



Realising Value



Enstar Group Limited  
2017 Investor Day Meeting

June 29, 2017

[ENSTARGROUP.COM](http://ENSTARGROUP.COM)

**ROBERT CAMPBELL**  
**CHAIRMAN OF THE BOARD**

**Opening Remarks**



## **IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This presentation, and oral statements made with respect to information contained in this presentation, 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 you see or hear during the presentation 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. The date of this presentation is June 29, 2017 and Enstar does not undertake to update or keep it accurate after such date.

## **NON-GAAP MEASURES AND FINANCIAL INFORMATION**

Certain financial and underwriting measures, including the combined ratios and loss ratios that we present for our Atrium and StarStone businesses are “non-GAAP” financial measures as defined by Regulation G. We use these figures to provide more complete information regarding the underwriting results of these businesses. In our “Key Components of the Income Statement” slide, figures presented include amounts attributable to discontinued operations, which are accounted for separately on our consolidated statement of earnings prepared in accordance with US GAAP. Reconciliations to the most directly comparable GAAP financial measures (if any) are provided in the Appendices at the end of this presentation. This presentation is available on our website at <https://investor.enstargroup.com/download-library>.

The credit ratings described herein are provided by third parties, A.M. Best, Standard and Poor's and Fitch Ratings, and are subject to certain limitations and disclaimers. For information on these ratings, refer to the rating agencies' websites and other publications.

For more complete information about Enstar Group Limited, you should read our reports filed with the SEC. You may get these documents for free through EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov), which you may also access through our website at <https://investor.enstargroup.com/investor-relations>.

# Our Executive Management Team

**Dominic Silvester**  
Chief Executive Officer

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**Paul O'Shea**  
President

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**Orla Gregory**  
Chief Operating Officer

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**Mark Smith**  
Chief Financial Officer

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# Today's Agenda

- |   |                   |
|---|-------------------|
| <b>1</b> Opening Remarks                            | Bob Campbell      |
| <b>2</b> Company Overview and Strategic Initiatives | Dominic Silvester |
| <b>3</b> Mergers & Acquisitions                     | Paul O'Shea       |
| <b>4</b> Active Underwriting                        | Paul O'Shea       |
| <b>5</b> Operations                                 | Orla Gregory      |
| <b>6</b> Financial Overview                         | Mark Smith        |
| <b>7</b> Q&A and Closing Remarks                    | Bob Campbell      |

# Concluding Thoughts

## Creating long-term value



Delivering long-term value and shareholder return remains our Board's top priority

We entered 2017 with significant momentum

Record-high net earnings

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Robust business model

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Investable assets now constitute over \$400 per share

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Successful growth through acquisitions which remains our cornerstone

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Welcomed new members to our Board bringing fresh views and insight

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**DOMINIC SILVESTER**  
**CHIEF EXECUTIVE OFFICER**

**Company Overview and Strategic Initiatives**



A Multifaceted Insurance Group



**Solid Financial Performance**  
**Enduring Business Model**  
**Continuous Achievement**



**GROWING  
NET EARNINGS**

**\$264.8m**

*Net earnings*



Up more  
than 20%  
from 2015

**\$54.7m**

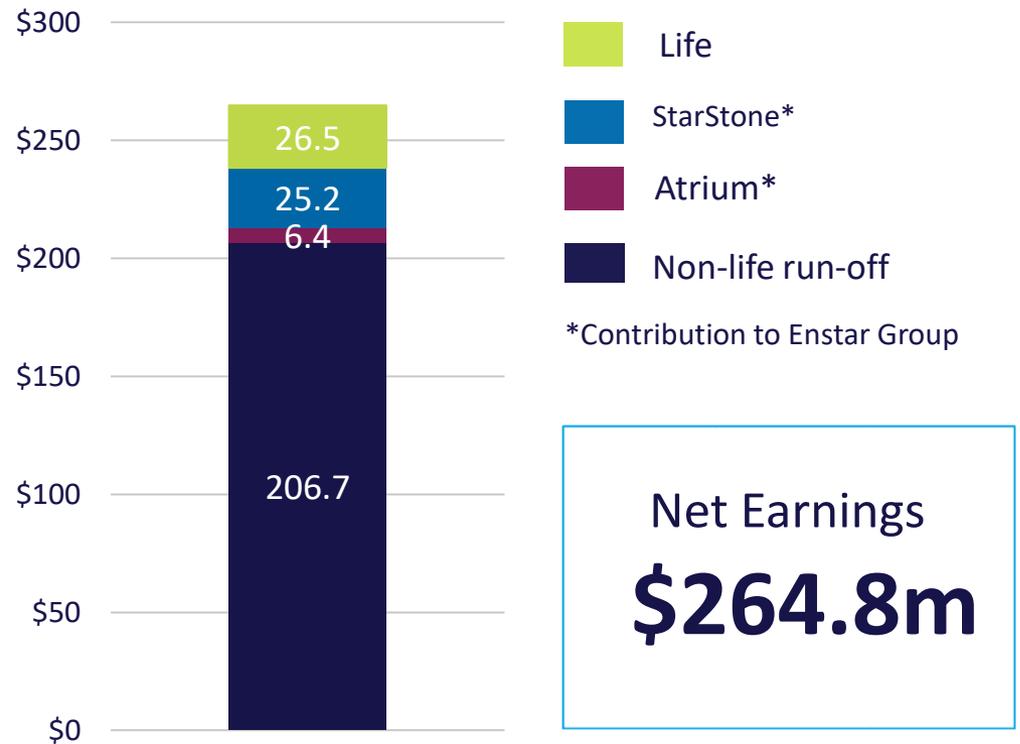
1<sup>st</sup> Quarter 2017 Net Earnings

