,668	17,537	(14,869)
Loss on sale of subsidiary	—	16,349	(16,349)
	1,084,078	792,445	291,633
EARNINGS (LOSS) BEFORE INCOME TAXES	(260,543)	308,507	(569,050)
Income tax benefit	6,124	6,395	(271)
Earnings from equity method investments	42,147	5,904	36,243
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(212,272)	320,806	(533,078)
Net earnings from discontinued operations, net of income taxes	—	10,993	(10,993)
NET EARNINGS (LOSS)	(212,272)	331,799	(544,071)
Net loss (earnings) attributable to noncontrolling interest	62,051	(20,341)	82,392
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	(150,221)	311,458	(461,679)
Dividends on preferred shares	(12,133)	—	(12,133)
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS	$ (162,354)	$ 311,458	$ (473,812)

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

	December 31, 2018	December 31, 2017	Change
	(in thousands of U.S. dollars)		
Segment split of net earnings attributable to Enstar Group Limited:			
Non-life Run-off	$ 25,222	$ 343,800	$ (318,578)
Atrium	8,997	5,423	3574
StarStone	(158,580)	2,826	(161,406)
Other	(37,993)	(40,591)	2,598
Net earnings attributable to Enstar Group Limited	$ (162,354)	$ 311,458	$ (473,812)

The most significant drivers of the change in our financial performance during 2018 as compared to 2017 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 results for the year ended December 31, 2018, contributing $306.1 million to our consolidated results in 2018 compared to $190.7 million in 2017.

Net Investment Income and Net Realized and Unrealized Gains (Losses)

The total investment return, including net investment income of $270.7 million and net realized and unrealized losses of $412.9 million, was a loss of $142.2 million for the year ended December 31, 2018, compared to a gain $399.1 million for the year ended December 31, 2017, a decrease of $541.3 million. The decrease was primarily attributable to unrealized losses on our fixed income and other investments portfolios due to increasing interest rates and poor returns in the global equity markets, partially offset by increased net investment income due to higher rates and increased average invested assets. See Item 1 (f) for additional analysis on investment performance.

Atrium

Net earnings attributable to the Atrium segment were $9.0 million for the year ended December 31, 2018 as compared to $5.4 million for the year ended December 31, 2017. Atrium's combined ratio[1] was 94.5% in 2018 compared to 99.9% in 2017. The 2017 results included the impact of the large catastrophe losses, namely hurricanes Harvey, Irma and Maria.

[1] Refer to *Underwriting Ratios* above, for a description of how these ratios are calculated.

StarStone

Net losses attributable to the StarStone segment were $158.6 million for the year ended December 31, 2018, as compared to $2.8 million for the year ended December 31, 2017. StarStone's combined ratio [1] was 135.1% in 2018 compared to 108.5% in 2017. The 2018 results were impacted by current year large loss activity and prior year adverse development. The 2017 results included the impact of the large catastrophe losses, namely hurricanes Harvey, Irma and Maria.

[1] Refer to *Underwriting Ratios* above, for a description of how these ratios are calculated.

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, 2018, the noncontrolling interest in losses was $62.1 million as compared to the noncontrolling interest in earnings of $20.3 million for the year ended December 31, 2017.

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 short-to-medium 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, 2018 and 2017.

	December 31, 2018	December 31, 2017	Change
	(in thousands of U.S. dollars)		
Short-term investments, trading, at fair value	114,116	180,211	(66,095)
Fixed maturities, trading, at fair value	7,248,793	5,696,073	1,552,720
Fixed maturities, available-for-sale, at fair value	151,609	210,285	(58,676)
Funds held - directly managed	1,198,154	1,179,940	18,214
Equities, trading, at fair value	367,125	106,603	260,522
Other investments, at fair value	1,957,757	913,392	1,044,365
Other investments, at cost	—	125,621	(125,621)
Equity method investments	204,507	343,005	(138,498)
Total investments	11,242,061	8,755,130	2,486,931
Cash and cash equivalents (including restricted cash and cash equivalents)	982,584	1,212,836	(230,252)
Funds held by reinsured companies	321,267	175,383	145,884
Total investable assets	12,545,912	10,143,349	2,402,563
Duration (in years) (1)	4.86	4.98	(0.12)
Average credit rating (1)	A+	A+	

(1) Included in the calculation are the credit ratings and duration of cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at December 31, 2018 and 2017.

The table below shows the total investment return of $(142.2) million and $399.1 million on our investment portfolio for the years ended December 31, 2018 and 2017, 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, 2018			December 31, 2017		
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	$ 8,082	$ 7,514,518	0.12 %	$ 189,929	$ 6,086,570	3.18 %
Equities	(77,104)	701,384	(14.05)%	66,061	358,228	19.36 %
Bond and Loan Funds	(4,876)	403,857	(1.46)%	10,848	209,529	4.86 %
Hedge funds	(55,931)	852,584	(8.8)%	7,342	84,243	7.89 %
Private equities	3,251	248,638	1.25 %	52,205	287,406	18.96 %
CLO equities	(3,594)	76,312	(4.23)%	8,595	69,605	12.19 %
Other	1840	42,116	8.22 %	356	10984	7.68 %
Life settlements and other	(1,765)	—	(3.69)%	7,186	131,896	5.52 %
Cash and cash equivalents	8,601	982,584	0.8 %	4,873	1,212,836	0.42 %
Funds Held	(10,997)	1,519,421	(0.69)%	62,763	1,355,323	4.93 %
Investment Expenses	(9,720)			(11,035)		
Total	**$ (142,213)**	**$ 12,341,414**	**(1.27)%**	**$ 399,123**	**$ 9,806,620**	**4.18 %**

The decrease in total investment return was primarily driven by unrealized losses on the funds held, fixed maturities, private equities, hedge funds and equity investments. The decrease in the total investment return on funds held and fixed maturities was primarily driven by increasing interest rates, while the decrease in the total investment return from equities and hedge funds was primarily driven by the negative performance of the equity markets in 2018, particularly December 2018.

g) Any Other Material Information

Please refer to Subsequent Events in Item 6.

