Enstar Group Limited Reports Second Quarter 2023 Results

August 2, 2023

- **Net Earnings of $21 million and Return on Equity of 0.5%, primarily driven by investment results**
- **Book Value per Ordinary Share grew 8.6% to $284.76 (Adjusted* $279.37) as of June 30, 2023**
- **Completed Loss Portfolio Transfers with QBE and RACQ**
- **Received upgrade from S&P on long-term issuer credit rating**
- **Extended term to May 2028 and upsized revolving credit agreement by $200 million to $800 million at lower cost of capital**

HAMILTON, Bermuda, Aug. 02, 2023 (GLOBE NEWSWIRE) -- Enstar Group Limited (Nasdaq: ESGR) filed its quarterly report on Form 10-Q with the SEC earlier today. An audio presentation reviewing the second quarter 2023 results with expanded commentary is available on Enstar's investor relations website at investor.enstargroup.com.

Second Quarter 2023 Highlights:

- Net earnings of $21 million, or $1.34 per diluted ordinary share, compared to net loss of $434 million, or $25.20 per diluted ordinary share, for the three months ended June 30, 2022.
- Return on equity ("ROE") of 0.5% and Adjusted ROE* of 2.1% for the quarter compared to (8.2)% and (1.6)%, respectively, in the second quarter of 2022. ROE performance was driven by investment returns of $159 million. Adjusted ROE* excludes $89 million of net realized and unrealized losses on our fixed maturities.
- Run-off liability earnings ("RLE") of $10 million, driven by favorable development on our workers' compensation line of business. In comparison, RLE of $159 million in the prior-year period benefited from favorable development on our professional indemnity/directors and officers and workers' compensation lines of business and reductions in the value of certain portfolio liabilities that are held at fair value due to increases in interest rates.
- Annualized total investment return ("TIR") of 3.0% and Annualized Adjusted TIR* of 5.1%, compared to (15.2)% and (2.2)%, respectively, for the three months ended June 30, 2022. Recognized investment results benefited from net realized and unrealized gains on our other investments, including equities, of $62 million and net investment income of $172 million, partially offset by net realized and unrealized losses on our fixed maturities, including other comprehensive income ("OCI") of $111 million.
- Completed $1.9 billion LPT agreement with certain subsidiaries of QBE Insurance Group Limited ("QBE") and AUD $360 million (USD $245 million) LPT with RACQ Insurance Limited ("RACQ"). At closing, we assumed net loss reserves of $2.0 billion from QBE and $179 million from RACQ, respectively.
- Amended and restated our existing revolving credit agreement, increasing commitments from $600 million to $800 million and increasing the term by five years.

* Non-GAAP measure; refer to "Non-GAAP Financial Measures" further below for explanatory notes and a reconciliation to the most directly comparable GAAP measure.

Dominic Silvester, Enstar CEO, said:

"Our momentum from the beginning of the year continued into the second quarter, as we delivered solid net earnings through improved year-over-year performance in our investment portfolio and positive RLE. Operationally, we completed both our $2.0 billion LPT transaction with QBE, and our $179 million LPT transaction with RACQ. The strength of our balance sheet and continued performance was recognized by S&P who recently upgraded our long-term credit rating to BBB+. We continue to maintain a robust pipeline of opportunities and will remain selective in adding only those that can offer compelling risk-adjusted returns. With our scale, differentiated expertise, claims management function and strong balance sheet, we remain well-positioned to provide long-term value to our shareholders."

Six Months Ended June 30, 2023 Highlights:

- Net earnings of $445 million, or $27.19 per diluted ordinary share, compared to net loss of $701 million, or $40.29 per diluted ordinary share, for the six months ended June 30, 2022.
- ROE of 10.0% and Adjusted ROE* of 8.6%, compared to (12.1)% and (2.7)%, respectively, for the six months ended June 30, 2022. ROE performance was driven by investment returns of $514 million and a net gain recognized on the completion of the novation of the Enhanzed Re reinsurance of a closed block of life annuity policies of $194 million. Adjusted ROE* excludes $48 million of net realized and unrealized losses on our fixed maturities.
- RLE of $20 million, driven by favorable development on our workers' compensation line of business and partially offset by increases in the value of certain portfolios that are held at fair value. In comparison, RLE of $335 million in the prior-year period benefited from favorable loss activity in our professional indemnity/directors and officers and workers' compensation lines of business, reductions in the value of certain portfolio liabilities that are held at fair value due to increases in interest rates and favorable results on our inactive catastrophe programs held by Enhanzed Re.
- Annualized TIR of 6.1% and Annualized Adjusted TIR* of 5.6%, compared to (12.8)% and (0.8)%, respectively, for the six months ended June 30, 2022. Recognized investment results benefited from net realized and unrealized gains on our fixed maturities, including OCI, and other investments, including equities, of $226 million and net investment income of $328 million.
- Repurchased remaining $341 million of non-voting convertible ordinary shares, at a price that represented a 13% discount to year-end book value at the time the repurchase was negotiated as reported in our Annual Report on Form 10-K for the year ended December 31, 2022, simplifying Enstar's capital structure. Following the adoption of ASU 2018-12 on a retrospective basis, the price paid in the repurchase transaction represented a 23% discount to year-end book value as reported in and further described in our Quarterly Report on Form 10-Q for the period ended June 30, 2023.

* Non-GAAP measure; refer to "Non-GAAP Financial Measures" further below for explanatory notes and a reconciliation to the most directly comparable GAAP measure.