# Positive Segment Results

**NON-LIFE RUN-OFF  
PRIMARY  
DRIVER OF  
EARNINGS**

**\$206.7m**  
*Up 19% from 2015*

2016 Net Earnings  
(\$ millions)

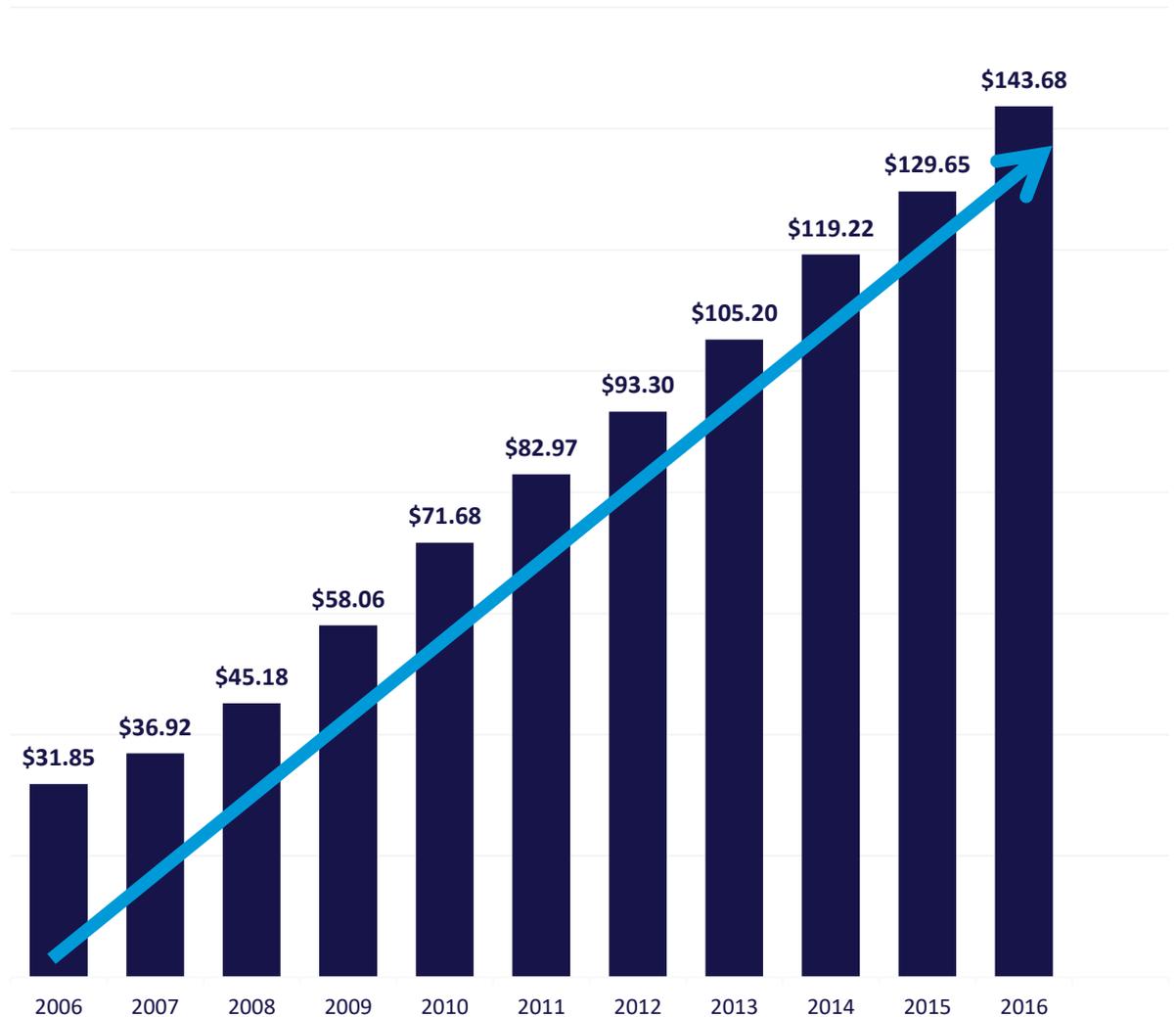


# Growing Book Value Per Share

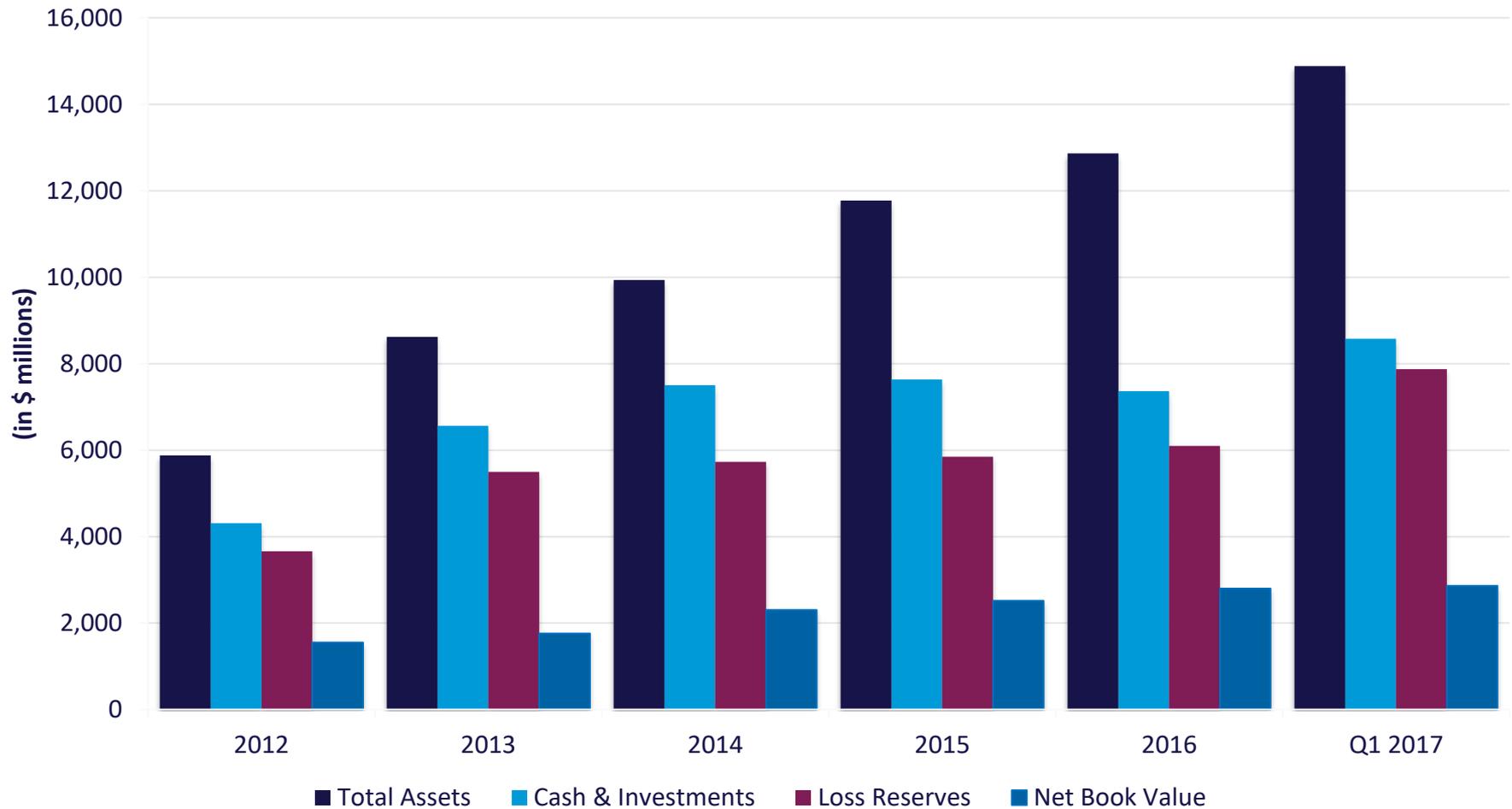
# \$143.68

*Book value per share*

*December 31, 2016*



## Balance sheet growth



# Acquisitions Make Us Stronger



**\$4.0bn**

*2016 – Q1 2017*