ITEM 2. *GOVERNANCE STRUCTURE*

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

i) *Roles & Responsibilities*

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

Name	Board Position	Responsibilities
Robert Campbell	Chairman	Independent Non Executive Board Member; Chair of the Board of Directors, Chair of the Audit and Investment Committees; Member of the Compensation, Executive and Nominating and Governance Committees.
B. Frederick Becker	Director	Independent Non Executive Board Member. Chair of the Compensation and Nominating and Governance Committees. Member of the Audit Committee.
Sandra Boss	Director	Independent Non Executive Board Member. Chair of Risk Committee. Member of the Compensation, Executive and Nominating and Governance Committees.
James Carey	Director	Non-Executive Board Member. Member of the Investment Committee.
Hans-Peter Gerhardt	Director	Independent Non Executive Board Member. Member of Risk Committee.
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.
Hitesh Patel	Director	Independent Non Executive Board Member. Member of the Audit, Risk and Nominating and Governance Committees.
Dominic Silvester	Director	Board Member. Chief Executive Officer. Member of Executive Committee.
Poul Winslow	Director	Independent Non Executive Board Member. Member of the Investment, Compensation and Executive 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.
Orla 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, Enstar (US), Inc	President & CEO, Enstar (US) Inc. and Member of the Group Executive Team
David Atkins	Chief Executive Officer, Enstar (EU) Limited	CEO, Enstar (EU) Limited; Group Head of Claims and Member of the Group Executive Team
David 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*

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

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

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

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

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

From time to time, we have participated in transactions in which one or more of our directors, executive officers or large shareholders has an interest. These transactions, called related-party transactions, require the approval of our Audit Committee (comprised entirely of independent directors), which reviews each transaction for fairness, business purpose, and reasonableness. Each transaction involving the Company and an affiliate entered into during 2018 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, 2018:

i) *Stone Point*

Through several private transactions occurring from May 2012 to July 2012 and an additional private transaction that closed in May 2018, investment funds managed by Stone Point Capital LLC ("Stone Point") have acquired an aggregate of 1,635,986 of our Voting Ordinary Shares (which now constitutes approximately 9.1% of our outstanding Voting Ordinary Shares). On November 6, 2013, we appointed James D. Carey to our Board of Directors. Mr. Carey is the sole member of an entity that is one of four general partners of the entities serving as general partners for Trident, is a member of the investment committees of such general partners, and is a member and senior principal of Stone Point, the manager of the Trident funds.

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 6, 2018 and April 1, 2019, respectively, and at any time following September 6, 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 6, 2020 and April 1, 2021, respectively. We did not exercise our right to redeem Trident's equity interest in Atrium/Arden during the 90 days following September 6, 2018. Pursuant to the terms of the shareholders' agreements, Mr. Carey serves as a Trident representative on the boards of the holding companies, including North Bay Holdings Limited ("North Bay"), 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.

On December 26, 2018, the shareholders of North Bay completed a transaction to provide capital support to StarStone in the form of a contribution to its contributed surplus account and a loss portfolio transfer of certain discontinued and discontinuing lines of business. To fund the transaction, the North Bay shareholders contributed an aggregate amount of $135.0 million to North Bay in proportion to their ownership interests. Trident's proportionate contribution of $53.1 million was temporarily funded by North Bay and is expected to be reimbursed in the first quarter of 2019, subject to the terms and conditions of the reimbursement agreement executed by the parties.

As at December 31, 2018 and December 31, 2017, the RNCI on our balance sheet relating to these Trident co-investment transactions was $439.4 million and $459.6 million, respectively.

As of December 31, 2018, we had the following additional relationships with Stone Point and its affiliates:

- Investments in funds (carried within other investments) managed by Stone Point, with respect to which we recognized unrealized gains and interest income;
- Investments in registered investment companies affiliated with entities owned by Trident or otherwise affiliated with Stone Point, with respect to which we recognized unrealized gains and interest income;
- Separate accounts managed by Eagle Point Credit Management and PRIMA Capital Advisors, which are affiliates of entities owned by Trident, with respect to which we incurred management fees;
- Investments in funds (carried within other investments) managed by Sound Point Capital, an entity in which Mr. Carey has an indirect minority ownership interest and serves as a director, with respect to which we recognized net unrealized gains;
- Sound Point Capital has acted as collateral manager for certain of our direct investments in CLO equity securities, with respect to which we recognized net unrealized gains (losses) and interest income; and
- A separate account managed by Sound Point Capital, with respect to which we incurred management fees.

