**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

Commission File Number 001-33289

**ENSTAR GROUP LIMITED**

*(Exact name of Registrant as specified in its charter)*

| **BERMUDA** | **N/A** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

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

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(441) 292-3645**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Ordinary shares, par value $1.00 per share | ESGR | The NASDAQ Stock Market LLC |
| Depositary Shares, Each Representing a 1/1,000th Interest in a 7.00% Fixed-to-Floating Rate Perpetual Non-Cumulative Preferred Share, Series D, Par Value $1.00 Per Share | ESGRP | The NASDAQ Stock Market LLC |
| Depositary Shares, Each Representing a 1/1,000th Interest in a 7.00% Perpetual Non-Cumulative Preferred Share, Series E, Par Value $1.00 Per Share | ESGRO | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As at May 5, 2021, the registrant had outstanding 18,597,598 voting ordinary shares and 3,599,272 non-voting convertible ordinary shares, each par value $1.00 per share.

**Enstar Group Limited**

**Quarterly Report on Form 10-Q**

**For the Period Ended March 31, 2021**

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## PART I — FINANCIAL INFORMATION

### ITEM 1. *FINANCIAL STATEMENTS*

# ENSTAR GROUP LIMITED

## CONDENSED CONSOLIDATED BALANCE SHEETS

### As of March 31, 2021 (unaudited) and December 31, 2020

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| | (expressed in thousands of U.S. dollars, except share data) | |
| **ASSETS** | | |
| Short-term investments, trading, at fair value | $ 11,944 | $ 5,129 |
| Short-term investments, available-for-sale, at fair value (amortized cost: 2021 — $89,585; 2020 — $263,750; net of allowance: 2021 — $0; 2020 — $0) | 89,637 | 263,795 |
| Fixed maturities, trading, at fair value | 4,310,958 | 4,594,892 |
| Fixed maturities, available-for-sale, at fair value (amortized cost: 2021 — $4,604,273; 2020 — $3,312,891; net of allowance: 2021 — $12,538; 2020 — $322) | 4,567,490 | 3,395,100 |
| Funds held - directly managed | 1,016,531 | 1,074,890 |
| Equities, at fair value | 1,098,568 | 846,795 |
| Other investments, at fair value | 4,519,046 | 4,244,034 |
| Equity method investments | 938,618 | 832,295 |
| Total investments (*Note 4* and *Note 10*) | 16,552,792 | 15,256,930 |
| Cash and cash equivalents | 562,328 | 901,152 |
| Restricted cash and cash equivalents | 433,365 | 471,964 |
| Premiums receivable | 420,944 | 405,793 |
| Reinsurance balances recoverable on paid and unpaid losses (net of allowance: 2021 — $138,765; 2020 — $137,122) (*Note 6*) | 1,559,481 | 1,568,333 |
| Reinsurance balances recoverable on paid and unpaid losses, at fair value (Note 6 and Note 10) | 490,814 | 520,830 |
| Insurance balances recoverable (net of allowance: 2021 — $5,272; 2020 — $4,824) (Note 9) | 248,010 | 249,652 |
| Funds held by reinsured companies | 662,645 | 635,819 |
| Other assets | 1,129,413 | 925,533 |
| Assets held-for-sale (*Note 3*) | — | 711,278 |
| TOTAL ASSETS | $ 22,059,792 | $ 21,647,284 |
| **LIABILITIES** | | |
| Losses and loss adjustment expenses (*Note 8*) | $ 9,150,038 | $ 8,140,362 |
| Losses and loss adjustment expenses, at fair value (*Note 8* and *Note 10*) | 2,277,382 | 2,452,920 |
| Defendant asbestos and environmental liabilities (Note 9) | 691,557 | 706,329 |
| Insurance and reinsurance balances payable | 610,323 | 494,412 |
| Debt obligations (*Note 13*) | 1,363,515 | 1,373,259 |
| Other liabilities | 1,018,743 | 942,905 |
| Liabilities held-for-sale (*Note 3*) | — | 483,657 |
| TOTAL LIABILITIES | 15,111,558 | 14,593,844 |
| **COMMITMENTS AND CONTINGENCIES** (*Note 20*) | | |
| **REDEEMABLE NONCONTROLLING INTEREST** (*Note 14*) | 174,803 | 365,436 |
| **SHAREHOLDERS' EQUITY** (*Note 15*) | | |
| Ordinary shares (par value $1 each, issued and outstanding 2021: 22,195,159; 2020: 22,085,232): | | |
| Voting Ordinary shares (issued and outstanding 2021: 18,595,887; 2020: 18,575,550) | 18,596 | 18,576 |
| Non-voting convertible ordinary Series C Shares (issued and outstanding 2021: 2,689,262; 2020: 2,599,672) | 2,690 | 2,600 |
| Non-voting convertible ordinary Series E Shares (issued and outstanding 2021 and 2020: 910,010) | 910 | 910 |
| Preferred Shares: | | |
| Series C Preferred Shares (issued and held in treasury 2021 and 2020: 388,571) | 389 | 389 |
| Series D Preferred Shares (issued and outstanding 2021 and 2020: 16,000) | 400,000 | 400,000 |
| Series E Preferred Shares (issued and outstanding 2021 and 2020: 4,400) | 110,000 | 110,000 |
| Treasury shares, at cost (Series C Preferred shares 2021 and 2010: 388,571) | (421,559) | (421,559) |
| Joint Share Ownership Plan (voting ordinary shares, held in trust 2021 and 2020: 565,630) | (566) | (566) |
| Additional paid-in capital | 1,836,792 | 1,836,074 |
| Accumulated other comprehensive income (loss) | (17,715) | 80,659 |
| Retained earnings | 4,831,239 | 4,647,312 |
| Total Enstar Shareholders' Equity | 6,760,776 | 6,674,395 |
| Noncontrolling interest (*Note 14*) | 12,655 | 13,609 |
| TOTAL SHAREHOLDERS' EQUITY | 6,773,431 | 6,688,004 |
| TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY | $ 22,059,792 | $ 21,647,284 |

See accompanying notes to the unaudited condensed consolidated financial statements

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## ENSTAR GROUP LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

### For the Three Months Ended March 31, 2021 and 2020

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| | (expressed in thousands of U.S. dollars, except share and per share data) | |
| INCOME | | |
| Net premiums earned | $ 92,876 | $ 159,351 |
| Fees and commission income | 9,598 | 7,528 |
| Net investment income | 62,089 | 74,714 |
| Net realized and unrealized losses | (20,788) | (629,061) |
| Other income | 551 | 20,444 |
| Net gain on sale of subsidiaries | 14,894 | — |
| | 159,220 | (367,024) |
| EXPENSES | | |
| Net incurred losses and loss adjustment expenses | (55,507) | 43,300 |
| Acquisition costs | 34,014 | 46,043 |
| General and administrative expenses | 83,000 | 98,428 |
| Interest expense | 16,179 | 13,415 |
| Net foreign exchange (gains) losses | 2,634 | (11,939) |
| | 80,320 | 189,247 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 78,900 | (556,271) |
| Income tax benefit | 5,982 | 5,272 |
| Earnings from equity method investments | 118,031 | 12,450 |
| NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS | 202,913 | (538,549) |
| Net loss from discontinued operations, net of income taxes | — | (2,069) |
| NET EARNINGS (LOSS) | 202,913 | (540,618) |
| Net (earnings) loss attributable to noncontrolling interest | (10,791) | 32,722 |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR | 192,122 | (507,896) |
| Dividends on preferred shares | (8,925) | (8,925) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ 183,197 | $ (516,821) |
| | | |
| Earnings (loss) per ordinary share attributable to Enstar: | | |
| Basic: | | |
| Net earnings (loss) from continuing operations | $ 8.50 | $ (23.93) |
| Net loss from discontinued operations | — | (0.05) |
| Net earnings (loss) per ordinary share | $ 8.50 | $ (23.98) |
| Diluted: | | |
| Net earnings (loss) from continuing operations | $ 8.38 | $ (23.93) |
| Net loss from discontinued operations | — | (0.05) |
| Net earnings (loss) per ordinary share | $ 8.38 | $ (23.98) |
| Weighted average ordinary shares outstanding: | | |
| Basic | 21,562,341 | 21,549,844 |
| Diluted | 21,852,324 | 21,779,906 |