Key Financial and Operating Metrics

We use the following GAAP and Non-GAAP measures to monitor the performance of and manage the company:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	$ / pp / bp Change	2023	2022	$ / pp / bp Change
	(in millions of U.S. dollars, except per share data)					
Key Earnings Metrics						
Net earnings (loss) attributable to Enstar ordinary shareholders	$ 21	$ (434)	$ 455	$ 445	$ (701)	$ 1,146
Adjusted operating income (loss) attributable to Enstar ordinary shareholders*	$ 105	$ (89)	$ 194	$ 506	$ (149)	$ 655
ROE	0.5%	(8.2)%	8.7 pp	10.0%	(12.1)%	22.1 pp
Annualized ROE				19.9%	(24.1)%	44.0 pp
Adjusted ROE*	2.1%	(1.6)%	3.7 pp	8.6%	(2.7)%	11.3 pp
Annualized Adjusted ROE*				17.2%	(5.4)%	22.6 pp
Key Run-off Metrics						
Prior period development	$ 10	$ 159	$ (149)	$ 20	$ 335	$ (315)
Adjusted prior period development*	$ 8	$ 123	$ (115)	$ 44	$ 176	$ (132)
RLE	0.1%	1.3%	(1.2) pp	0.2%	2.7%	(2.5) pp
Adjusted RLE*	0.1%	1.0%	(0.9) pp	0.3%	1.4%	(1.1) pp

Key Investment Return Metrics

Total investable assets	$ 19,219	$ 20,869	$ (1,650)	$ 19,219	$ 20,869	$ (1,650)
Adjusted total investable assets*	$ 20,272	$ 22,115	$ (1,843)	$ 20,272	$ 22,115	$ (1,843)
Investment book yield	4.47%	2.32%	215 bp	3.78%	2.03%	175 bp
Annualized TIR	3.0%	(15.2)%	18.2 pp	6.1%	(12.8)%	18.9 pp
Annualized Adjusted TIR*	5.1%	(2.2)%	7.3 pp	5.6%	(0.8)%	6.4 pp

	As of		
Key Shareholder Metrics	**June 30, 2023**	**December 31, 2022**	
Book value per ordinary share	$ 284.76	$ 262.24	$ 22.52
Adjusted book value per ordinary share*	$ 279.37	$ 258.92	$ 20.45

pp - Percentage point(s)
bp - Basis point(s)
*Non-GAAP measure; refer to "Non-GAAP Financial Measures" further below for explanatory notes and a reconciliation to the most directly comparable GAAP measure.

Results of Operations By Segment - For the Three and Six Months Ended June 30, 2023, and 2022

Run-off Segment

The following is a discussion and analysis of the results of operations for our Run-off segment.

	Three Months Ended June 30,		$	Six Months Ended June 30,		$
	2023	**2022**	**Change**	**2023**	**2022**	**Change**
INCOME	(in millions of U.S. dollars)					
Net premiums earned	$ 7	$ 9	$ (2)	$ 15	$ 26	$ (11)
Other income:						
Reduction in estimates of net ultimate defendant A&E liabilities - prior periods	—	1	(1)	2	4	(2)
Reduction in estimated future defendant A&E expenses	—	1	(1)	1	1	—
All other income	5	5	—	7	12	(5)
Total other income	5	7	(2)	10	17	(7)
Total income	12	16	(4)	25	43	(18)
EXPENSES						
Net incurred losses and LAE:						
Current period	3	14	(11)	13	25	(12)
Prior periods:						
Reduction in estimates of net ultimate losses	(8)	(108)	100	(23)	(137)	114
Reduction in provisions for ULAE	—	(13)	13	(18)	(34)	16
Total prior periods	(8)	(121)	113	(41)	(171)	130
Total net incurred losses and LAE	(5)	(107)	102	(28)	(146)	118
Acquisition costs	4	9	(5)	6	17	(11)
General and administrative expenses	47	36	11	86	75	11
Total expenses	46	(62)	108	64	(54)	118
SEGMENT NET (LOSS) EARNINGS	$ (34)	$ 78	$ (112)	$ (39)	$ 97	$ (136)

Overall Results

Three Months Ended June 30, 2023 versus 2022: Net loss from our Run-off segment was $34 million compared to net earnings of $78 million in the comparative quarter, primarily due to:

- A $113 million decrease in favorable PPD in the current quarter, mainly driven by a $100 million decrease in the reduction in estimates of net ultimate losses in comparison to the comparative quarter.
    - During the second quarter of 2023, we recognized favorable development of $9 million on our workers' compensation line of business as a result of continued favorable claims experience, most notably in the 2021 acquisition year.
    - We also increased our ULAE provision by $21 million as a result of assuming active claims control on our 2022 LPT agreement with Argo, which offset other ULAE reserve adjustments from our run-off operations.
    - In comparison, during the second quarter of 2022 we recognized favorable development of $78 million and $16 million on our professional indemnity/directors and officers and workers' compensation lines of business, respectively, as a result of favorable loss activity, most notably in the 2021 acquisition year; partially offset by
- Reductions in current quarter net incurred losses and LAE and acquisition costs that were greater than the reductions in net premiums earned, following our exit of our StarStone International business beginning in 2020.

Six Months Ended June 30, 2023 versus 2022: Net loss from our Run-off segment was $39 million compared to net earnings of $97 million in the comparative period, primarily due to:

- A $130 million decrease in favorable PPD, mainly driven by a $114 million decrease in the reduction in estimates of net ultimate losses in comparison to the comparative period.
    - We recognized favorable development of $20 million on our workers' compensation line of business during the first half of 2023 as a result of continued favorable claims experience, most notably in the 2021 acquisition year.
    - We also increased our ULAE provision by $21 million as a result of assuming active claims control on our 2022 LPT agreement with Argo, which offset other ULAE reserve adjustments from our run-off operations.
    - In comparison, during the first half of 2022, we recognized favorable development of $81 million and $50 million on our professional indemnity/directors and officers and workers' compensation lines of business, respectively, as a result of favorable loss activity, most notably in the 2021 acquisition year; partially offset by
- Reductions in current period net incurred losses and LAE and acquisition costs that were greater than the reductions in net premiums earned, following our exit of our StarStone International business beginning in 2020.