*Total acquired reserves*

## Recent transactions with world-class partners

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### ALLIANZ

\$1.1bn gross reserves

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### QBE

\$1bn gross reserves

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### RSA

\$1.3bn gross reserves

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### DANA

\$240m gross reserves

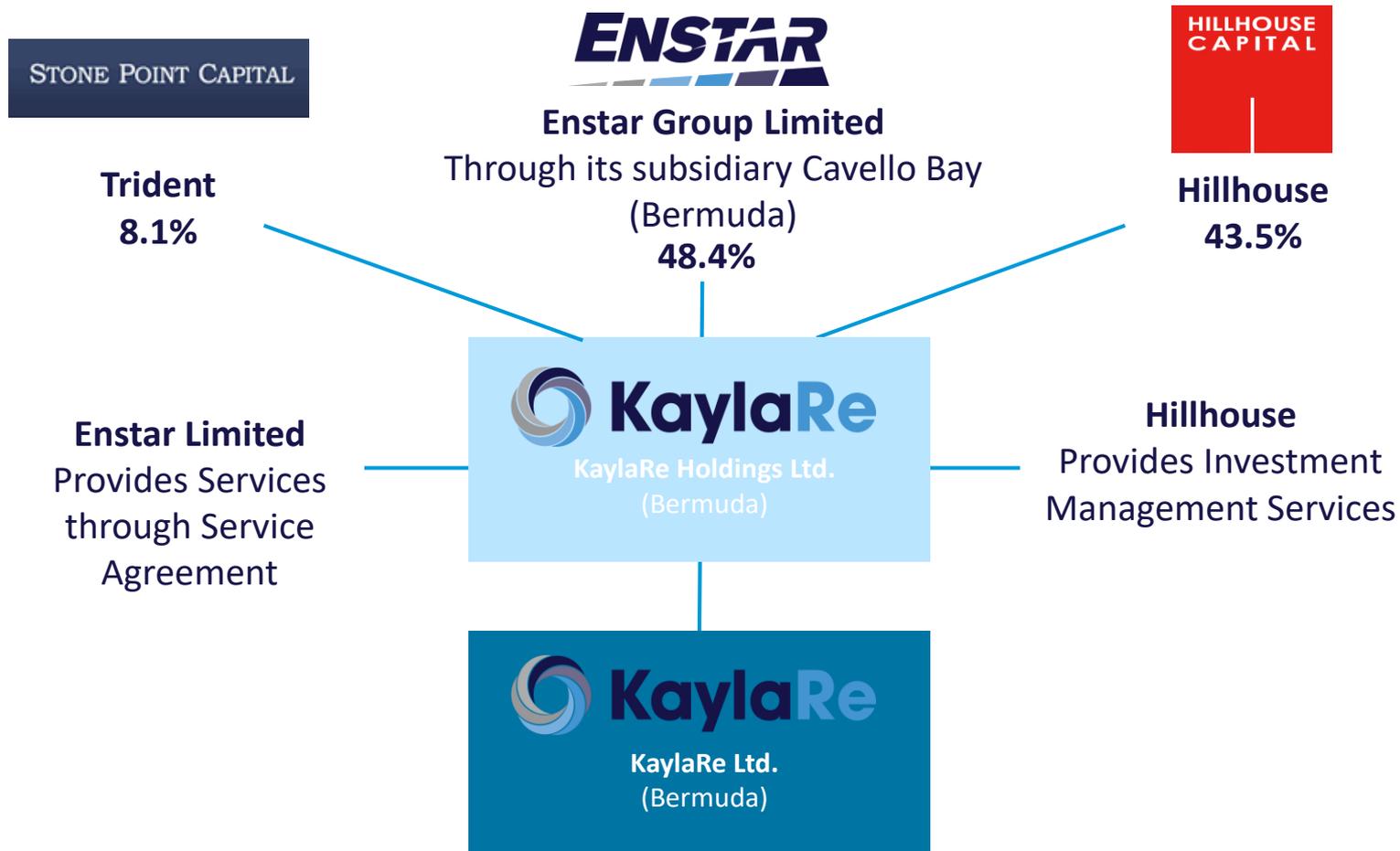
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### OTHER

\$314m gross reserves

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# Introducing KaylaRe



**KaylaRe Management Team**  
**Nick Packer CEO Alan Turner CFO Chris Harris CUO**

# Principal Shareholders



We consider our strategic investors, like our clients, as true partners in our business.