See accompanying notes to the unaudited condensed consolidated financial statements

**ENSTAR GROUP LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

**For the Three Months Ended March 31, 2021 and 2020**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (expressed in thousands of U.S. dollars) | |
| NET EARNINGS (LOSS) | $ 202,913 | $ (540,618) |
| Other comprehensive income (loss), net of income taxes: | | |
| Unrealized losses on fixed income available-for-sale investments arising during the period | (111,274) | (58,735) |
| Reclassification adjustment for change in allowance for credit losses recognized in net earnings | 12,025 | 13,212 |
| Reclassification adjustment for net realized (gains) losses included in net earnings | (594) | 212 |
| Reclassification to earnings on disposal of subsidiary | 475 | — |
| Unrealized losses arising during the period, net of reclassification adjustments | (99,368) | (45,311) |
| Cumulative currency translation adjustment | 1,418 | (686) |
| Total other comprehensive loss | (97,950) | (45,997) |
| Comprehensive income (loss) | 104,963 | (586,615) |
| Comprehensive (income) loss attributable to noncontrolling interest | (11,216) | 36,892 |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSTAR | $ 93,747 | $ (549,723) |

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

## For the Three Months Ended March 31, 2021 and 2020

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (expressed in thousands of U.S. dollars) | |
| **Share Capital — Voting Ordinary Shares** | | |
| Balance, beginning of period | $ 18,576 | $ 18,002 |
| Issue of shares | 38 | 701 |
| Shares repurchased | (18) | (93) |
| Balance, end of period | $ 18,596 | $ 18,610 |
| **Share Capital — Non-Voting Convertible Ordinary Series C Shares** | | |
| Balance, beginning of period | $ 2,600 | $ 2,600 |
| Exercise of warrants | 90 | — |
| Balance, end of period | $ 2,690 | $ 2,600 |
| **Share Capital — Non-Voting Convertible Ordinary Series E Shares** | | |
| Balance, beginning and end of period | $ 910 | $ 910 |
| **Share Capital — Series C Convertible Participating Non-Voting Preferred Shares** | | |
| Balance, beginning and end of period | $ 389 | $ 389 |
| **Share Capital — Series D Preferred Shares** | | |
| Balance, beginning and end of period | $ 400,000 | $ 400,000 |
| **Share Capital — Series E Preferred Shares** | | |
| Balance, beginning and end of period | $ 110,000 | $ 110,000 |
| **Treasury Shares (Series C Preferred Shares)** | | |
| Balance, beginning and end of period | $ (421,559) | $ (421,559) |
| **Joint Share Ownership Plan — Voting Ordinary Shares, Held in Trust** | | |
| Balance, beginning of period | $ (566) | $ — |
| Issue of shares | — | (566) |
| Balance, end of period | $ (566) | $ (566) |
| **Additional Paid-in Capital** | | |
| Balance, beginning of period | $ 1,836,074 | $ 1,836,778 |
| Repurchase of voting ordinary shares | (2,252) | (1,251) |
| Exercise of warrants | (90) | — |
| Shares repurchased | (4,207) | (12,433) |
| Amortization of share-based compensation | 7,267 | 2,704 |
| Balance, end of period | $ 1,836,792 | $ 1,825,798 |
| **Accumulated Other Comprehensive Income (Loss)** | | |
| Balance, beginning of period | $ 80,659 | $ 7,171 |
| Cumulative currency translation adjustment | | |
| Balance, beginning of period | 7,876 | 8,548 |
| Change in currency translation adjustment | 743 | (686) |
| Balance, end of period | 8,619 | 7,862 |
| Defined benefit pension liability | | |
| Balance, beginning and end of period | 207 | (945) |
| Unrealized gains (losses) on available-for-sale investments | | |
| Balance, beginning of period | 72,576 | (432) |
| Change in unrealized gains (losses) on available-for-sale investments | (99,117) | (41,141) |
| Balance, end of period | (26,541) | (41,573) |
| Balance, end of period | $ (17,715) | $ (34,656) |
| **Retained Earnings** | | |
| Balance, beginning of period | $ 4,647,312 | $ 2,887,892 |
| Net earnings (loss) | 202,913 | (540,618) |
| Net (earnings) loss attributable to noncontrolling interest | (10,791) | 32,722 |
| Dividends on preferred shares | (8,925) | (8,925) |
| Change in redemption value of redeemable noncontrolling interests | 730 | 10,150 |
| Cumulative effect of change in accounting principle | — | (6,148) |
| Balance, end of period | $ 4,831,239 | $ 2,375,073 |
| **Noncontrolling Interest (excludes Redeemable Noncontrolling Interest)** | | |
| Balance, beginning of period | $ 13,609 | $ 14,168 |
| Net loss attributable to noncontrolling interest | (954) | (763) |
| Balance, end of period | $ 12,655 | $ 13,405 |
| **Total Shareholders' Equity** | $ 6,773,431 | $ 4,290,004 |

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

### For the Three Months Ended March 31, 2021 and 2020

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (expressed in thousands of U.S. dollars) | |
| OPERATING ACTIVITIES: | | |
| Net earnings (loss) | $ 202,913 | $ (540,618) |
| Net loss from discontinued operations, net of income taxes | — | 2,069 |
| Adjustments to reconcile net earnings to cash flows provided by operating activities: | | |
| Realized gains on sale of investments | (6,139) | (3,211) |
| Unrealized losses on investments | 26,927 | 632,272 |
| Depreciation and other amortization | 17,778 | 10,643 |
| Earnings from equity method investments | (118,031) | (12,450) |
| Sales and maturities of trading securities | 615,466 | 773,664 |
| Purchases of trading securities | (634,492) | (284,858) |
| Net gain on sale of subsidiaries | (14,894) | — |
| Other non-cash items | 1,863 | 2,760 |
| Changes in: | | |
| Reinsurance balances recoverable on paid and unpaid losses | 38,392 | 57,116 |
| Funds held by reinsured companies | (26,826) | (417,732) |
| Losses and loss adjustment expenses | 836,782 | (15,539) |
| Defendant asbestos and environmental liabilities | (14,772) | (24,969) |
| Insurance and reinsurance balances payable | 120,513 | 66,159 |
| Premiums receivable | (17,487) | (40,388) |
| Other operating assets and liabilities | (219,133) | (98,858) |
| Net cash flows provided by operating activities | 808,860 | 106,060 |
| INVESTING ACTIVITIES: | | |
| Sale of subsidiaries, net of cash sold | (232,269) | — |
| Sales and maturities of available-for-sale securities | 834,672 | 438,214 |
| Purchase of available-for-sale securities | (1,875,753) | (690,950) |
| Purchase of other investments | (176,021) | (159,909) |
| Proceeds from other investments | 62,025 | 85,566 |
| Net cash flows used in investing activities | (1,387,346) | (327,079) |
| FINANCING ACTIVITIES: | | |
| Dividends on preferred shares | (8,925) | (8,925) |
| Repurchase of shares | (4,225) | (12,526) |
| Receipt of loans | 20,000 | 364,000 |
| Repayment of loans | (30,000) | (14,000) |
| Net cash flows provided by (used in) financing activities | (23,150) | 328,549 |
| DISCONTINUED OPERATIONS CASH FLOWS: | | |
| Net cash flows provided by operating activities | — | 50,710 |
| Net cash flows used in investing activities | — | (59,758) |
| Net cash flows from discontinued operations | — | (9,048) |
| EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS | 1,013 | 6,717 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (600,623) | 105,199 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,373,116 | 971,349 |
| NET CHANGE IN CASH OF BUSINESSES HELD FOR SALE | 223,200 | 9,048 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 995,693 | $ 1,085,596 |
| **Supplemental Cash Flow Information:** | | |
| Income taxes paid, net of refunds | $ 1,564 | $ 10,660 |
| Interest paid | $ 19,097 | $ 9,747 |
| **Reconciliation to Consolidated Balance Sheets:** | | |
| Cash and cash equivalents | 562,328 | 747,304 |
| Restricted cash and cash equivalents | 433,365 | 338,292 |
| Cash, cash equivalents and restricted cash | $ 995,693 | $ 1,085,596 |