Investments Segment

The following is a discussion and analysis of the results of operations for our Investments segment.

	Three Months Ended June 30,		$	Six Months Ended June 30,		$
	2023	2022	Change	2023	2022	Change
	(in millions of U.S. dollars)					
INCOME						
Net investment income:						
Fixed maturities	$ 145	$ 85	$ 60	$ 276	$ 153	$ 123
Cash and restricted cash	8	1	7	13	1	12
Other investments, including equities	23	22	1	47	41	6
Less: Investment expenses	(4)	(4)	—	(8)	(15)	7
Total net investment income	172	104	68	328	180	148
Net realized gains (losses):						
Fixed maturities	(25)	(30)	5	(50)	(65)	15
Other investments, including equities	42	(8)	50	31	(10)	41
Net realized gains (losses):	17	(38)	55	(19)	(75)	56

Net unrealized gains (losses):						
Fixed maturities, trading	(64)	(377)	313	2	(670)	672
Other investments, including equities	20	(212)	232	178	(294)	472
Total net unrealized (losses) gains:	(44)	(589)	545	180	(964)	1,144
Total income (loss)	145	(523)	668	489	(859)	1,348
EXPENSES						
General and administrative expenses	10	10	—	21	19	2
Total expenses	10	10	—	21	19	2
Earnings from equity method investments	14	1	13	25	32	(7)
SEGMENT NET EARNINGS (LOSS)	$ 149	$ (532)	$ 681	$ 493	$ (846)	$ 1,339

Overall Results

Three Months Ended June 30, 2023 versus 2022: Net earnings from our Investments segment were $149 million for the three months ended June 30, 2023 compared to net losses of $532 million for the three months ended June 30, 2022. The favorable movement of $681 million was primarily due to:

- a decrease in net realized and unrealized losses on fixed maturities of $318 million, primarily as a result of a less significant increase in interest rates across U.S., U.K. and European markets and tightening of credit spreads relative to the comparable quarter;
- net realized and unrealized gains on other investments, including equities, of $62 million, compared to net realized and unrealized losses of $220 million in the comparative period. The favorable variance of $282 million was primarily driven by:
  - Net gains for the three months ended June 30, 2023, primarily driven by our public equities, private equity funds, fixed income funds and private credit funds, largely as a result of global equity market performance and tightening high yield credit spreads; in comparison to
  - Net losses for the three months ended June 30, 2022, primarily driven by our fixed income funds, public equities and CLO equities, largely as a result of global equity market declines and the widening of high yield credit spreads. This was partially offset by gains on our private equity funds, private credit funds and real estate funds for the three months ended June 30, 2022, which are typically recorded on a one quarter lag; and
- an increase in our net investment income of $68 million, which is primarily due to the reinvestment of fixed maturities at higher yields, deployment of consideration received from deals closed in the second half of 2022 and the first half of 2023 and the impact of rising interest rates on the $3.1 billion of our fixed maturities that are subject to floating interest rates. Our floating rate investments generated increased net investment income of $28 million, which equates to an increase of 326 basis points on those investments in comparison to the prior quarter.

Six Months Ended June 30, 2023 versus 2022: Net earnings from our Investments segment was $493 million for the six months ended June 30, 2023 compared to net losses of $846 million for the six months ended June 30, 2022. The favorable movement of $1.3 billion was primarily due to:

- a decrease in net realized and unrealized losses on fixed maturities of $687 million, primarily driven by a net decline in interest rates and tightening of credit spreads in the current period, in comparison to an increase in interest rates across U.S., U.K. and European markets and widening of credit spreads in the prior period;
- net realized and unrealized gains on other investments, including equities, of $209 million, compared to net realized and unrealized losses of $304 million in the comparative period. The favorable variance of $513 million was primarily driven by:
  - Net gains for the six months ended June 30, 2023, primarily from our public equities, private equity funds, private credit funds and fixed income funds, largely as a result of strong global equity market performance and tightening of high yield credit spreads; in comparison to
  - Net losses for the six months ended June 30, 2022, driven by our fixed income funds, public equities, hedge funds and CLO equities, largely as a result of global equity market declines and the widening of high yield credit spreads. This was partially offset by gains on our private equity funds, private credit funds and real estate funds, which are typically recorded on a one quarter lag; and

- an increase in our net investment income of $148 million, which is primarily due to the reinvestment of fixed maturities at higher yields, deployment of consideration received from deals closed in the second half of 2022 and the first six months of 2023 and the impact of rising interest rates on the $3.1 billion of our fixed maturities that are subject to floating interest rates. Our floating rate investments generated increased net investment income of $56 million, which equates to an increase of 346 basis points on those investments in comparison to the prior period.

Income and (Loss) Earnings by Segment - For the Three and Six Months Ended June 30, 2023 and 2022

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	$ Change	2023	2022	$ Change
	(in millions of U.S. dollars)					
INCOME						
Run-off	$ 12	$ 16	$ (4)	$ 25	$ 43	$ (18)
Assumed Life	—	1	(1)	275	15	260
Investments	145	(523)	668	489	(859)	1,348
Legacy Underwriting	—	6	(6)	—	8	(8)
Subtotal	157	(500)	657	789	(793)	1,582
Corporate and other	(3)	14	(17)	(3)	17	(20)
Total income (loss)	$ 154	$ (486)	$ 640	$ 786	$ (776)	$ 1,562
SEGMENT NET EARNINGS (LOSS)						
Run-off	$ (34)	$ 78	$ (112)	$ (39)	$ 97	$ (136)
Assumed Life	—	(7)	7	275	22	253
Investments	149	(532)	681	493	(846)	1,339
Legacy Underwriting	—	—	—	—	—	—
Total segment net earnings (loss)	115	(461)	576	729	(727)	1,456
Corporate and other	(94)	27	(121)	(284)	26	(310)
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS	$ 21	$ (434)	$ 455	$ 445	$ (701)	$ 1,146

For additional detail on the Assumed Life segment, the Legacy Underwriting segment and Corporate and other activities, please refer to our Quarterly Report on Form 10-Q for the period ended June 30, 2023.