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CPP Investment Board and CPPIB Epsilon LP

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Hillhouse Capital Management

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Akre Capital Management, LLC

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Stone Point Capital LLC

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Beck, Mack & Oliver LLC

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Corsair Capital LLC

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The Vanguard Group, Inc.

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BlackRock Institutional Trust Company

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Hotchkis and Wiley Capital Management, LLC

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Fidelity Management & Research Company

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Enstar Executive Management

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# Addressing the Industry Challenges

Focused and driven for continued success

Innovation

Disciplined  
Underwriting

Enhancing our  
Operating  
Platform

Preparing for  
the Future

**PAUL O'SHEA**  
**PRESIDENT**

**Mergers & Acquisitions**  
**Active Underwriting**



# Proven Record of Acquiring Liabilities



## Acquired Total Assets and Gross Reserves by Year

	Assets \$m	Gross Reserves Acquired \$m
2007 and prior	2,892	2,324
2008	3,578	2,349
2009	251	194
2010	1,577	1,358
2011	2,098	1,966
2012	411	411
2013	3,660	2,635
2014	2,534	1,292
2015	2,692	2,361
2016	1,846	1,636
YTD 2017	2,320	2,320
<b>Total</b>	<b>\$23,859</b>	<b>\$18,846</b>

# Recent Transactions



## QBE

**\$1,019m**

Gross total reserves

**\$447m**

Net reserves

## RSA

**£1,046m**

Gross total reserves

**£928m**

Net reserves

## Dana

**\$320m**

Gross undiscounted reserves

**\$101m**

Net discounted reserves

# Pipeline, Competition and Outlook



Pipeline remains strong with a number of targets under review

P&C rates remain under pressure

Prolonged low interest rate environment

Increased regulation

Competition

Pricing drivers:  
Economics &  
Strategy

Expertise and capabilities across diverse Lines

Strong regulatory reputation

Secure business partner

# Active Underwriting

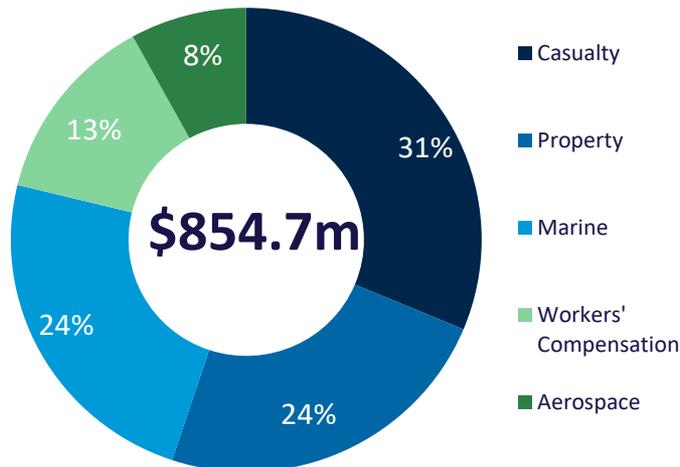


Global specialty insurer

Led by Demian Smith

Geographic Split of Insured:  
60% US and 40% ROW

Gross Written Premiums by  
Products 2016



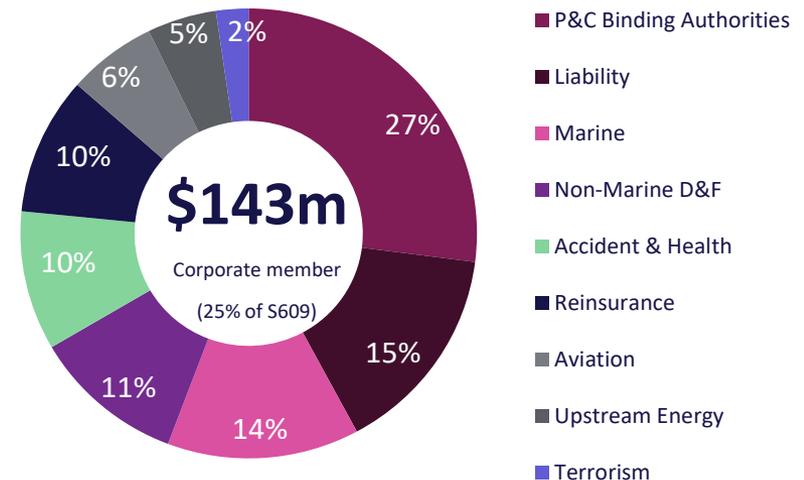
## ATRIUM

One of the most successful agencies in Lloyd's

Led by Richard Harries

Provides diverse speciality insurance offerings

Gross Written Premiums by  
Products 2016



**Active Underwriting Combined Gross Written Premium of \$1 Billion**

# Why have we been successful?

The success  
of Enstar is a  
product of  
the entire  
company.