In addition to the cash flows presented above, for the period ended March 31, 2021 our noncash financing activities included distributions to redeemable noncontrolling interest ("RNCI") totaling $202.1 million and the issuance of 89,590 shares following the exercise of 175,901 warrants on a noncash basis. For the period ended March 31, 2021 our noncash investing activities included: the receipt of other investments as consideration totaling $51.7 million; unsettled purchases and sales of AFS and other investments of $103.1 million and $9.4 million, respectively; and contributions of $481.3 million to other investments, fully funded through the redemption of other investments totaling $381.3 million and a $100.0 million reduction in investment fees. Refer to Note 3 – "Divestitures, Held-for-Sale Businesses, and Discontinued Operations", Note 14 - "Noncontrolling Interest", and Note 19 - "Related Party Transactions".

See accompanying notes to the unaudited condensed consolidated financial statements

**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Tabular information expressed in thousands of U.S. dollars except share and per share data)**

## 1. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Preparation***

These unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments consisting of normal recurring items considered necessary for a fair presentation under U.S. GAAP. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020. All significant inter-company transactions and balances have been eliminated. In these notes, the terms "we," "us," "our," "Enstar," or "the Company" refer to Enstar Group Limited and its consolidated subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation as described in further detail in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations." These reclassifications had no impact on net earnings.

During the first quarter of 2021, we revised our segment structure and as a result restated the prior period comparatives to conform with the current period presentation. Refer to Note 21 - "Segment Information" for further information.

***Use of Estimates***

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our actual results may differ materially from these estimates. Results of changes in estimates are reflected in earnings in the period in which the change is made. Accounting policies that we believe are most dependent on assumptions and estimates are considered to be our critical accounting policies and are related to the determination of:

- liability for losses and loss adjustment expenses ("LAE");
- reinsurance balances recoverable on paid and unpaid losses;
- defendant asbestos and environmental liabilities and related insurance balances recoverable;
- valuation allowances on reinsurance balances recoverable and deferred tax assets;
- impairment charges, including credit allowances on investment securities classified as available-for-sale ("AFS"), and impairments on deferred charge assets;
- gross and net premiums written and net premiums earned;
- fair value measurements of investments;
- fair value estimates associated with accounting for acquisitions;
- fair value estimates associated with loss portfolio transfer reinsurance agreements for which we have elected the fair value option; and
- redeemable noncontrolling interests.

***New Accounting Standards Adopted in 2021***

*Accounting Standards Update ("ASU") 2020-08 – Codification Improvements to Subtopic 310-20 - Receivables - Nonrefundable Fees and Other Costs*

In October 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-08 to clarify that an entity should re-evaluate whether a callable debt security is within the scope of Accounting Standards Codification ("ASC") 310-20-35-33 during each reporting period. All entities are required to apply the amendments in this ASU on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities.

The adoption of ASU 2020-08 did not have a material impact on our consolidated financial statements and the related disclosures.

*ASU 2020-06 – Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. For convertible instruments, the ASU eliminates two of the three accounting models in ASC 470-20 that require separate accounting for embedded conversion features. The ASU also simplifies an issuer's application of the derivatives scope exception in ASC 815-40 for contracts in its own equity and removes some of the conditions that preclude a freestanding contract from being classified in equity, thereby allowing more of such contracts to qualify for equity classification.

We early adopted the amendments in ASU 2020-06 as of January 1, 2021 and that adoption did not have an impact on our consolidated financial statements and the related disclosures.

*ASU 2020-01 - Clarifying the Interactions between ASC 321, ASC 323 and ASC 815*

In January 2020, the FASB issued ASU 2020-01 to clarify the interaction of the accounting for equity securities under ASC 321 and investments accounted for under the equity method of accounting in ASC 323 and the accounting for certain forward contracts and purchased options accounted for under ASC 815. With respect to the interactions between ASC 321 and ASC 323, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting when applying the measurement alternative in ASC 321, immediately before applying or upon discontinuing the equity method of accounting. With respect to forward contracts or purchased options to purchase securities, the amendments clarify that when applying the guidance in ASC 815-10-15-141(a), an entity should not consider whether upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in ASC 323 or the fair value option in accordance with ASC 825.

The adoption of ASU 2020-01 did not have an impact on our consolidated financial statements and disclosures.

*ASU 2019-12 - Simplifying the Accounting for Income Taxes*

In December 2019, the FASB issued ASU 2019-12 which removes certain exceptions for (1) recognizing deferred taxes for investments, (2) performing intraperiod tax allocation, and (3) calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating income taxes to a legal entity that is not subject to income taxes. The adoption of ASU 2019-12 did not have any impact on our consolidated financial statements and disclosures.

***Recently Issued Accounting Pronouncements Not Yet Adopted***

Note 2 - "Significant Accounting Policies" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 describes accounting pronouncements that were not adopted as of December 31, 2020. Those pronouncements have not yet been adopted unless discussed above in "New Accounting Standards Adopted in 2021."

## 2. SIGNIFICANT NEW BUSINESS

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

The table below sets forth a summary of significant new business that we have completed between January 1, 2020 and March 31, 2021:

| Transaction | Date Completed | Total Assets Assumed | Deferred Charge Asset [1] | Total Liabilities Assumed | Net Fair Value Adjustment [2] | Type of Transaction and Primary Nature of Business |
|---|---|---|---|---|---|---|
| CNA | February 5, 2021 | $ 651,736 | $105,479 | $ 757,215 | N/A | LPT of U.S. excess workers' compensation liabilities |
| Liberty Mutual | January 8, 2021 | $ 363,159 | $25,402 | $ 388,561 | N/A | LPT of U.S. energy liability, construction liability and homebuilders liability |
| Hannover Re | August 6, 2020 | $ 182,498 | N/A | $ 209,713 | $ (27,215) | Novation of U.S. asbestos, environmental and workers' compensation liabilities |
| Munich Re | July 1, 2020 | $ 100,956 | N/A | $ 100,956 | N/A | Business Transfer of Australian public liability, professional liability and builders' warranty liabilities |
| AXA Group [3] | June 1, 2020 | $ 179,681 | N/A | $ 179,681 | N/A | LPT of U.S. construction general liability |
| Aspen | June 1, 2020 | $ 770,000 | $ 11,746 | $ 781,746 | N/A | ADC on a diversified mix of property, liability and specialty lines of business across the U.S., U.K. and Europe |
| Lyft | March 31, 2020 | $ 465,000 | N/A | $ 465,000 | N/A | LPT of U.S. motor liabilities |

The table below sets forth a summary of significant new business that we have signed or completed between April 1, 2021 and May 7, 2021:

| Transaction | Date Transaction Announced or Completed | Initial Estimate of Liabilities Assumed | Type of Transaction and Primary Nature of Business |
|---|---|---|---|
| AXA Group[4] | Completed on May 3, 2021 | $ 1,395,000 | LPT and ADC of a diversified mix of global casualty and professional lines |
| ProSight [4] | Announced on January 15, 2021 | $ 500,000 | LPT of U.S. discontinued workers' compensation and excess workers' compensation lines of business and ADC on a diversified mix of general liability classes of business |

(1) Where the estimated ultimate losses payable exceed the premium consideration received at the inception of the agreement, a deferred charge asset is recorded.