Cautionary Statement

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements regarding the intent, belief or current expectations of Enstar and its management team. Investors can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'aim', 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future events or performance. Investors are cautioned that any such forward-looking statements speak only as of the date they are made, are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Important risk factors regarding Enstar can be found under the heading "Risk Factors" in our Form 10-K for the year ended December 31, 2022 and are incorporated herein by reference. Furthermore, Enstar undertakes no obligation to update any written or oral forward-looking statements or publicly announce any updates or revisions to any of the forward-looking statements contained herein, to reflect any change in its expectations with regard thereto or any change in events, conditions, circumstances or assumptions underlying such statements, except as required by law.

About Enstar

Enstar is a NASDAQ-listed leading global (re)insurance group that offers capital release solutions through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe and Australia. A market leader in completing legacy acquisitions, Enstar has acquired over 115 companies and portfolios since its formation. For further information about Enstar, see www.enstargroup.com.

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ENSTAR GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the Three and Six Months Ended June 30, 2023 and 2022

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(expressed in millions of U.S. dollars, except share and per share data)			
INCOME				
Net premiums earned	$ 7	$ 14	$ 15	$ 48
Net investment income	172	106	328	186
Net realized gains (losses)	17	(38)	(19)	(75)
Net unrealized (losses) gains	(44)	(591)	180	(972)
Other income	2	23	282	37
Total income (loss)	154	(486)	786	(776)
EXPENSES				
Net incurred losses and loss adjustment expenses				
Current period	3	13	13	26
Prior periods	(10)	(159)	(20)	(335)
Total net incurred losses and loss adjustment expenses	(7)	(146)	(7)	(309)
Policyholder benefit expenses	—	6	—	18
Amortization of net deferred charge assets	24	21	41	39
Acquisition costs	4	12	6	20
General and administrative expenses	85	83	174	168
Interest expense	22	23	45	48
Net foreign exchange losses (gains)	5	(13)	(1)	(10)
Total expenses	133	(14)	258	(26)
EARNINGS (LOSS) BEFORE INCOME TAXES	21	(472)	528	(750)
Income tax benefit	4	4	5	4
Earnings from equity method investments	14	1	25	32
NET EARNINGS (LOSS)	39	(467)	558	(714)
Net (earnings) loss attributable to noncontrolling interests	(9)	42	(95)	31
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR	30	(425)	463	(683)
Dividends on preferred shares	(9)	(9)	(18)	(18)
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS	$ 21	$ (434)	$ 445	$ (701)

Earnings (loss) per ordinary share attributable to Enstar:				
Basic	$ 1.36	$ (25.20)	$ 27.44	$ (40.29)
Diluted	$ 1.34	$ (25.20)	$ 27.19	$ (40.29)
Weighted average ordinary shares outstanding:				
Basic	15,460,318	17,224,449	16,216,080	17,400,257
Diluted	15,660,981	17,470,691	16,366,517	17,634,698

ENSTAR GROUP LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2023 and December 31, 2022

	June 30, 2023	December 31, 2022
	(in millions of U.S. dollars, except share data)	
ASSETS		
Short-term investments, trading, at fair value	$ 6	$ 14
Short-term investments, available-for-sale, at fair value (amortized cost: 2023 —$59; 2022 —$37)	59	38
Fixed maturities, trading, at fair value	2,038	2,370
Fixed maturities, available-for-sale, at fair value (amortized cost: 2023 —$5,901; 2022 —$5,871; net of allowance: 2023 —$24; 2022 —$33)	5,351	5,223
Funds held - directly managed, at fair value	2,669	2,040
Equities, at fair value (cost: 2023 —$953; 2022 —$1,357)	965	1,250
Other investments, at fair value (includes consolidated variable interest entity: 2023 - $32; 2022 - $3)	3,416	3,296
Equity method investments	424	397
Total investments	14,928	14,628
Cash and cash equivalents	768	822
Restricted cash and cash equivalents	418	508
Reinsurance balances recoverable on paid and unpaid losses (net of allowance: 2023 —$135; 2022 —$131)	846	856
Reinsurance balances recoverable on paid and unpaid losses, at fair value	247	275
Insurance balances recoverable (net of allowance: 2023 and 2022 —$5)	175	177
Funds held by reinsured companies	3,105	3,582
Net deferred charge assets	797	658
Other assets	577	648
TOTAL ASSETS	$ 21,861	$ 22,154
LIABILITIES		
Losses and loss adjustment expenses	$ 12,664	$ 11,721
Losses and loss adjustment expenses, at fair value	1,170	1,286
Future policyholder benefits	—	821
Defendant asbestos and environmental liabilities	587	607
Insurance and reinsurance balances payable	96	100
Debt obligations	1,830	1,829
Other liabilities	412	462
TOTAL LIABILITIES	16,759	16,826
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTERESTS	178	168
SHAREHOLDERS' EQUITY		