Operations, claims and acquisition teams are key to the acquisition process

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Cranmore and Paladin provide significant additional expertise

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Active underwriting business provides greater transaction flexibility

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Strong relationships with joint venture partners

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Willingness to seek new opportunities

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**ORLA GREGORY**  
**CHIEF OPERATING OFFICER**

**Operations**



## Global Vision & Strategy

Improved resource allocation

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Strategic alignment

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Manage growth effectively

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Innovate, motivate and inspire

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Identifying and implementing areas of improvement and cost efficiency

Investments

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Actuarial

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Process Modernization

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Change Management

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Talent Management

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## Restructure Investment Management structure

On-shoring the management team

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Welcomed new Chief Investment Officer

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Consolidated investment managers

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East Coast operational efficiencies

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## Review of our global Actuarial function

Welcomed new Group Chief Actuary

Implemented Target Operating Model

Developing in-house reserving capability

Significant investment in our process designs and technology platforms

Large scale project for Enstar

Touches many areas of business including Finance, Claims, Underwriting, Actuarial

Now placed to transition new business more quickly and effectively

## Change is the nature of our business

New Governance  
Structure in place to  
address change

Continued  
improvement in  
internal  
communications

Supports strong  
collaboration across  
our group

## Attracting and developing future talent

Talent development and succession  
planning high priority

Nick Packer now CEO of KaylaRe

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Orla Gregory now Chief Operating Officer

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David Atkins, Enstar EU CEO and Paul  
Brockman, Enstar US CEO stepped into  
leadership roles

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Mark Smith to transition CFO  
responsibilities to successor Guy Bowker Jan  
2018

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# Claims Management, Consultancy & Advisory



## INSURANCE & REINSURANCE AUDIT & CONSULTANCY



Specialist insurance and reinsurance  
consultancy group

Provides due diligence to Enstar's  
Merger & Acquisitions team

## PROACTIVE MANAGEMENT STRATEGIES



Disciplined and Professional  
Claims Management

Managing Third Party  
Administrators (TPAs)

## MANAGED CARE SERVICES



Provider of medical bill review,  
utilization review, physician case  
management and related  
services

Servicing \$2.4bn of Enstar's  
workers' compensation reserves

## Total Enstar Group net claims paid of \$912 million in 2016

**MARK SMITH**  
**CHIEF FINANCIAL OFFICER**

## **Financial Overview**





Drivers of Income



Investments



Loss Reserves



Financial Resources



Capital Requirements

# Key Drivers of the Income Statement\*



	2016 (\$ thousands)	2015 (\$ thousands)	Movement
Underwriting Income Run-Off	310,826	330,560	(19,734)
Underwriting Income Live	182,829	207,189	(24,360)
G & A Expenses	459,656	426,307	33,349
Investment Income	305,684	116,716	188,968

*\*The information on this slide is presented for illustrative purposes only, and is not in conformity with US GAAP requirements for the presentation of a statement of earnings, nor does it include all components of net earnings. **The figures above include amounts attributable to discontinued operations, which are accounted for separately on our consolidated statement of earnings prepared in accordance with US GAAP.** Please refer to Appendix B for a reconciliation to US GAAP. This table should not be used as a substitute for the statement of earnings set forth in our Form 10-K filings with the SEC for the periods referenced.*

# Investment Portfolio

Total Investment Portfolio (\$ thousands)	Q1 2017		2016		2015	
Fixed Maturities <sup>(1)</sup>	7,301,704	86%	5,873,592	83%	5,115,926	81%
Risk Assets	1,171,619	14%	1,163,745	17%	1,224,855	19%
Total Investments <sup>(1)</sup>	8,473,323	100%	7,037,337	100%	6,337,978	100%
Shareholders' Equity / Risk Assets as % of Shareholders' Equity	2,864,866	41%	2,802,312	42%	2,516,872	49%
Duration (including cash)	3.27 years		2.56 years		1.81 years	
Net Investment income	48,739		185,463		122,564	
Net Realized and unrealized gains (losses)	58,519		77,818		(41,523)	
Book Yield	2.17%		2.17%		1.64%	
Financial Statement Portfolio Return	1.20%		3.09%		1.09%	

(1) Includes Funds Held – Directly Managed.