(2) When the fair value option is elected for any retroactive reinsurance agreement, an initial net fair value adjustment is recorded at the inception of the agreement.

(3) Effective October 1, 2020, we ceded 10% of the AXA Group transaction to Enhanzed Reinsurance Ltd. ("Enhanzed Re"), in which we have an investment, on the same terms and conditions as those received by us.

(4) As of March 31, 2021, the retroactive reinsurance agreements with AXA Group and ProSight had not closed; therefore, the related balances were not included in our unaudited condensed consolidated financial statements as of March 31, 2021.

## 3. DIVESTITURES, HELD-FOR-SALE BUSINESSES AND DISCONTINUED OPERATIONS

### *Atrium Exchange Transaction*

On August 13, 2020, we announced an exchange transaction with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, the "Trident V Funds") managed by Stone Point Capital LLC ("Stone Point"). As part of the exchange, we entered into a recapitalization agreement with the Trident V Funds, Dowling Capital Partners I, L.P. and Capital City Partners LLC (collectively, the "Dowling Funds"), North Bay Holdings Limited ("North Bay"), and StarStone Specialty Holdings Limited ("SSHL"). On January 1, 2021, this transaction was completed.

As of December 31, 2020, Enstar owned an indirect 59.0% interest in North Bay and the Trident V Funds and the Dowling Funds owned 39.3% and 1.7%, respectively. North Bay owns 100.0% of SSHL, the holding company for the StarStone group, which previously included StarStone's U.S. operations, including StarStone U.S. Holdings, Inc. and its subsidiaries (“StarStone U.S.”) and StarStone International. North Bay also owned 92.1% of Northshore Holdings Limited ("Northshore"), the holding company that owns Atrium Underwriting Group Limited and its subsidiaries (collectively, "Atrium") and Arden Reinsurance Company Ltd. ("Arden"). The remaining share ownership of Northshore is held on behalf of certain Atrium employees.

Pursuant to the terms of the recapitalization agreement, we exchanged a portion of our indirect interest in Northshore for all of the Trident V Funds’ indirect interest in StarStone U.S., which was owned through an interest in Core Specialty Insurance Holdings, Inc. (“Core Specialty”) (the “Exchange Transaction”). Subsequent to the Exchange Transaction, the Trident V Funds no longer hold any interest in Core Specialty, and the common shares of Core Specialty received as part consideration for the sale of StarStone U.S. were distributed to Enstar and the Dowling Funds. Effective January 1, 2021, we own 25.2% (24.8% on a fully diluted basis) of Core Specialty, which in turn owns StarStone U.S., and 13.8% of Northshore, which continues to own Atrium and Arden. The Trident V Funds own 76.3% of Northshore, while the Dowling Funds own 0.4% of Core Specialty and 1.6% of Northshore. The Exchange Transaction had no impact on the ultimate ownership of SSHL, which continues to own StarStone International, with us, the Trident V Funds and the Dowling Funds retaining our and their current ownership interests in SSHL of 59.0%, 39.3% and 1.7%, respectively.

Effective January 1, 2021, Northshore was deconsolidated and our remaining investment with a carrying value of $34.0 million as of March 31, 2021 is accounted for as a privately held equity investment and carried at its fair value. During the first quarter of 2021, we recognized a loss of $7.8 million on completion of the Exchange Transaction.

Through our wholly owned subsidiary, SGL No.1 (a Lloyd’s corporate member) we provided 25% of the underwriting capacity on the 2017 to 2020 underwriting years of Atrium's Syndicate 609 at Lloyd’s. Effective January 1, 2021, and in conjunction with the completion of the Exchange Transaction, SGL No.1 ceased its provision of underwriting capacity on Syndicate 609. Accordingly, the 2020 underwriting year was the last underwriting year that SGL No. 1 participated in with respect to the Atrium business. We will continue to report SGL No. 1's 25% gross share of the 2020 and prior underwriting years of Syndicate 609 until the 2020 underwriting year completes an RITC into a successor year, which will be no earlier than December 31, 2022. There is no net retention for Enstar on Atrium's 2020 and prior underwriting years as the business was contractually transferred to the Atrium entities that were divested in the Exchange Transaction. This business is reflected within our Legacy Underwriting segment. Effective January 1, 2021, balances that SGL No. 1 has with Atrium and Arden are no longer eliminated in our consolidated financial statements.

As of December 31, 2020, we classified the assets and liabilities of Northshore as held-for-sale, but Northshore did not qualify as a discontinued operation since the pending disposal did not represent a strategic shift that would have a major effect on our operations and financial results. The following table summarizes the components of Northshore's assets and liabilities held-for-sale on our consolidated balance sheet:

| | December 31, 2020 |
|---|---|
| **ASSETS** | |
| Short-term investments, AFS, at fair value | $ 1,720 |
| Fixed maturities, trading, at fair value | 154,026 |
| Fixed maturities, AFS, at fair value | 7,483 |
| Other investments, at fair value | 9,897 |
| Total investments | 173,126 |
| Cash and cash equivalents | 71,156 |
| Restricted cash and cash equivalents | 152,044 |
| Premiums receivable | 62,392 |
| Reinsurance balances recoverable on paid and unpaid losses | 37,341 |
| Funds held by reinsured companies | 32,226 |
| Other assets | 182,993 |
| TOTAL ASSETS HELD-FOR-SALE | $ 711,278 |
| **LIABILITIES** | |
| Losses and loss adjustment expenses | $ 254,149 |
| Insurance and reinsurance balances payable | 12,393 |
| Debt obligations | 39,850 |
| Other liabilities | 177,265 |
| TOTAL LIABILITIES HELD-FOR-SALE | $ 483,657 |
| **NET ASSETS HELD-FOR-SALE** | $ 227,621 |

As of December 31, 2020, included in the table above were restricted investments of $94.4 million.

***Recapitalization of StarStone U.S. and Discontinued Operations***

On November 30, 2020, we completed the sale and recapitalization of StarStone U.S. through the sale of StarStone U.S. to Core Specialty, a newly formed entity with equity backing from funds managed by SkyKnight Capital, L.P., Dragoneer Investment Group and Aquiline Capital Partners LLC. We received consideration of $282.0 million inclusive of $235.0 million of common shares of Core Specialty and cash of $47.0 million. At the closing date, the $235.0 million of common shares of Core Specialty represented a 25.2% interest in Core Specialty on a fully diluted basis. Our investment in Core Specialty is accounted for as an equity method investment, and we record our proportionate share of the net earnings on a quarter lag.