Ordinary Shares (par value $1 each, issued and outstanding 2023: 16,027,816; 2022: 17,588,050):		
Voting Ordinary Shares (issued and outstanding 2023: 16,027,816; 2022: 15,990,338)	16	16
Non-voting convertible ordinary Series C Shares (issued and outstanding 2023: 0; 2022: 1,192,941)	—	1
Non-voting convertible ordinary Series E Shares (issued and outstanding 2023: 0; 2022: 404,771)	—	—
Preferred Shares:		
Series C Preferred Shares (issued and held in treasury 2023 and 2022: 388,571)	—	—
Series D Preferred Shares (issued and outstanding 2023 and 2022: 16,000; liquidation preference $400)	400	400
Series E Preferred Shares (issued and outstanding 2023 and 2022: 4,400; liquidation preference $110)	110	110
Treasury shares, at cost (Series C Preferred Shares 2023 and 2022: 388,571)	(422)	(422)
Joint Share Ownership Plan (voting ordinary shares, held in trust 2023 and 2022: 565,630)	(1)	(1)
Additional paid-in capital	447	766
Accumulated other comprehensive loss	(488)	(302)
Retained earnings	4,851	4,406
Total Enstar Shareholders' Equity	4,913	4,974
Noncontrolling interests	11	186
TOTAL SHAREHOLDERS' EQUITY	4,924	5,160
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY	$ 21,861	$ 22,154

Non-GAAP Financial Measures

In addition to our key financial measures presented in accordance with GAAP, we present other non-GAAP financial measures that we use to manage our business, compare our performance against prior periods and against our peers, and as performance measures in our incentive compensation program.

These non-GAAP financial measures provide an additional view of our operational performance over the long-term and provide the opportunity to analyze our results in a way that is more aligned with the manner in which our management measures our underlying performance.

The presentation of these non-GAAP financial measures, which may be defined and calculated differently by other companies, is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures prepared in accordance with GAAP.

Some of the adjustments reflected in our non-GAAP measures are recurring items, such as the exclusion of adjustments to net realized and unrealized (gains)/losses on fixed maturity investments recognized in our income statement, the fair value of certain of our loss reserve liabilities for which we have elected the fair value option, and the amortization of fair value adjustments.

Management makes these adjustments in assessing our performance so that the changes in fair value due to interest rate movements, which are applied to some but not all of our assets and liabilities as a result of preexisting accounting elections, do not impair comparability across reporting periods.

It is important for the readers of our periodic filings to understand that these items will recur from period to period.

However, we exclude these items for the purpose of presenting a comparable view across reporting periods of the impact of our underlying claims management and investments without the effect of interest rate fluctuations on assets that we anticipate to hold to maturity and non-cash changes to the fair value of our reserves.

Similarly, our non-GAAP measures reflect the exclusion of certain items that we deem to be nonrecurring, unusual or infrequent when the nature of the charge or gain is such that it is not reasonably likely that such item may recur within two years, nor was there a similar charge or gain in the preceding two years. This includes adjustments related to bargain purchase gains on acquisitions of businesses, net gains or losses on sales of subsidiaries, net assets of held for sale or disposed subsidiaries classified as discontinued operations and other items that we separately disclose.

The following table presents more information on each non-GAAP measure. The results and GAAP reconciliations for these measures are set forth further below.

Non-GAAP Measure	Definition	Purpose of Non-GAAP Measure over GAAP Measure
Adjusted book value per ordinary share	Total Enstar ordinary shareholders' equity Divided by Number of ordinary shares outstanding, adjusted for: *-the ultimate effect of any dilutive securities on the number of ordinary shares outstanding*	Increases the number of ordinary shares to reflect the exercise of equity awards granted but not yet vested as, over the long term, this presents both management and investors with a more economically accurate measure of the realizable value of shareholder returns by factoring in the impact of share dilution. We use this non-GAAP measure in our incentive compensation program.
Adjusted return on equity (%)	Adjusted operating income (loss) attributable to Enstar ordinary shareholders divided by adjusted opening Enstar ordinary shareholder's equity	Calculating the operating income (loss) as a percentage of our adjusted opening Enstar ordinary shareholders' equity provides a more consistent measure of the performance of our business by enabling comparison between the financial periods presented.
Adjusted operating income (loss) attributable to Enstar ordinary shareholders (*numerator)*	Net earnings (loss) attributable to Enstar ordinary shareholders, adjusted for: *-net realized and unrealized (gains) losses on fixed maturities and funds held-directly managed,* *-change in fair value of insurance contracts for which we have elected the fair value option* [(1)]*,* *-amortization of fair value adjustments,* *-net gain/loss on purchase and sales of subsidiaries (if any),* *-net earnings from discontinued operations (if any),* *-tax effects of adjustments, and* *-adjustments attributable to noncontrolling interests*	We eliminate the impact of net realized and unrealized (gains) losses on fixed maturities and funds-held directly managed and the change in fair value of insurance contracts for which we have elected the fair value option, as: • we typically hold most of our fixed maturities until the earlier of maturity or the time that they are used to fund any settlement of related liabilities which are generally recorded at cost; and • removing the fair value option improves comparability since there are limited acquisition years for which we elected the fair value option. Therefore, we believe that excluding their impact on our earnings improves comparability of our core operational performance across periods. We include fair value adjustments as non-GAAP adjustments to the adjusted operating income (loss) attributable to Enstar ordinary shareholders as they are non-cash charges that are not reflective of the impact of our claims management strategies on our loss portfolios. We eliminate the net gain (loss) on the purchase and sales of subsidiaries and net earnings from discontinued operations, as these items are not indicative of our ongoing operations. We use this non-GAAP measure in our incentive compensation program.
Adjusted opening Enstar ordinary shareholders' equity (*denominator)*	Opening Enstar ordinary shareholders' equity, less: *-net unrealized gains (losses) on fixed maturities and funds held-directly managed,* *-fair value of insurance contracts for which we have elected the fair value option* [(1)]*,* *-fair value adjustments, and* *-net assets of held for sale or disposed subsidiaries classified as discontinued operations (if any)*	
Adjusted run-off liability earnings (%)	Adjusted PPD divided by average adjusted net loss reserves.	Calculating the RLE as a percentage of our adjusted average net loss reserves provides a more meaningful and comparable measurement of the impact of our claims management strategies on our loss portfolios across