In the fourth quarter of 2018, we invested $25.0 million in Mitchell International, a claims software provider for workers' compensation and auto insurance business, as a co-investor alongside Stone Point.

ii) *KaylaRe*

On May 14, 2018, the Company completed a transaction to acquire all of the outstanding shares and warrants of KaylaRe, following the receipt of all required regulatory approvals. In consideration for the acquired shares and warrants of KaylaRe, the Company issued an aggregate of 2,007,017 ordinary shares, comprising 1,501,778 voting ordinary shares and 505,239 Series E non-voting ordinary shares to the shareholders of KaylaRe as follows: (i) 1,204,353 voting ordinary shares and 505,239 Series E Shares to a fund managed by Hillhouse Capital Management, Ltd. (together with its affiliates, "Hillhouse Capital"); (ii) 285,986 voting ordinary shares to Trident; and (iii) 11,439 voting ordinary shares to the minority shareholder. In addition, the Shareholders Agreement between Enstar and the other KaylaRe shareholders was effectively terminated. Effective May 14, 2018 we consolidated KaylaRe into our consolidated financial statements and any balances between KaylaRe and Enstar are now eliminated upon consolidation. Refer to Note 2 - "Acquisitions" for additional information.

On December 15, 2016, KaylaRe completed an initial capital raise of $620.0 million. We originally owned approximately 48.2% of KaylaRe's common shares and recorded our investment in KaylaRe using the equity method basis of accounting, pursuant to the conclusion that we were not required to consolidate following an analysis based on the guidance in ASC 810 - Consolidation. Our investment in the common shares and warrants of KaylaRe was carried at $320.1 million and $309.8 million in other assets on our consolidated balance sheet as at May 14, 2018 and December 31, 2017, respectively.

Our subsidiary, Enstar Limited, acts as insurance and reinsurance manager to KaylaRe's subsidiary, KaylaRe Ltd., for which it receives fee income. Affiliates of Enstar have also entered into various reinsurance agreements with KaylaRe Ltd. We provide administrative services to KaylaRe and KaylaRe Ltd.

Through a Quota Share Agreement dated December 15, 2016 (the "KaylaRe-StarStone QS"), several of our StarStone affiliates 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' external reinsurance programs. The reinsurance of StarStone's U.S. and U.K. affiliates was non-renewed as of January 1, 2018 and January 1, 2019, respectively.

In addition, Fitzwilliam Insurance Limited ("Fitzwilliam"), one of our non-life run-off subsidiaries, ceded $177.2 million of loss reserves to KaylaRe Ltd. in 2016, 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 term of this agreement. Our Non-life Run-off subsidiaries did not cede any new business to KaylaRe Ltd. during years ended December 31, 2018 and 2017.

iii) *Hillhouse*

Investment funds managed by Hillhouse Capital collectively own approximately 9.7% 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 17.1% economic interest in Enstar. In February 2017, Jie Liu, a Partner of Hillhouse Capital, was appointed to our Board.

As of December 31, 2017, KaylaRe had investments in a fund managed by Hillhouse Capital. On May 14, 2018 KaylaRe was acquired (refer to Note 3 - "Acquisitions" for further details), at which point KaylaRe was consolidated and KaylaRe's investment in Hillhouse InRe Fund, L.P. ("InRe Fund") was recorded within other investments on our consolidated balance sheet. As of December 31, 2018, Enhanzed Re had investments in a fund managed by Hillhouse Capital.

As of December 31, 2018, our carrying value of the InRe Fund was $678.4 million and the fund was invested in approximately 35% in fixed income securities, 15% in North American equities, 55% in international equities and (5)% in financing, derivatives and other items.

iv) *Monument*

Monument was established in October 2016 and Enstar has invested a total of $26.6 million in the common and preferred shares of Monument. We have approximately a 26.6% interest in Monument. In connection with our investment in Monument, we entered into a Shareholders Agreement with the other shareholders. We recorded the investment in Monument using the equity method basis of accounting, as we concluded that we are not required to consolidate based on the guidance in ASC 810 - Consolidation.

On August 29, 2017, we sold our wholly-owned subsidiary, Laguna, to a subsidiary of Monument for a total consideration of €25.6 million (approximately $30.8 million). The total loss recorded on the sale of Laguna, for the year ended December 31, 2017 was $16.3 million, which has been included in earnings from continuing operations before taxes in our consolidated statement of earnings. This loss includes a cumulative currency translation adjustment balance of $6.3 million, which has been reclassified from accumulated other comprehensive income and included in earnings as a component of the loss on sale of Laguna during the year ended December 31, 2017, following the closing of the sale.

On October 10, 2018, we entered into a Business Transfer Agreement between our wholly-owned subsidiary Alpha and a subsidiary of Monument. This agreement will transfer life assurance policies written by Alpha to Monument via a Portfolio Transfer, which is subject to regulatory approval. The transaction is expected to close during 2019.

Our investment in the common and preferred shares of Monument, carried in equity method investments on our consolidated balance sheet, was $42.2 million and $16.0 million as of December 31, 2018 and 2017, respectively.

v) *Clear Spring*

On January 1, 2017 we sold SeaBright Insurance Company (“SeaBright Insurance”) and its licenses to Delaware Life Insurance Company ("Delaware Life"). Following the sale, SeaBright Insurance was renamed Clear Spring Property and Casualty Company (“Clear Spring”). Clear Spring was subsequently capitalized with $56.0 million of equity, with Enstar retaining a 20% indirect equity interest in Clear Spring.

We have recorded the investment in Clear Spring 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 the common shares of Clear Spring, carried in equity method investments on our consolidated balance sheet, was $10.1 million and $10.6 million as of December 31, 2018 and 2017, respectively.