The StarStone U.S. business qualified as a discontinued operation. The following table summarizes the components of net loss from discontinued operations, net of income taxes, related to StarStone U.S., on the consolidated statements of earnings:

| | Three Months Ended March 31, 2020 |
|---|---|
| INCOME | |
| Net premiums earned | $ 100,546 |
| Net investment income | 3,715 |
| Net realized and unrealized losses | (5,415) |
| Other income | 1 |
| | 98,847 |
| EXPENSES | |
| Net incurred losses and loss adjustment expenses | 64,594 |
| Acquisition costs | 20,543 |
| General and administrative expenses | 15,084 |
| Interest expense | 589 |
| Net foreign exchange losses | 9 |
| | 100,819 |
| LOSS BEFORE INCOME TAXES | (1,972) |
| Income tax expense | (97) |
| NET LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES | (2,069) |
| Net loss from discontinued operations attributable to noncontrolling interest | 848 |
| NET LOSS FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ (1,221) |

*Continuing Involvement Disclosures*

Following the completion of the sale of StarStone U.S. to Core Specialty on November 30, 2020, our continuing involvement with StarStone U.S. comprised of the following transactions:

LPT and ADC reinsurance agreement

In connection with the sale of StarStone U.S. to Core Specialty, one of our insurance subsidiaries entered into a loss portfolio transfer ("LPT") and adverse development cover ("ADC") reinsurance agreement with StarStone U.S. pursuant to which we reinsured all of the net loss reserves of StarStone U.S. in respect of premium earned prior to October 31, 2020. Under the terms of the LPT and ADC reinsurance agreement, we assumed total net loss reserves of $462.4 million from StarStone U.S. in exchange for a total reinsurance premium consideration of $478.2 million, subject to an aggregate limit of $130.0 million above the assumed total net loss reserves. Our Run-off subsidiary's obligations to StarStone U.S. under the LPT and ADC reinsurance agreement are guaranteed by us. The LPT and ADC reinsurance agreement between us and StarStone U.S. shall continue in force until such time as our liability with respect to the assumed total net loss reserves terminates.

Concurrent with the closing of the LPT and ADC reinsurance agreement, one of our wholly-owned subsidiaries entered into an Administrative Services Agreement ("ASA") with StarStone U.S., through which it was appointed as an independent contractor to provide certain administrative services covering the business we assumed from StarStone U.S. through the LPT and ADC reinsurance agreement. This ASA became effective on November 30, 2020 and shall continue in force (subject to certain limited exceptions) until such time as the LPT and ADC reinsurance agreement between us and StarStone U.S. terminates.

In addition, concurrent with the sale of StarStone U.S. to Core Specialty, which was completed on November 30, 2020, one of our wholly-owned subsidiaries entered into a Transition Services Agreement ("TSA") with Core Specialty through which our subsidiary and Core Specialty agreed to provide certain transitional services to each other relating to the StarStone U.S. businesses, for a specified period of time. This TSA became effective on November 30, 2020 and unless otherwise agreed to in writing by both Core Specialty and us, shall terminate on the earliest to occur of (a) the 2-year anniversary of the agreement, (b) the date on which all the covered transitional services have been terminated, and (c) the termination of the agreement.

*Reinsurance transactions previously eliminated on consolidation*

The table below presents a summary of the total income and expenses which have been recognized within our continuing operations relating to transactions, primarily reinsurances, between StarStone U.S. and our subsidiaries:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Total income | $ 1,572 | $ 3,712 |
| Total expenses (income)[1] | (2,400) | (7,660) |
| Net earnings | $ 3,972 | $ 11,372 |

[1] For the three months ended March 31, 2021 and 2020, negative total expenses were driven by favorable loss development on the losses and LAE reserves ceded by StarStone U.S. to our subsidiaries.

Cash flows

The cash inflows (outflows) between our subsidiaries and StarStone U.S. for the three months ended March 31, 2021 and 2020 were $21.7 million and $(6.2) million, respectively.

Equity method investment

We have applied the equity method of accounting to the common shares we acquired in Core Specialty as part-consideration for the sale of StarStone U.S. and which made up 25.2% of the total outstanding common shares in Core Specialty on a fully diluted basis as of November 30, 2020 when we completed the sale and recapitalization of StarStone U.S. Our investment in the common shares of Core Specialty, which is included in equity method investments on our consolidated balance sheet, was $228.0 million as of March 31, 2021 (December 31, 2020: $235.0 million). Following the completion of the Exchange Transaction on January 1, 2021 as described above, common shares in Core Specialty with a carrying value of $4.0 million were distributed to redeemable noncontrolling interests as discussed in Note 14 - "Noncontrolling Interests." During the three months ended March 31, 2021 our share of net loss on our investment in Core Specialty, which is included within earnings from equity method investments in our condensed consolidated statement of earnings, was $3.0 million.

***Run-off of StarStone International (non-U.S.)***

On June 10, 2020, we announced that we placed StarStone International into an orderly run-off (the "StarStone International Run-Off"). The liabilities associated with the StarStone International Run-Off vary in duration, and the run-off is expected to occur over a number of years. Steps to reduce the size of StarStone International's operations have begun and will involve several phases that will occur over time. As a result, we cannot anticipate with certainty the expected completion date of the StarStone International Run-Off.

We continue to evaluate additional strategic options for StarStone International's operations and business. Consequently, such options could have the effect of mitigating costs associated with placing the business into run-off. The remaining StarStone International operations will continue to serve the needs of policyholders and ensure that the companies continue to meet all regulatory requirements. The results of StarStone International are included within continuing operations in the Run-off segment. Recent developments relating to StarStone International include:

- On March 15, 2021, we sold StarStone Underwriting Limited ("SUL"), the Lloyd's managing agency, together with the right to operate Lloyd's Syndicate 1301, to Inigo Limited ("Inigo"). As of December 31, 2020, we had a 59.0% interest in SUL and the Trident V Funds and the Dowling Funds owned 39.3% and 1.7%, respectively. Upon closing, Enstar, the Trident V Funds and the Dowling Funds received consideration of $30.0 million in the form of Inigo shares and $0.6 million in cash. Following the completion of the sale of SUL to Inigo on March 15, 2021, we recognized a gain on the sale of $23.1 million in the first quarter of 2021. In addition, Enstar and the Trident V Funds have committed to invest up to $27.0 million and $18.0 million, respectively, into Inigo. As of March 31, 2021, Enstar had funded $16.9 million of its capital commitment to Inigo, with $10.1 million yet to be called by Inigo. As of March 31, 2021, our investment in Inigo was $34.6 million (December 31, 2020: $16.9 million) representing 6.5% of the total outstanding ordinary shares of Inigo and was accounted for as a privately held equity investment and carried at fair value. In conjunction with the transaction, Enstar, the Trident V Funds and the Dowling Funds will retain the economics of Syndicate 1301's 2020 and prior years' underwriting portfolios as this business runs off.

- On February 11, 2021, we sold Arena N.V., a Belgium-based specialist accident and health managing general agent for consideration of $1.0 million. We recognized a loss on the sale of $0.3 million during the first quarter of 2021.

The following table provides a summary of the gain (loss) on sale of subsidiaries included in the condensed consolidated statement of earnings:

| | Three Months Ended March 31, |
|---|---|
| | 2021 |
| Atrium | (7,844) |
| SUL | 23,067 |
| Arena | (329) |
| Net gain on sale of subsidiaries | 14,894 |

## 4. INVESTMENTS

We hold: (i) trading portfolios of short-term and fixed maturity investments and equities, carried at fair value; (ii) AFS portfolios of short-term and fixed maturity investments, carried at fair value; (iii) other investments, carried at fair value; (iv) equity method investments; and (v) funds held - directly managed.