Adjusted prior period development ***(numerator)***	Prior period net incurred losses and LAE, adjusted to: *Remove:* -Legacy Underwriting *and* Assumed Life *operations* *-amortization of fair value adjustments,* *-change in fair value of insurance contracts for which we have elected the fair value option* [1]*,* *and* *Add:* *-the reduction/(increase) in estimates of net ultimate liabilities and reduction in estimated future expenses of our defendant A&E liabilities.*	acquisition years and also to our overall financial periods. We use this measure to evaluate the impact of our claims management strategies because it provides visibility into our ability to settle our claims obligations for amounts less than our initial estimate at the point of acquiring the obligations. The following components of periodic recurring net incurred losses and LAE and net loss reserves are not considered key components of our claims management performance for the following reasons: • Prior to the settlement of the contractual arrangements, the results of our Legacy Underwriting segment were economically transferred to a third party primarily through use of reinsurance and a Capacity Lease Agreement[2]; as such, the results were not a relevant contribution to Adjusted RLE, which is designed to analyze the impact of our claims management strategies; • The results of our Assumed Life segment relate only to our prior exposure to active property catastrophe business; as this business was not in run-off, the results were not a relevant contribution to Adjusted RLE; • The change in fair value of insurance contracts for which we have elected the fair value option[1] has been removed to support comparability between the two acquisition years for which we elected the fair value option in reserves assumed and the acquisition years for which we did not make this election (specifically, this election was only made in the 2017 and 2018 acquisition years and the election of such option is irrevocable); and • The amortization of fair value adjustments are non-cash charges that obscure our trends on a consistent basis. We include our performance in managing claims and estimated future expenses on our defendant A&E liabilities because such performance is relevant to assessing our claims management strategies even though such liabilities are not included within the loss reserves. We use this measure to assess the performance of our claim strategies and part of the performance assessment of our past acquisitions.
Adjusted net loss reserves ***(denominator)***	Net losses and LAE, adjusted to: *Remove:* -Legacy Underwriting *and* Assumed Life *net loss reserves* *-current period net loss reserves* *-net fair value adjustments associated with the acquisition of companies,* *-the fair value adjustments for contracts for which we have elected the fair value option* [1] *and* *Add:* *-net nominal defendant A&E liability exposures and estimated future expenses.*	
Adjusted total investment return (%)	Adjusted total investment return (dollars) recognized in earnings for the applicable period divided by period average adjusted total investable assets.	Provides a key measure of the return generated on the capital held in the business and is reflective of our investment strategy. Provides a consistent measure of investment returns as a percentage of all assets generating investment returns.
Adjusted total investment return ($) (*numerator*)	Total investment return (dollars), adjusted for: *-net realized and unrealized (gains) losses on fixed maturities and funds held-directly managed; and*	We adjust our investment returns to eliminate the impact of the change in fair value of fixed maturities (both credit spreads and interest rates), as we typically hold most of

	-unrealized (gains) losses on fixed maturities, AFS included within OCI, net of reclassification adjustments and excluding foreign exchange.	these investments until the earlier of maturity or used to fund any settlement of related liabilities which are generally recorded at cost.
Adjusted average aggregate total investable assets (*denominator*)	Total average investable assets, adjusted for: *-net unrealized (gains) losses on fixed maturities, AFS included within AOCI* *-net unrealized (gains) losses on fixed maturities, trading*	

(1) Comprises the discount rate and risk margin components.

(2) The reinsurance contractual arrangements (including the Capacity Lease Agreement) described in Note 5 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 were settled during the second quarter of 2023. As a result of the settlement, we do not expect to record any transactions in the Legacy Underwriting segment in 2023.

Reconciliation of GAAP to Non-GAAP Measures

The table below presents a reconciliation of BVPS to Adjusted BVPS*:

	June 30, 2023			December 31, 2022		
	Equity[(1)]	Ordinary Shares	Per Share Amount	Equity[(1)] [(2)]	Ordinary Shares	Per Share Amount
	(in millions of U.S. dollars, except share and per share data)					
Book value per ordinary share	$ 4,403	15,462,186	$ 284.76	$ 4,464	17,022,420	$ 262.24
Non-GAAP adjustment:						
Share-based compensation plans		298,129			218,171	
Adjusted book value per ordinary share*	$ 4,403	15,760,315	$ 279.37	$ 4,464	17,240,591	$ 258.92

(1) Equity comprises Enstar ordinary shareholders' equity, which is calculated as Enstar shareholders' equity less preferred shares ($510 million) prior to any non-GAAP adjustments.

(2) Enstar ordinary shareholders' equity as of December 31, 2022 has been retrospectively adjusted for the impact of adopting ASU 2018-12. Refer to Note 8 to our condensed consolidated financial statements in our Quarterly Report on Form 10-Q for the period ended June 30, 2023 for further information.

The table below presents a reconciliation of ROE to Adjusted ROE* and Annualized ROE to Annualized Adjusted ROE*:

	Three Months Ended							
	June 30, 2023				June 30, 2022			
	Net earnings (loss)[(1)]	Opening equity[(1)]	(Adj) ROE	Annualized (Adj) ROE	Net earnings (loss)[(1)]	Opening equity[(1)]	(Adj) ROE	Annualized (Adj) ROE
	(in millions of U.S. dollars)							
Net earnings (loss)/Opening equity/ROE/Annualized ROE[(1)]	$ 21	$ 4,367	0.5%	1.9%	$ (434)	$ 5,299	(8.2)%	(32.8)%
Non-GAAP adjustments:								
Remove:								
Net realized and unrealized losses on fixed maturities and funds held - directly managed / Net unrealized losses on fixed maturities and funds held - directly managed[(2)]	89	994			409	458		
Change in fair value of insurance contracts for which we have elected the fair value option / Fair value of	(8)	(278)			(48)	(201)		

insurance contracts for which we have elected the fair value option[3]								
Amortization of fair value adjustments / Fair value adjustments	6	(121)			5	(104)		
Tax effects of adjustments[4]	(3)	—			22	—		
Adjustments attributable to noncontrolling interests[5]	—	—			(43)	—		
Adjusted operating income (loss)/Adjusted opening equity/Adjusted ROE/Annualized adjusted ROE*	$ 105	$ 4,962	2.1%	8.5%	$ (89)	$ 5,452	(1.6)%	(6.6)%