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

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

vi) *AmTrust*

In November 2018, pursuant to a Subscription Agreement with Evergreen Parent L.P. ("Evergreen"), K-Z Evergreen, LLC and Trident Pine Acquisition LP ("Trident Pine"), we purchased equity in Evergreen in the aggregate amount of $200.0 million. Evergreen is an entity formed by private equity funds managed by Stone Point and the Karfunkel-Zyskind family that acquired the approximately 45% of the issued and outstanding shares of common stock of AmTrust Financial Services, Inc. ("AmTrust") that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. The equity interest was in the form of three separate classes of equity securities issued at the same price and in the same proportion as the equity interest purchased by Trident Pine. Following the closing of the transaction, Enstar owns approximately 7.5% of the equity interest in Evergreen and Trident Pine owns approximately 21.8%. Evergreen owns all of the equity interest in AmTrust. In addition, upon the successful closing of the transaction we received a fee of $3.5 million, half of which was payable upon closing and the other on the first anniversary of the closing. The fee has been recorded in full in other income within our consolidated statements of earnings for the year ended December 31, 2018.

Our indirect investment in the shares of AmTrust, carried in equities on our consolidated balance sheet, was $200.0 million as of December 31, 2018.

vii) *Citco*

In June 2018, our subsidiary made a $50.0 million indirect investment in the shares of Citco III Limited ("Citco"), a fund administrator with global operations. Pursuant to an investment agreement and in consideration for participation therein, a related party of Hillhouse Capital provided investment support to our subsidiary. In a private transaction that preceded our co-investment opportunity, certain Citco shareholders, including Trident, agreed to sell all or a portion of their interests in Citco. As of December 31, 2018, Trident owned an approximate 3.4% interest in Citco. Mr. Carey currently serves as an observer to the board of directors of Citco in connection with Trident's investment therein.

Our indirect investment in the shares of Citco, carried in equity method investments on our consolidated balance sheet, was $50.8 million as of December 31, 2018.

viii) *Enhanzed Re*

Enhanzed Reinsurance Ltd. ("Enhanzed Re") is a joint venture between Enstar, Allianz SE and Hillhouse Capital that was capitalized in December 2018. Enhanzed Re is a Bermuda-based Class 4 and Class E reinsurer and will reinsure life, non-life run-off, and property and casualty insurance business, initially sourced from Allianz SE and Enstar. Enstar, Allianz and Hillhouse Capital affiliates have made equity investment commitments in aggregate of $470.0 million to Enhanzed Re. Enstar owns 47.4% of the entity, Allianz owns 24.9%, and an affiliate of Hillhouse Capital owns 27.7%. As of December 31, 2018, Enstar contributed $94.8 million of its total capital commitment to Enhanzed Re and an uncalled amount of $128.0 million.

Enstar acts as the (re)insurance manager for Enhanzed Re, Hillhouse Capital acts as primary investment manager, and an affiliate of Allianz SE provides investment management services. Enhanzed Re intends to write business from affiliates of its operating sponsors, Allianz SE and Enstar. It will seek to underwrite business to maximize diversification by risk and geography.

Our investment in the common shares of Enhanzed Re, carried in equity method investments on our consolidated balance sheet, was $94.8 million as of December 31, 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 fulfill the particular duties and responsibilities of the role;
- demonstrate the appropriate character, competence, honesty and integrity in fulfilling occupational, managerial or professional responsibilities previously and/or in the conduct of their current duties;
- demonstrate sufficient knowledge of and a willingness to comply with legal obligations, regulatory requirements, professional standards and fiduciary obligations;
- be aware of and be able to effectively ensure implementation and compliance with the underlying principles of laws, regulatory requirements and license obligations applying to the relevant entity; and
- be able to identify and appropriately manage any conflicts of interest, in accordance with our Conflict of Interest Policy.

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

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

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

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

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

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

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

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

(1) Board Members

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

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

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

Robert 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 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 Chair of the Bank's RTGS/CHAPS Board, which oversees the United Kingdom's high value payment system. In connection with her role on the RTGS/CHAPS Board, Ms. Boss also serves as a member of RTGS Renewal Committee of the Bank of England's Court of Directors. 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

Ms. Boss has 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

From July 2018, Mr. Carey has served as a director of Focus Financial Partners, a publicly traded company that invests in independent fiduciary wealth management firms. Mr. Carey also currently serves on certain private company boards of the portfolio companies of the Trident funds. He previously served as non-executive Chairman of PARIS RE Holdings Limited and as a director of Alterra Capital Holdings Limited (until 2013), Cunningham Lindsay Group Limited and Lockton International Holdings Limited. Mr. Carey also serves as a director of StarStone Specialty 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
Enstar Committees: Risk

Biographical Information

Hans-Peter Gerhardt served as the Chief Executive Officer of Asia Capital Reinsurance Group from October 2015 through June 2017. He has served continuously in the reinsurance industry since 1981. He is the former Chief Executive Officer of PARIS RE Holdings Limited, serving in that position from the company's initial formation in 2006 through the completion of its merger into Partner Re Ltd. in June 2010. He previously served as the Chief Executive Officer of AXA Re from 2003 to 2006, also serving as Chairman of AXA Liabilities Managers, the AXA Group's run-off operation, during that time.

Certain Other Directorships

Mr. Gerhardt also serves as a non-executive director of Tokio Marine Kiln, Tokio Millennium Re and African Risk Capacity (all privately held). He previously served as a non-executive director of Asia Capital Reinsurance Group (until May 2018) and 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 is a Senior Managing Director & Global Head of Capital Markets and Factor Investing of the Canada Pension Plan Investment Board ("CPPIB"), a role he has held since 2018. Previously Mr. Winslow served as Head of External Portfolio Management and Head of Thematic Investing for CPPIB. Prior to joining CPPIB in 2009, Mr. Winslow had several senior management and investment roles at Nordea Investment Management in Denmark, Sweden and the United States. He also served as the Chief Investment Officer of Andra AP-Fonden (AP2) in Sweden.