### *Short-term and Fixed Maturity Investments*

*Asset Types*

The fair values of the underlying asset categories comprising our short-term and fixed maturity investments classified as trading and AFS and the fixed maturity investments included within our funds held - directly managed balance were as follows:

| | March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Short-term investments, trading | Short-term investments, AFS | Fixed maturities, trading | Fixed maturities, AFS | Fixed maturities, funds held - directly managed | Total |
| U.S. government and agency | $ 7,833 | $ 70,399 | $ 119,217 | $ 473,169 | $ 113,927 | $ 784,545 |
| U.K. government | — | — | 30,661 | 12,136 | — | 42,797 |
| Other government | 3,335 | 2,426 | 357,618 | 152,950 | 20,118 | 536,447 |
| Corporate | 776 | 16,812 | 2,975,577 | 2,551,659 | 498,306 | 6,043,130 |
| Municipal | — | — | 88,144 | 68,797 | 49,730 | 206,671 |
| Residential mortgage-backed | — | — | 154,949 | 416,038 | 49,582 | 620,569 |
| Commercial mortgage-backed | — | — | 333,861 | 426,532 | 218,349 | 978,742 |
| Asset-backed | — | — | 250,931 | 466,209 | 60,512 | 777,652 |
| Total fixed maturity and short-term investments | $ 11,944 | $ 89,637 | $ 4,310,958 | $ 4,567,490 | $ 1,010,524 | $ 9,990,553 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Short-term investments, trading | Short-term investments, AFS | Fixed maturities, trading | Fixed maturities, AFS | Fixed maturities, funds held - directly managed | Total |
| U.S. government and agency | $ — | $ 243,556 | $ 123,874 | $ 474,442 | $ 109,176 | $ 951,048 |
| U.K. government | — | — | 37,508 | 13,574 | — | 51,082 |
| Other government | 3,424 | 3,213 | 327,437 | 146,914 | 21,165 | 502,153 |
| Corporate | 1,705 | 17,026 | 3,227,726 | 1,920,323 | 519,952 | 5,686,732 |
| Municipal | — | — | 79,959 | 30,032 | 52,678 | 162,669 |
| Residential mortgage-backed | — | — | 154,471 | 328,871 | 70,603 | 553,945 |
| Commercial mortgage-backed | — | — | 347,225 | 276,488 | 230,377 | 854,090 |
| Asset-backed | — | — | 296,692 | 204,456 | 56,312 | 557,460 |
| Total fixed maturity and short-term investments | $ 5,129 | $ 263,795 | $ 4,594,892 | $ 3,395,100 | $ 1,060,263 | $ 9,319,179 |

Included within residential and commercial mortgage-backed securities as of March 31, 2021 were securities issued by U.S. governmental agencies with a fair value of $516.5 million (December 31, 2020: $458.1 million). There were no senior secured loans included within corporate securities as of March 31, 2021 and December 31, 2020.

*Contractual Maturities*

The contractual maturities of our short-term and fixed maturity investments, classified as trading and AFS and the fixed maturity investments included within our funds held - directly managed balance are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

| As of March 31, 2021 | Amortized Cost | Fair Value | % of Total Fair Value |
|---|---|---|---|
| One year or less | $ 457,301 | $ 462,613 | 4.6 % |
| More than one year through two years | 755,334 | 773,827 | 7.7 % |
| More than two years through five years | 2,175,758 | 2,254,424 | 22.6 % |
| More than five years through ten years | 2,350,547 | 2,416,030 | 24.2 % |
| More than ten years | 1,657,983 | 1,706,696 | 17.1 % |
| Residential mortgage-backed | 617,633 | 620,569 | 6.2 % |
| Commercial mortgage-backed | 965,020 | 978,742 | 9.8 % |
| Asset-backed | 782,527 | 777,652 | 7.8 % |
| | $ 9,762,103 | $ 9,990,553 | 100.0 % |

*Credit Ratings*

The following table sets forth the credit ratings of our short-term and fixed maturity investments classified as trading and AFS and the fixed maturity investments included within our funds held - directly managed balance as of March 31, 2021:

| | Amortized Cost | Fair Value | % of Total | AAA Rated | AA Rated | A Rated | BBB Rated | Non-Investment Grade | Not Rated |
|---|---|---|---|---|---|---|---|---|---|
| U.S. government and agency | $ 784,636 | $ 784,545 | 7.8 % | $ 784,545 | $ — | $ — | $ — | $ — | $ — |
| U.K. government | 40,668 | 42,797 | 0.4 % | — | 35,567 | 7,230 | — | — | — |
| Other government | 516,283 | 536,447 | 5.4 % | 260,548 | 173,669 | 46,179 | 51,088 | 4,963 | — |
| Corporate | 5,858,328 | 6,043,130 | 60.5 % | 166,957 | 606,856 | 2,841,483 | 2,129,144 | 286,072 | 12,618 |
| Municipal | 197,008 | 206,671 | 2.1 % | 9,643 | 109,188 | 67,308 | 20,438 | — | 94 |
| Residential mortgage-backed | 617,633 | 620,569 | 6.2 % | 605,835 | 6,212 | 2,194 | 1,991 | 2,438 | 1,899 |
| Commercial mortgage-backed | 965,020 | 978,742 | 9.8 % | 698,161 | 132,766 | 74,577 | 65,143 | 3,627 | 4,468 |
| Asset-backed | 782,527 | 777,652 | 7.8 % | 336,571 | 168,969 | 136,848 | 84,113 | 25,080 | 26,071 |
| Total | $ 9,762,103 | $ 9,990,553 | 100.0 % | $ 2,862,260 | $ 1,233,227 | $ 3,175,819 | $ 2,351,917 | $ 322,180 | $ 45,150 |
| % of total fair value | | | | 28.7 % | 12.3 % | 31.8 % | 23.5 % | 3.2 % | 0.5 % |

*Unrealized Gains and Losses on AFS Short-term and Fixed Maturity Investments*

The amortized cost, unrealized gains and losses, allowance for credit losses and fair values of our short-term and fixed maturity investments classified as AFS were as follows:

| | | | Gross Unrealized Losses | | |
|---|---|---|---|---|---|
| **As of March 31, 2021** | **Amortized Cost** | **Gross Unrealized Gains** | **Non-Credit Related Losses** | **Allowance for Credit Losses** | **Fair Value** |
| U.S. government and agency | $ 546,628 | $ 1,504 | $ (4,564) | $ — | $ 543,568 |
| U.K. government | 11,194 | 944 | (2) | — | 12,136 |
| Other government | 150,709 | 5,716 | (981) | (68) | 155,376 |
| Corporate | 2,603,003 | 25,621 | (47,947) | (12,206) | 2,568,471 |
| Municipal | 69,670 | 612 | (1,485) | — | 68,797 |
| Residential mortgage-backed | 417,742 | 2,146 | (3,850) | — | 416,038 |
| Commercial mortgage-backed | 429,861 | 3,769 | (6,834) | (264) | 426,532 |
| Asset-backed | 465,051 | 1,443 | (285) | — | 466,209 |
| | $ 4,693,858 | $ 41,755 | $ (65,948) | $ (12,538) | $ 4,657,127 |

| | | | Gross Unrealized Losses | | |
|---|---|---|---|---|---|
| **As of December 31, 2020** | **Amortized Cost** | **Gross Unrealized Gains** | **Non-Credit Related Losses** | **Allowance for Credit Losses** | **Fair Value** |
| U.S. government and agency | $ 715,527 | $ 3,305 | $ (834) | $ — | $ 717,998 |
| U.K. government | 12,494 | 1,080 | — | — | 13,574 |
| Other government | 142,459 | 7,721 | (53) | — | 150,127 |
| Corporate | 1,873,184 | 65,913 | (1,567) | (181) | 1,937,349 |
| Municipal | 28,881 | 1,155 | (4) | — | 30,032 |
| Residential mortgage-backed | 326,268 | 3,292 | (689) | — | 328,871 |
| Commercial mortgage-backed | 273,516 | 5,202 | (2,097) | (133) | 276,488 |
| Asset-backed | 204,312 | 846 | (694) | (8) | 204,456 |
| | $ 3,576,641 | $ 88,514 | $ (5,938) | $ (322) | $ 3,658,895 |