[1] Net earnings (loss) comprises net earnings (loss) attributable to Enstar ordinary shareholders, prior to any non-GAAP adjustments. Opening equity comprises Enstar ordinary shareholders' equity, which is calculated as opening Enstar shareholders' equity less preferred shares ($510 million), prior to any non-GAAP adjustments.
[2] Represents the net realized and unrealized losses (gains) related to fixed maturities. Our fixed maturities are held directly on our balance sheet and also within the "Funds held - directly managed" balance.
[3] Comprises the discount rate and risk margin components.
[4] Represents an aggregation of the tax expense or benefit associated with the specific country to which the pre-tax adjustment relates, calculated at the applicable jurisdictional tax rate.
[5] Represents the impact of the adjustments on the net earnings (loss) attributable to noncontrolling interests associated with the specific subsidiaries to which the adjustments relate.
*Non-GAAP measure.

	Six Months Ended							
	June 30, 2023				**June 30, 2022**			
	Net earnings (loss)[1]	**Opening equity[1][2]**	**(Adj) ROE**	**Annualized (Adj) ROE**	**Net earnings (loss)[1]**	**Opening equity[1]**	**(Adj) ROE**	**Annualized (Adj) ROE**
	(in millions of U.S. dollars)							
Net earnings (loss)/Opening equity/ROE/Annualized ROE[1]	$ 445	$ 4,464	10.0%	19.9%	$ (701)	$ 5,813	(12.1)%	(24.1)%
Non-GAAP adjustments:								
Net realized and unrealized losses on fixed maturities and funds held - directly managed / Net unrealized gains on fixed maturities and funds held - directly managed[3]	48	1,827			743	(89)		
Change in fair value of insurance contracts for which we have elected the fair value option / Fair value of insurance contracts for which we have elected the fair value option[4]	12	(294)			(146)	(107)		
Amortization of fair value adjustments / Fair value adjustments	9	(124)			7	(106)		
Net gain on purchase and sales of subsidiaries	—	—			—	—		
Tax effects of adjustments[5]	(6)	—			(4)	—		
Adjustments attributable to noncontrolling interests[6]	(2)	—			(48)	—		
Adjusted operating income (loss)/Adjusted opening equity/Adjusted ROE/Annualized adjusted ROE*	$ 506	$ 5,873	8.6%	17.2%	$ (149)	$ 5,511	(2.7)%	(5.4)%

[1] Net earnings (loss) comprises net earnings (loss) attributable to Enstar ordinary shareholders, prior to any non-GAAP adjustments. Opening equity comprises Enstar ordinary shareholders' equity, which is calculated as opening Enstar shareholders' equity less preferred shares ($510 million), prior to any non-GAAP adjustments.
[2] Enstar ordinary shareholders' equity as of December 31, 2022 has been retrospectively adjusted for the impact of adopting ASU 2018-12. Refer to Note 8 to our condensed consolidated financial statements in our Quarterly Report on Form 10-Q for the period ended June 30, 2023 for further information.
[3] Represents the net realized and unrealized losses (gains) related to fixed maturities. Our fixed maturities are held directly on our balance sheet and also within the "Funds held - directly managed" balance.
[4] Comprises the discount rate and risk margin components.
[5] Represents an aggregation of the tax expense or benefit associated with the specific country to which the pre-tax adjustment relates, calculated at the applicable jurisdictional tax rate.
[6] Represents the impact of the adjustments on the net earnings (loss) attributable to noncontrolling interests associated with the specific subsidiaries to which the adjustments relate.
*Non-GAAP measure.

The tables below present a reconciliation of RLE to Adjusted RLE* and Annualized RLE to Annualized Adjusted RLE*:

	Three Months Ended	As of			Three Months Ended	
	June 30, 2023	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2023	
	RLE / PPD	Net loss reserves	Net loss reserves	Average net loss reserves	RLE %	Annualized RLE %
	(in millions of U.S. dollars)					
PPD/net loss reserves/RLE/Annualized RLE	$ 10	$ 12,939	$ 11,226	$ 12,082	0.1%	0.3%
Non-GAAP Adjustments:						
Net loss reserves - current period	—	(11)	(9)	(10)		
Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies	6	116	121	119		
Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option[1]	(8)	312	278	295		
Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities	—	550	560	555		
Reduction in estimated future expenses - defendant A&E / Estimated future expenses - defendant A&E	—	34	34	34		
Adjusted PPD/Adjusted net loss reserves/ Adjusted RLE/Annualized Adjusted RLE*	$ 8	$ 13,940	$ 12,210	$ 13,075	0.1%	0.2%

	Three Months Ended	As of			Three Months Ended	
	June 30, 2022	June 30, 2022	March 31, 2022	June 30, 2022	June 30, 2022	
	RLE / PPD	Net loss reserves	Net loss reserves	Average net loss reserves	RLE %	Annualized RLE %
	(in millions of U.S. dollars)					
PPD/net loss reserves/RLE/Annualized RLE	$ 159	$ 12,524	$ 11,300	$ 11,912	1.3%	5.3%
Non-GAAP Adjustments:						
Net loss reserves - current period	—	(25)	(13)	(19)		

	PPD	Net loss reserves	Net loss reserves	Average net loss reserves	RLE %	Annualized RLE %
Assumed Life	—	(149)	(152)	(151)		
Legacy Underwriting	5	(140)	(143)	(142)		
Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies	5	99	104	102		
Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option[1]	(48)	239	201	220		
Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities	1	574	586	580		
Reduction in estimated future expenses - defendant A&E / Estimated future expenses - defendant A&E	1	36	37	37		
Adjusted PPD/Adjusted net loss reserves/Adjusted RLE/Annualized Adjusted RLE*	$ 123	$ 13,158	$ 11,920	$ 12,539	1.0%	3.9%

[1] Comprises the discount rate and risk margin components.
*Non-GAAP measure.