Certain Other Directorships

Mr. Winslow is a director for the Standards Board for Alternative Investments, an international standard-setting body for the alternative investment industry. He previously served as a director of Viking Cruises Ltd., a private company, from 2016 to 2018.

Skills and Qualifications - Investment expertise; compensation and governance experience

Mr. Winslow brings significant investment expertise to our Board gained from his years in senior investment roles, which is highly valuable to our Investment Committee as it oversees our investment strategies and portfolios. His experiences at 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 Partner of 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 of Sentry Investments, a Canada-based asset manager. Before that, he served as a Fixed Income Research Analyst at RBC Capital Markets and a Credit Rating Specialist at Standard & Poor's. Mr. Liu obtained an M.A. in Economics from the University of Toronto in 2004, and he also holds an M.Sc. in Applied Finance from the University of New Brunswick and a B.Com. in Finance from Soochow University.

Certain Other Directorships

Mr. Liu also serves as a director on the boards of various private investments and investment vehicles relating to the business activities of Hillhouse.

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

Guy Bowker
Chief Financial Officer

Guy Bowker was appointed as Chief Financial Officer on January 1, 2018. He previously served as Chief Accounting Officer since joining the Company in September 2015 and was appointed as Deputy CFO during 2017 as part of his transition to the role of CFO. From 2010 to 2015, Mr. Bowker held the role of Senior Vice President - Controller of Platinum Underwriters Holdings, Ltd. From 2007 to 2010, he was the Director of Finance for American International Group in Bermuda. He is an alumnus of Deloitte's insurance practice and a member of Chartered Professional Accountants Bermuda and Chartered Accountants Australia and New Zealand. He is also a Chartered Insurer and Fellow of the Chartered Insurance Institute in the United Kingdom.

Orla M. Gregory
Chief Operating Officer

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

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

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

David Atkins
Chief Executive Officer of Enstar (EU) Limited

David Atkins was appointed the Chief Executive Officer of Enstar (EU) Limited ("Enstar EU") 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; 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 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.

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

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

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

The Group 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. The Group utilizes an internal capital model to assist with assessing our internal view of capital requirements and inform the Group Solvency Self-Assessment (“GSSA”) process.

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

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

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

i. 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 and Compliance

i) *Internal Control System*

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

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

The Company's assessment of its internal 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 optimize 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 Vendor Operations Function as well as the implementation of other risk mitigation techniques as appropriate (for example establishing alternate suppliers and contingency plans in the event of the supplier or outsourced service provider failing to deliver their contractual obligations).

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

ii) *Material Intra-Group Outsourcing*

Enstar comprises a number of regulated 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

The risks facing the Group currently include those related to strategic risk, capital adequacy risk, insurance risk, acquisition risk, reserving risk, investment risk, liquidity risk, credit risk, operational risk, regulatory risk and tax risk. For a discussion of risks related to our business and operations, please see “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018.

b) Risk Mitigation

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

Strategic Risk

Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond our control. We manage strategic risk by utilizing a strategic business planning process involving our executives and Board. Our annual business plan is reviewed and overseen by our executives and Board, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year. We specifically evaluate acquisition opportunities pursuant to a detailed and proprietary process that takes into account, among other things, the risk of the transaction and potential returns, the portfolio’s risk exposures, claims management practices, reserve requirements and outstanding claims, 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 review and monitor our liquidity and available financing. We rely on our processes to help us to anticipate potential adverse changes and, where possible, avoid or mitigate them.

Capital Adequacy Risk

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

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.

Acquisition Risk

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

Reserving Risk

Reserving risk is the risk that a Company's reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The estimation of reserves is subject to uncertainty because the ultimate cost of settling claims is dependent upon future events and loss development trends that can vary with the impact of economic, social, 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, 2018.

Investment Risk

Investment Risk is the risk of loss resulting from under-performing investment returns, dilution of investment capital, or adverse financial market movements (such as interest rates or exchange rates). Investment risk can be broken down into the following sub-risks which may threaten our ability to effectively manage the investment portfolio: interest rate risk, credit spread risk, public equity risk, alternative investment risk and concentration risk. We manage Investment 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 function, 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 an investment strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. Liquidity risk also includes the risk of our dependence of our future cash flows upon the availability of dividends or other statutorily permissible payments from our subsidiaries, which is limited by applicable laws and regulations. Due to our acquisitive strategy, liquidity risk at the Group level also includes immediate cash needs as a result of the purchase of (re)insurance portfolios and/or capital injections into a new or existing subsidiary to support associated solvency requirements as a direct result of merger and acquisition activity or other significant changes. We manage this risk through our capital management and planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, as well as anticipated capital needs.

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

c) Material Risk Concentrations

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

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

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

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

The guidelines establish as an objective:

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

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

e) Stress Testing and Sensitivity Analysis to Assess Material Risks

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

Investment 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 consist of a combination of publicly and privately traded investments. Our publicly traded equity investments in common and preferred stocks predominantly trade on the major exchanges and are managed by our external advisors. Our publicly traded equities are widely diversified and there is no significant concentration in any specific industry. We use an internationally recognized pricing service to estimate the fair value of our publicly traded equities.The fair value estimates of our investments in publicly traded preferred stock are based on observable market data.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. The market for these investments is illiquid and there is no active market. The Company uses a combination of cost, internal models, reported values from co-investors/managers and observable inputs, such as capital raises and capital transactions between new and existing shareholders to calculate the fair value of the privately held equity investments. As of December 31, 2018, we have used cost as our estimate of for value for the majority of our privately held equity investments, given that only a short period of time has passed since the investments were made.