*Gross Unrealized Losses on AFS Short-term and Fixed Maturity Investments*

The following tables summarizes our short-term and fixed maturity investments classified as AFS that were in a gross unrealized loss position, for which an allowance for credit losses has not been recorded:

| | 12 Months or Greater | | Less Than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| **As of March 31, 2021** | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** |
| U.S. government and agency | $ — | $ — | $ 403,412 | $ (4,564) | $ 403,412 | $ (4,564) |
| U.K. government | — | — | 365 | (2) | 365 | (2) |
| Other government | — | — | 26,567 | (146) | 26,567 | (146) |
| Corporate | 2,910 | (32) | 1,022,161 | (20,044) | 1,025,071 | (20,076) |
| Municipal | — | — | 47,913 | (1,485) | 47,913 | (1,485) |
| Residential mortgage-backed | 6,291 | (137) | 268,408 | (3,712) | 274,699 | (3,849) |
| Commercial mortgage-backed | 6,044 | (282) | 262,973 | (6,435) | 269,017 | (6,717) |
| Asset-backed | — | — | 232,971 | (284) | 232,971 | (284) |
| Total short-term and fixed maturity investments | $ 15,245 | $ (451) | $ 2,264,770 | $ (36,672) | $ 2,280,015 | $ (37,123) |

| | 12 Months or Greater | | Less Than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| **As of December 31, 2020** | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** |
| U.S. government and agency | $ — | $ — | $ 55,839 | $ (834) | $ 55,839 | $ (834) |
| Other government | — | — | 7,971 | (53) | 7,971 | (53) |
| Corporate | — | — | 199,048 | (1,224) | 199,048 | (1,224) |
| Municipal | — | — | 1,690 | (4) | 1,690 | (4) |
| Residential mortgage-backed | 4,626 | (125) | 79,149 | (564) | 83,775 | (689) |
| Commercial mortgage-backed | 38 | (38) | 67,094 | (1,562) | 67,132 | (1,600) |
| Asset-backed | — | — | 116,827 | (564) | 116,827 | (564) |
| Total short-term and fixed maturity investments | $ 4,664 | $ (163) | $ 527,618 | $ (4,805) | $ 532,282 | $ (4,968) |

As of March 31, 2021 and December 31, 2020, the number of securities classified as AFS in an unrealized loss position for which an allowance for credit loss is not recorded was 1,566 and 407, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 23 and 2, respectively.

The contractual terms of a majority of these investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the security. While interest rates have increased, and in certain cases credit ratings were downgraded, we currently do not expect the issuers of these fixed income securities to settle them at a price less than their amortized cost basis and therefore it is expected that we will recover the entire amortized cost basis of each security. Furthermore, we do not intend to sell the securities that are currently in an unrealized loss position, and it is also not more likely than not that we will be required to sell the securities before the recovery of their amortized cost bases.

*Allowance for Credit Losses on AFS Fixed Maturity Investments*

We adopted ASU 2016-13 and the related amendments on January 1, 2020 prospectively, and recognized an allowance for credit losses of $3.1 million on initial adoption of the guidance. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details. Our allowance for credit losses is derived based on various data sources, multiple key inputs and forecast scenarios. These include default rates specific to the individual security, vintage of the security, geography of the issuer of the security, industry analyst reports, credit ratings and consensus economic forecasts.

To determine the credit losses on our AFS securities, we use the probability of default ("PD") and loss given default ("LGD") methodology through a third-party proprietary tool which calculates the expected credit losses based on a discounted cash flow method. The tool uses effective interest rates to discount the expected cash flows associated with each AFS security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security.

The methodology and inputs used to determine the credit loss by security type are as follows:

- *Corporate and Government:* Expected cashflows are derived that are specific to each security. The PD is based on a quantitative model that converts agency ratings to term structures that vary by country, industry and the state of the credit cycle. This is used along with macroeconomic forecasts to produce scenario conditioned PDs. The LGD is based on default studies provided by a third party which we use along with macroeconomic forecasts to produce scenario conditioned LGDs.
- *Municipals*: Expected cash flows are derived that are specific to each security. The PD model produces scenario conditioned PD output over the lifetime of the municipal security. These PDs are based on key macroeconomic and instrument specific risk factors. The LGD is derived based on a model which uses assumptions specific to the municipal securities.

For corporate, government and municipal securities, we use an explicit reversion and a three year forecast period, which we consider to be a reasonable duration during which an economic forecast could continue to be reliable.

- *Asset backed, Commercial and Residential mortgaged-backed:* Expected cash flows are derived that are specific to each security. The PD and LGD for each security is based on a quantitative model that generates scenario conditioned PD and LGD term structures based on the underlying collateral type, waterfall and other trustee information. This model also considers prepayments. For these security types, there is no explicit reversion and the forecasts are deemed reasonable and supportable over the life of the portfolio.

Due to the short-term period during which accrued investment income remains unpaid, which is typically six months or less since the coupon on our debt securities is paid semi-annually or more frequently, we elected not to establish an allowance for credit losses on our accrued investment income balances. Accrued investment income is written off through net realized investment gains (losses) at the time the issuer of the debt security defaults or is expected to default on payments.

The following tables provide a reconciliation of the beginning and ending allowance for credit losses on our AFS debt securities:

| | Three Months Ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Other government | Corporate | Commercial mortgage backed | Asset-backed | Total |
| Allowance for credit losses, beginning of period | $ — | $ (181) | $ (133) | $ (8) | $ (322) |
| Cumulative effect of change in accounting principle | — | — | — | — | — |
| Allowances for credit losses on securities for which credit losses were not previously recorded | (68) | (12,122) | (232) | — | (12,422) |
| Additions to the allowance for credit losses arising from purchases of securities accounted for as PCD assets | — | — | — | — | — |
| Reductions for securities sold during the period | — | 11 | — | — | 11 |
| Reductions in the allowance for credit losses on securities we either intend to sell or more likely than not, we will be required to sell before the recovery of their amortized cost basis | — | — | — | — | — |
| Decrease to the allowance for credit losses on securities that had an allowance recorded in the previous period | — | 86 | 101 | 8 | 195 |
| Allowance for credit losses, end of period | $ (68) | $ (12,206) | $ (264) | $ — | $ (12,538) |

| | Three Months Ended March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Other government | Corporate | Commercial mortgage backed | Asset-backed | Total |
| Allowance for credit losses, beginning of period | $ — | $ — | $ — | $ — | $ — |
| Cumulative effect of change in accounting principle | (22) | (2,987) | (50) | — | (3,059) |
| Allowances for credit losses on securities for which credit losses were not previously recorded | — | (11,739) | — | — | (11,739) |
| Additions to the allowance for credit losses arising from purchases of securities accounted for as PCD assets | — | — | — | — | — |
| Reductions for securities sold during the period | — | 374 | — | — | 374 |
| Reductions in the allowance for credit losses on securities we either intend to sell or more likely than not, we will be required to sell before the recovery of their amortized cost basis | 22 | 29 | 49 | — | 100 |
| (Increase) decrease to the allowance for credit losses on securities that had an allowance recorded in the previous period | — | — | — | — | — |
| Allowance for credit losses, end of period | $ — | $ (14,323) | $ (1) | $ — | $ (14,324) |

During the three months ended March 31, 2021 and 2020 we did not have any write-offs charged against the allowance for credit losses or any recoveries of amounts previously written-off.