	Six Months Ended	**As of**			**Six Months Ended**	
	June 30, 2023	**June 30, 2023**	**December 31, 2022**	**June 30, 2023**	**June 30, 2023**	
	PPD	**Net loss reserves**	**Net loss reserves**	**Average net loss reserves**	**RLE %**	**Annualized RLE %**
	(in millions of U.S. dollars)					
PPD/net loss reserves/RLE/Annualized RLE	$ 20	$ 12,939	$ 12,011	$ 12,475	0.2%	0.3%
Non-GAAP Adjustments:						
Net loss reserves - current period	—	(11)	—	(6)		
Legacy Underwriting	—	—	(139)	(70)		
Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies	9	116	124	120		
Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option[1]	12	312	294	303		
Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities	2	550	572	561		
Reduction in estimated future expenses - defendant A&E / Estimated future expenses - defendant A&E	1	34	35	35		
Adjusted PPD/Adjusted net loss reserves/Adjusted RLE/Annualized Adjusted RLE*	$ 44	$ 13,940	$ 12,897	$ 13,418	0.3%	0.7%

	Six Months Ended	**As of**			**Six Months Ended**	
	June 30, 2022	**June 30, 2022**	**December 31, 2021**	**June 30, 2022**	**June 30, 2022**	
	PPD	**Net loss reserves**	**Net loss reserves**	**Average net loss reserves**	**RLE %**	**Annualized RLE %**
	(in millions of U.S. dollars)					

PPD/net loss reserves/RLE/Annualized RLE	$ 335	$ 12,524	$ 11,926	$ 12,225	2.7%	5.5%
Non-GAAP Adjustments:						
Net loss reserves - current period	—	(25)	—	(13)		
Assumed Life	(29)	(149)	(181)	(165)		
Legacy Underwriting	4	(140)	(153)	(147)		
Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies	7	99	106	103		
Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option[1]	(146)	239	107	173		
Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities	4	574	573	574		
Reduction in estimated future expenses - defendant A&E / Estimated future expenses - defendant A&E	$ 1	$ 36	$ 37	$ 37		
Adjusted PPD/Adjusted net loss reserves/Adjusted RLE/Annualized Adjusted RLE*	$ 176	$ 13,158	$ 12,415	$ 12,787	1.4%	2.8%

[1] Comprises the discount rate and risk margin components.
*Non-GAAP measure.

The tables below present a reconciliation of our Annualized TIR to our Annualized Adjusted TIR*:

	Three Months Ended		**Six months ended**	
	June 30, 2023	**June 30, 2022**	**June 30, 2023**	**June 30, 2022**
	(in millions of U.S. dollars)			
Net investment income	$ 172	$ 106	$ 328	$ 186
Net realized gains (losses)	17	(38)	(19)	(75)
Net unrealized (losses) gains	(44)	(591)	180	(972)
Earnings from equity method investments	14	1	25	32
Other comprehensive income:				
Unrealized (losses) gains on fixed maturities, AFS, net of reclassification adjustments excluding foreign exchange	(22)	(230)	65	(482)
TIR ($)	$ 137	$ (752)	$ 579	$ (1,311)
Non-GAAP adjustment:				
Net realized and unrealized losses on fixed maturities and funds held-directly managed	90	409	49	743
Unrealized losses (gains) on fixed maturities, AFS, net of reclassification adjustments excluding foreign exchange	22	230	$ (65)	$ 482
Adjusted TIR ($)*	$ 249	$ (113)	$ 563	$ (86)
Total investments	$ 14,928	$ 15,827	$ 14,928	$ 15,827
Cash and cash equivalents, including restricted cash and cash equivalents	1,186	1,086	1,186	1,086
Funds held by reinsured companies	3,105	3,956	3,105	3,956
Total investable assets	$ 19,219	$ 20,869	$ 19,219	$ 20,869
Average aggregate invested assets, at fair value[1]	18,548	19,826	18,830	20,464
Annualized TIR %[2]	3.0%	(15.2)%	6.1%	(12.8)%
Non-GAAP adjustment:				
Net unrealized losses on fixed maturities, AFS included within AOCI and net unrealized losses on fixed maturities, trading instruments	1,053	1,246	1,053	1,246
Adjusted investable assets*	$ 20,272	$ 22,115	$ 20,272	$ 22,115

Adjusted average aggregate invested assets, at fair value*[3]	$ 19,572	$ 20,711	$ 20,218	$ 21,024
Annualized adjusted TIR %*[4]	5.1%	(2.2)%	5.6%	(0.8)%

[1] This amount is a two and three period average of the total investable assets for the three and six months ended June 30, 2023 and 2022, respectively, as presented above, and is comprised of amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

[2] Annualized TIR % is calculated by dividing the annualized TIR ($) by average aggregate invested assets, at fair value.

[3] This amount is a two and three period average of the adjusted investable assets* for the three and six months ended June 30, 2023 and 2022, respectively, as presented above.

[4] Annualized adjusted TIR %* is calculated by dividing the annualized adjusted TIR* ($) by adjusted average aggregate invested assets, at fair value*.

*Non-GAAP

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Source: Enstar Group Limited