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.

Equity Method Investments

Investments in which the Company has significant influence over the operating and financial policies of the investee are classified as equity method investments and are accounted for using the equity method of accounting. In applying the equity method of accounting, investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of net income or loss of the investee. Adjustments are based on the most recently available financial information from the investee. Changes in the carrying value of such investments are recorded in our consolidated statements of earnings as earnings (losses) from equity method investments. Any decline in the value of our equity method investments considered by management to be other-than-temporary is reflected in our consolidated statements of earnings in the period in which it is determined.

The valuation methodology for equity method investments 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 within 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. The intangible assets related to the Lloyd's syndicate capacity, the Insurance Licenses and the Management contract meet the definition of intangible assets eligible for inclusion in the EBS. No other intangible assets have been recognized in the EBS for EGL. Refer to our Annual Report on Form 10-K for the year ended December 31, 2018 for more information on our goodwill and intangible assets.

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.

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, 2018, the total Technical Provisions were comprised of the following:

	General Business Insurance Technical Provision	Long-term Insurance Technical Provision	Net Technical Provision
		(in thousands of U.S. dollars)	
Best Estimate Loss and Loss Expense Provision [1]	$ 6,993,288	$ 99,666	$ 7,092,954
Best Estimate Premium Provision [2]	126,502	2,688	728,791
Risk Margin [3]	726,103	—	126,502
Total	**$ 7,845,893**	**$ 102,354**	**$ 7,948,247**

(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, 2018 and 2017, we had reinsurance balances recoverable of $2,029.7 million and $2,021.0 million, 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.

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, however the $350.0 million of Senior Notes due March 2022, were approved by the BMA as Tier 3 Ancillary Capital on March 27, 2019.

Other Liabilities

The valuation methodology for other liabilities 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 U.S. GAAP capital resources as at December 31, 2018 included shareholders' equity of $3,914.0 million (2017: $3,145.9 million), redeemable noncontrolling interest of $458.5 million (2017: $479.6 million) classified as temporary equity and loans payable of $861.5 million (2017: $646.7 million). 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, 2018, EGL had in place a revolving credit facility which permits the Company to borrow up to $600.0 million. As of December 31, 2018, there was $585.0 million of available unutilized capacity under this facility. Subsequent to December 31, 2018, and up to the date of this report, we utilized $350.4 million and repaid $365.4 million bringing the available unutilized capacity under this facility to $600.0 million.

- *Access to Capital Markets*

  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, 2018, the Company's Eligible Capital was categorized as follows:

	December 31, 2018	December 31, 2017
	(expressed in thousands of U.S. dollars)	
Tier 1	$ 3,472,633	$ 2,748,914
Tier 2	571,951	110,964
Tier 3	350,000	—
Total	$ 4,394,584	$ 2,859,878

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

Tier 1 Capital

All Eligible Capital of the Group, except those described below, is classified as Tier 1 capital.

Tier 2 Capital

Tier 2 capital consists of the following:

- $400.0 million of Series D Preferred Shares, approved by the BMA as Tier 2 Basic Capital on July 25, 2018
- $110.0 million of Series E Preferred Shares, approved by the BMA as Tier 2 Basic Capital on February 1, 2019
- $62.0 million which is the amount in respect of the excess of encumbered assets for policy holder obligations, which is greater than the respective liabilities.

Tier 3 Capital

Tier 3 capital consists of the following:

- $350.0 million of senior notes due March 2022, approved by the BMA as Tier 3 Ancillary Capital on March 27, 2019.

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%	$ 3,472,634	$ 3,472,634
Tier 2	Max	20%	40%	571,951	571,951
Tier 3			15%	—	350,000
Total				$ 4,044,585	$ 4,394,585

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, 2018:

	December 31, 2018	December 31, 2017
	(expressed in thousands of U.S. dollars)	
Shareholders' Equity per U.S. GAAP	$ 3,913,989	$ 3,145,948
Net reclassification of investments held at cost to fair value	—	6,275
Remove non-admitted Prepaid Expenses	(14,934)	(9,710)
Remove non-admitted Goodwill and Intangibles	(218,725)	(180,589)
Redeemable noncontrolling interest	458,543	479,606
Reallocate Senior Notes to Eligible Capital	350,000	—
Statutory Capital and Surplus	**$ 4,488,873**	**$ 3,441,530**
General business technical provision adjustments	(139,985)	(547,895)
Add back eligible Intangible assets	103,918	—
Reclassification of equity method investment held at adjusted cost to fair value	—	11,393
Long term business technical provision adjustments	25	—
Statutory Economic Capital and Surplus (EBS)	**$ 4,452,831**	**$ 2,905,028**
Encumbered assets not securing policy holder obligations	(58,247)	(45,150)
Group Eligible Capital	**$ 4,394,584**	**$ 2,859,878**

b) Regulatory Capital Requirements

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

	December 31, 2018	Ratio
	(expressed in thousands of U.S. dollars)	
Minimum Margin of Solvency	$ 1,504,536	296 %
Enhanced Capital Requirement	$ 2,183,594	204 %

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

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

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

N/A

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

N/A

c) Approved Internal Capital Model to derive the ECR

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

ITEM 6. *SUBSEQUENT EVENTS*

a) Significant Transactions

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

AmTrust RITC Transactions

On February 14, 2019, we completed four RITC transactions with Syndicates 1206, 1861, 2526 and 5820, managed by AmTrust Syndicates Limited, under which we reinsured to close the 2016 and prior underwriting years. We assumed net reinsurance reserves of approximately £650.0 million (approximately $830.0 million) for cash consideration approximately equal to the net amount of reserves assumed. We have an investment in AmTrust, as described further in Note 21 - "Related Party Transactions".