## Investment Portfolio (cont'd)

Risk Assets (\$ thousands)	Q1 2017	2016	2015
Equities	106,337	95,047	111,495
Private Equities and Private Equity Funds	284,385	300,529	232,372
Fixed Income Funds	253,499	249,023	280,749
Fixed Income Hedge Funds	78,537	85,976	89,154
Equity Funds	244,488	223,571	147,390
Multi Strategy Hedge Fund	-	-	99,020
Real Estate Debt Fund	-	-	54,829
CLO Equities and CLO Equity Funds	73,314	77,005	75,630
Life Settlements	133,127	133,651	133,071
Other	932	943	1,145
<b>TOTAL RISK ASSETS</b>	<b>1,171,619</b>	<b>1,163,745</b>	<b>1,224,855</b>

# Loss Reserves

Gross Reserves	Q1 2017		2016		2015	
Non-Life Run-Off (NLRO)	6,478,150	83%	4,716,363	79%	4,585,454	80%
Atrium	212,123	3%	212,122	4%	201,017	4%
StarStone	1,070,314	14%	1,059,382	18%	933,678	16%
<b>Total Loss Reserves</b>	<b>7,760,587</b>	<b>100%</b>	<b>5,987,867</b>	<b>100%</b>	<b>5,720,149</b>	<b>100%</b>

**83%**  
**Non-Life Run Off**  
 remains our core  
 business

**Significant**  
 increase in  
**Asbestos &**  
**Environmental in**  
**Q1 - RSA and**  
**Dana**

**Continued growth**  
 in **Workers'**  
**Compensation in**  
**Q1 - QBE**

## 20%-30%

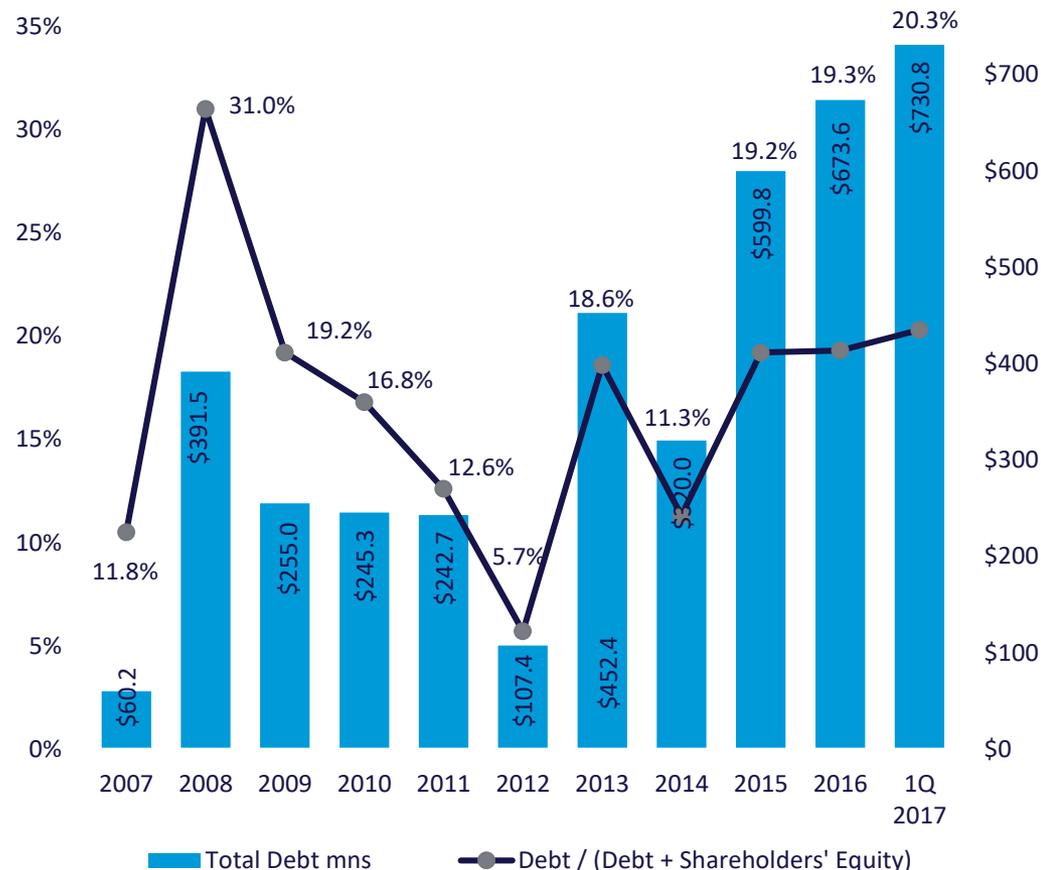
target debt to capital range

**Enstar has long-term issuer investment grade credit ratings:**

- S&P (BBB-) stable outlook
- Fitch (BBB) stable outlook
- “A-” A.M. Best Financial Strength Rating for StarStone