Amerisure

On February 15, 2019, we completed a loss portfolio transfer reinsurance agreement with Amerisure Mutual Insurance Company ("Amerisure") and Allianz Risk Transfer (Bermuda) Limited (“ART Bermuda”). In the transaction, Amerisure has agreed to cede, and each of Enstar and ART Bermuda has agreed to severally assume, a 50% quota share of the construction defect losses incurred by Amerisure and certain of its subsidiaries on or before December 31, 2012. At closing, Amerisure would pay Enstar and ART Bermuda an aggregate premium of $125.0 million, which would be adjusted for a broker commission and paid claims and recoveries from April 1, 2018. Enstar's subsidiary would assume $60.0 million of net reserves in the transaction. This transaction closed in April 2019.

Maiden

On March 1, 2019, we entered into a Master Agreement with Maiden Holdings, Ltd. ("Maiden Holdings") and Maiden Reinsurance Ltd. (“Maiden Re Bermuda”). Under the Master Agreement, Enstar and Maiden Re Bermuda agreed to enter into an Adverse Development Cover Reinsurance Agreement (“ADC Agreement”) pursuant to which Maiden Re Bermuda will cede and Enstar will reinsure 100% of the liability of Maiden Re Bermuda, as reinsurer, under Maiden Re Bermuda’s two existing quota share agreements with certain insurance companies owned directly or indirectly by AmTrust Financial Services, Inc. (“AmTrust”) for losses incurred on or prior to December 31, 2018 in excess of a $2.44 billion retention, as such figure may be adjusted based upon Maiden’s final year end reserves for the underlying business, up to a $675 million limit. The premium payable by Maiden Re Bermuda to Enstar under the ADC Agreement is $500 million. Completion of the transaction is subject to, among other things, regulatory approvals and satisfaction of various closing conditions. The Master Agreement contains customary representations, warranties, covenants and other closing conditions. The transaction is expected to close in the first half of 2019.

Effective immediately upon the signing of the Master Agreement, the parties terminated and released each other from their respective obligations under the previously disclosed Master Agreement, entered into on November 9, 2018. The previous agreement provided for the parties to enter into a retrocession agreement pursuant to which Maiden Re Bermuda would cede and Enstar would reinsure 100% of the liability of Maiden Re Bermuda, as reinsurer, under Maiden Re Bermuda’s two existing AmTrust quota share agreements for losses incurred on or prior to June 30, 2018, for a premium payable by Maiden Re Bermuda to Enstar of $2.675 billion.

Zurich

On April 16, 2019, we entered into a reinsurance transaction with Zurich Insurance Group ("Zurich"), pursuant to which we reinsured certain of Zurich's U.S. asbestos and environmental liability insurance portfolios. We will assume approximately $0.5 billion of gross reserves in the transaction, relating to 1986 and prior year business. Completion of the transaction, which is expected to occur in 2019, is subject to, among other things, regulatory approvals and satisfaction of various other customary closing conditions.

These transactions 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.

b) 2019 Senior Notes

On May 28, 2019, we issued Senior Notes for an aggregate principal amount of $500.0 million. The Senior Notes pay 4.95% interest semi-annually and mature on May 28, 2029. The Senior 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 Senior Notes, effectively subordinate to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally subordinate to all liabilities of our subsidiaries.

DECLARATION ON FINANCIAL CONDITION REPORT

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

/s/ Dominic Silvester
Enstar Group Limited, Chief Executive Officer
May 29, 2019

/s/ Karen Esdale
Enstar Group Limited, Chief Risk Officer
May 29, 2019

Appendix I - Corporate Structure as at December 31, 2018

Changes to our corporate structure subsequent to December 31, 2018 are not reflected in this Appendix

Subsidiary Name	Jurisdiction of Incorporation
609 Capital Limited*	United Kingdom
Aerie Income LLC	Delaware
AG Australia Holdings Limited	Australia
Alopuc Limited*	United Kingdom
Alpha Insurance SA	Belgium
Arden Reinsurance Company Ltd.*	Bermuda
Arena SA*	Belgium
Atrium 1 Limited*	United Kingdom
Atrium 2 Limited*	United Kingdom
Atrium 3 Limited*	United Kingdom
Atrium 4 Limited*	United Kingdom
Atrium 5 Limited*	United Kingdom
Atrium 6 Limited*	United Kingdom
Atrium 7 Limited*	United Kingdom
Atrium 8 Limited*	United Kingdom
Atrium 9 Limited*	United Kingdom
Atrium 10 Limited*	United Kingdom
Atrium Group Services Limited*	United Kingdom
Atrium Insurance Agency (Asia) Pte. Ltd.*	Singapore
Atrium Insurance Agency Limited*	United Kingdom
Atrium Nominees Limited*	United Kingdom
Atrium Risk Management Services (British Columbia) Ltd.*	Canada
Atrium Risk Management Services (Washington) Ltd.*	Washington
Atrium Underwriters Limited*	United Kingdom
Atrium Underwriting Group Limited*	United Kingdom
Atrium Underwriting Holdings Limited*	United Kingdom
B.H. Acquisition Limited	Bermuda
Belmont Run-Off Limited	United Kingdom
Brake Systems, Inc.	Delaware
BWDAC, Inc.	Delaware
Cavell Holdings Limited	United Kingdom
Cavello Bay Reinsurance Limited	Bermuda
Chatsworth Limited	Bermuda
Clarendon National Insurance Company	Illinois
Copper Coast Funds ICAV	Ireland
CP Product, LLC	Virginia
Cranmore (UK) Limited	United Kingdom
Cranmore (US) Inc.	Delaware
Cranmore Asia Pte. Limited	Singapore
Cranmore Australia Pty Limited	Australia
Cranmore Europe BVBA	Belgium
Cranmore Insurance & Reinsurance Services Europe Limited	Ireland