**Initial public debt offering Q1 2017**  
**\$350m, 5 year, 4.5%**

Enstar Group debt (millions) / capital ratio



# Capital Requirements / Regulatory Matters



Group  
Supervisory  
Capital

Statutory Capital  
& Surplus  
(Regulated insurance  
operations)

Ratings  
Agencies &  
Lloyd's

Debt / Credit  
Covenants

## MAJOR JURISDICTIONS

Bermuda

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United States

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United Kingdom (incl. Lloyd's)

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Continental Europe

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Australia

## CAPITAL EFFICIENCY INITIATIVES

Total subsidiary distributions in 2016 of \$517m as a result of:

- Amalgamations of subsidiaries
- Progress of run-off
- Increased efficiencies in our capital structure at Lloyds

# Closing Remarks / Q&A

# Appendix A – Non-GAAP Financial Measures



## IMPORTANT INFORMATION ABOUT NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

# Appendix B – Reconciliation of the Key Components of the Income Statement



	GAAP Earnings					
	2016			2015		
	Per GAAP	Gross-up of Discontinued operations	Total	Per GAAP	Gross-up of Discontinued operations	Total
<b>INCOME</b>						
Net premiums earned	\$823,514	\$69,089	\$892,603 (A)	\$753,744	\$85,327	\$839,071 (D)
Fees and commission income	39,364	-	39,364 (A)	39,347	-	39,347 (D)
Net investment income	185,463	38,140	223,603 (B)	122,564	35,404	157,968 (E)
Net realized and unrealized gains (losses)	77,818	4,263	82,081 (B)	-41,523	271	-41,252 (E)
Other income	4,836	1,912	6,748 (A)	30,328	7,690	38,018 (D)
	1,130,995	113,404	1,244,399	904,460	128,692	1,033,152
<b>EXPENSES</b>						
Net incurred losses and LAE	174,099	-	174,099 (A)	104,333	-	104,333 (D)
Life and annuity policy benefits	-2,038	76,594	74,556 (A)	-546	97,472	96,926 (D)
Acquisition costs	186,569	9,836	196,405 (A)	163,716	13,712	177,428 (D)
General and administrative expenses	423,734	14,416	438,150 (C)	389,159	13,886	403,045 (F)
Interest expense	20,642	-	20,642 (C)	19,403	-	19,403 (F)
Net foreign exchange losses (gains)	665	199	864 (C)	3,373	486	3,859 (F)
	803,671	101,045	904,716	679,438	125,556	804,994
EARNINGS BEFORE INCOME TAXES	327,324	12,359	339,683	225,022	3,136	228,158
INCOME TAXES	-34,874	-396	-35,270	-12,650	-5,167	-17,817
NET EARNINGS FROM CONTINUING OPS	292,450	11,963	304,413	212,372	-2,031	210,341
NET EARNINGS FROM DISCONTINUING OPS	11,963	-11,963	-	-2,031	2,031	-
NET EARNINGS	304,413	-	304,413	210,341	-	210,341
Less: Net earnings attributable to noncontrolling interest	-39,606	-	-39,606	9,950	-	9,950
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$264,807	-	\$264,807	\$220,291	-	\$220,291

	Summary Non-GAAP amounts:	
	2016	2015
Underwriting income - Runoff	\$310,826	\$330,560
Underwriting income - Active	<u>\$182,829</u>	<u>\$207,189</u>
Total underwriting income	Σ(A)= \$493,655	Σ(D)= \$537,749
less: Salaries and G&A	Σ(C)= \$459,656	Σ(F)= \$426,307
Net investment income	Σ(B)= <u>\$305,684</u>	Σ(E)= <u>\$116,716</u>
Earnings before income taxes	\$339,683	\$228,158

- 1) "Underwriting income – Runoff" represents the income we earn from our underwriting operations in our Non-life Run-off and Life and Annuities Segments. It consists of "Net premiums earned," "Fees and commission income," and "Other income" LESS "Net incurred losses and LAE," "Life and annuity policy benefits" (in the case of our Life and Annuities Segment), and "Acquisition costs" as reported on our GAAP Statements of Earnings for each segment in our most recent Annual Report on Form 10-K.
- 2) "Underwriting income – Active" represents the income we earn from our underwriting operations in our Atrium and StarStone Segments. It consists of "Net premiums earned," "Fees and commission income," and "Other income" LESS "Net incurred losses and LAE," and "Acquisition costs" as reported on our GAAP Statements of Earnings for each segment in our most recent Annual Report on Form 10-K.

The Key Components of the Income Statement are derived from our consolidated GAAP Statement of Earnings pursuant to the formulas above.