Subsidiary Name	Jurisdiction of Incorporation
DCo LLC	Virginia
DLCM No. 1 Limited	United Kingdom
DLCM No. 2 Limited	United Kingdom
DLCM No. 3 Limited	United Kingdom
Dunmore LLLP	Delaware
East Point Reinsurance Company of Hong Kong Limited	Hong Kong
Echlin Argentina S.A.*	Argentina
EFMG LLC	Virginia
Enstar (EU) Finance Limited	United Kingdom
Enstar (EU) Holdings Limited	United Kingdom
Enstar (EU) Limited	United Kingdom
Enstar (US Asia-Pac) Holdings Limited	United Kingdom
Enstar (US) Inc.	Delaware
Enstar Acquisitions Limited	United Kingdom
Enstar Asia Pacific Pty Ltd	Australia
Enstar Australia Holdings Pty Limited	Australia
Enstar Australia Limited	Australia
Enstar Financial Services, Inc.	Florida
Enstar Holdings (US) LLC	Delaware
Enstar Insurance Management Services Ireland Limited	Ireland
Enstar Limited	Bermuda
Enstar Malta Limited	Malta
Enstar USA, Inc.	Georgia
EPE, Inc.	California
Fitzwilliam Insurance Limited	Bermuda
Flight Operations, Inc.	Delaware
Friction Inc.	Delaware
Friction Materials, Inc.	Massachusetts
Global Legacy Acquisition L.P.*	Bermuda
Gordian Runoff Limited	Australia
Goshawk Dedicated Limited*	United Kingdom
Goshawk Insurance Holdings Limited*	United Kingdom
Guillamene Holdings Limited	Ireland
Harper Holding, S.à r.l.	Luxembourg
Harper Insurance Limited	Switzerland
Hong Kong Reinsurance Company Limited	Hong Kong
Inter-Ocean Reinsurance (Ireland) Limited	Ireland
KaylaRe Holdings Ltd.	Bermuda
KaylaRe Ltd.	Bermuda
Kenmare Holdings Ltd.	Bermuda
Kinsale Brokers Limited	United Kingdom
Knapton Holdings Limited	United Kingdom
Laguna Life Holdings Limited	Bermuda
Laguna Life Holdings S.à r.l.	Luxembourg
Lipe Corporation	Delaware

Subsidiary Name	Jurisdiction of Incorporation
Lipe Rollway Mexicana S.A. de C.V.*	Mexico
Maiden Reinsurance North America, Inc.	Missouri
Malakite Underwriting Partners Limited*	Dubai
Mercantile Indemnity Company Limited	United Kingdom
Midland Brake, Inc.	Delaware
North Bay Holdings Limited*	Bermuda
Northshore Holdings Limited*	Bermuda
Paladin Managed Care Services, Inc.	California
Pavonia Life Insurance Company of New York	New York
Prattville Mfg., Inc.	Delaware
Providence Washington Insurance Company	Rhode Island
Regis Agencies Limited	United Kingdom
Reinz Wisconsin Gasket LLC	Delaware
River Thames Insurance Company Limited	United Kingdom
Rombalds Run-Off Limited	United Kingdom
SGL No.1 Limited	United Kingdom
SGL No.3 Limited	United Kingdom
Shelbourne Group Limited	United Kingdom
StarStone Bermuda Intermediaries Ltd.*	Bermuda
StarStone Corporate Capital 1 Limited*	United Kingdom
StarStone Corporate Capital 2 Limited*	United Kingdom
StarStone Corporate Capital Limited*	Ireland
StarStone Finance Limited*	United Kingdom
StarStone Insurance Bermuda Limited*	Bermuda
StarStone Insurance SE*	Liechtenstein
StarStone Insurance Services Limited*	United Kingdom
StarStone National Insurance Company*	Delaware
StarStone Specialty Holdings Limited*	Bermuda
StarStone Specialty Insurance Company*	Delaware
StarStone Specialty Insurance Company - Escritório de Representação no Brasil Ltda.*	Brazil
StarStone Underwriting Australia Pty Ltd*	Australia
StarStone Underwriting Limited*	United Kingdom
StarStone US Holdings, Inc.*	Delaware
StarStone US Intermediaries, Inc.*	New Jersey
StarStone US Services, Inc.*	New Jersey
Torus Business Solutions Private Ltd.*	India
United Brake Systems Inc.	Delaware
Vander Haeghen & Co SA*	Belgium
Woodstown LLLP	Delaware
Yosemite Insurance Company	Oklahoma

Notes:

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