***Equity Investments***

The following table summarizes our equity investments classified as trading:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Publicly traded equity investments in common and preferred stocks | $ 263,122 | $ 260,767 |
| Exchange-traded funds | 505,042 | 311,287 |
| Privately held equity investments in common and preferred stocks | 330,404 | 274,741 |
| | $ 1,098,568 | $ 846,795 |

Equity investments include publicly traded common and preferred stocks, exchange-traded funds and privately held common and preferred stocks. Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges. Our investments in exchange-traded funds also trade on major exchanges.

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. There is no active market for these investments. Included within the above balance as of March 31, 2021 and December 31, 2020 is an investment in the parent company of AmTrust Financial Services, Inc. ("AmTrust"), with a fair value of $228.8 million and $230.3 million, respectively. Refer to Note 19 - "Related Party Transactions" for further information.

***Other Investments, at fair value***

The following table summarizes our other investments carried at fair value:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Hedge funds | $ 2,915,114 | $ 2,638,339 |
| Fixed income funds | 581,696 | 552,541 |
| Equity funds | 5,305 | 190,767 |
| Private equity funds | 442,602 | 363,103 |
| CLO equities | 134,984 | 128,083 |
| CLO equity funds | 178,150 | 166,523 |
| Private credit funds | 240,202 | 192,319 |
| Others | 20,993 | 12,359 |
| | $ 4,519,046 | $ 4,244,034 |

The valuation of our other investments is described in Note 10 - "Fair Value Measurements." Due to a lag in the valuations of certain funds reported by the managers, we may record changes in valuation with up to a three-month lag. We regularly review and discuss fund performance with the fund managers to corroborate the reasonableness of the reported net asset values and to assess whether any events have occurred within the lag period that would affect the valuation of the investments. The following is a description of the nature of each of these investment categories:

- *Hedge funds* may invest in a wide range of instruments, including debt and equity securities, and utilize various sophisticated strategies, including derivatives, to achieve their objectives. We invest in fixed income, equity and multi-strategy hedge funds.
- *Fixed income funds* comprise a number of positions in diversified fixed income funds that are managed by third-party managers. Underlying investments vary from high-grade corporate bonds to non-investment grade senior secured loans and bonds, in both liquid and illiquid markets. The liquid fixed income funds have regularly published prices.
- *Equity funds* invest in a diversified portfolio of U.S. and international publicly-traded equity securities.
- *Private equity funds* invest primarily in the financial services industry.
- *CLO equities* comprise investments in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.
- *CLO equity funds* invest primarily in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.
- *Private credit funds* invest in direct senior or collateralized loans.
- *Others* primarily comprise of a real estate fund that invests primarily in European commercial real estate equity.

As of March 31, 2021, we had unfunded commitments of $931.8 million to other investments.

Certain of our other investments are subject to restrictions on redemptions and sales that are determined by the governing documents, which limits our ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods. A gate is the ability to deny or delay a redemption request, whereas a side-pocket is a designated account for which the investor loses its redemption rights. Certain other investments may not have any restrictions governing their sale, but there is no active market and no guarantee that we will be able to execute a sale in a timely manner. In addition, even if certain other investments are not eligible for redemption or sales are restricted, we may still receive income distributions from those other investments.

The table below details the estimated date by which proceeds would be received if we had provided notice of our intent to redeem or initiated a sales process as of March 31, 2021:

| | Less than 1 Year | 1-2 years | 2-3 years | More than 3 years | Not Eligible/ Restricted | Total | Redemption Frequency |
|---|---|---|---|---|---|---|---|
| Hedge funds | $ 2,849,299 | $ — | $ — | $ — | $ 65,815 | $ 2,915,114 | Monthly to Bi-annually |
| Fixed income funds | 564,982 | — | — | — | 16,714 | 581,696 | Daily to Quarterly |
| Equity funds | 5,305 | — | — | — | — | 5,305 | Daily |
| Private equity funds | — | 50,000 | — | — | 392,602 | 442,602 | Quarterly |
| CLO equities | 134,984 | — | — | — | — | 134,984 | Daily to Quarterly |
| CLO equity funds | 116,916 | 50,023 | 11,211 | — | — | 178,150 | Quarterly to Bi-annually |
| Private credit funds | — | 9,250 | — | — | 230,952 | 240,202 | N/A |
| Other | — | — | — | — | 20,993 | 20,993 | N/A |
| | $ 3,671,486 | $ 109,273 | $ 11,211 | $ — | $ 727,076 | $ 4,519,046 | |

As of March 31, 2021 and December 31, 2020, we had $65.8 million and $48.2 million, respectively, of hedge funds subject to gates or side-pockets.

***Equity Method Investments***

The table below shows our equity method investments:

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Ownership % | Carrying Value | Ownership % | Carrying Value |
| Enhanzed Re | 47.4 % | $ 435,891 | 47.4 % | $ 330,289 |
| Citco[1] | 31.9 % | 53,691 | 31.9 % | 53,022 |
| Monument Re [2] | 20.0 % | 200,786 | 20.0 % | 193,716 |
| Core Specialty | 25.2 % | 228,014 | 25.2 % | 235,000 |
| Other | ~27% | 20,236 | ~27% | 20,268 |
| | | $ 938,618 | | $ 832,295 |

[1] We own 31.9% of the common shares in HH CTCO Holdings Limited, which owns 15.4% of the convertible preferred shares of Citco III Limited ("Citco"), amounting to a 6.2% interest in the total equity of Citco.

[2] We own 20.0% of the common shares in Monument Re as well as different classes of preferred shares which have fixed dividend yields and whose balances are included in the Investment amount.

Refer to Note 19 - "Related Party Transactions" for further information regarding the investments above. As of March 31, 2021, we had unfunded commitments of $68.7 million related to equity method investments.

***Funds Held***

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. We either have (i) funds held by reinsured companies, which are carried at amortized cost and on which we receive a fixed crediting rate, or (ii) funds held - directly managed, which are carried at fair value and on which we receive the underlying return on the portfolio. The investment returns on funds held by reinsurance companies are recognized in net investment income and the investment returns on funds held -directly managed are recognized in net investment income and net realized and unrealized gains (losses). The funds held balance is credited with investment income and losses payable are deducted.

*Funds Held - Directly Managed*

Funds held - directly managed, where we receive the underlying return on the investment portfolio, are carried at fair value, either because we elected the fair value option at the inception of the reinsurance contract, or because it represents the aggregate of funds held at amortized cost and the fair value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio supporting the reinsurance contract. We include the estimated fair value of these embedded derivatives in the consolidated balance sheets with the host contract in order to reflect the expected settlement of these features with the host contract. The change in the fair value of the embedded derivative is included in net unrealized gains (losses). The following table summarizes the components of the funds held - directly managed:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Fixed maturity investments, trading | $ 1,010,524 | $ 1,060,263 |
| Cash and cash equivalents | 3,899 | 9,067 |
| Other assets | 2,108 | 5,560 |
| | $ 1,016,531 | $ 1,074,890 |

The following table summarizes the fixed maturity investment components of funds held - directly managed:

| | March 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Funds held - Directly Managed - Fair Value Option | Funds held - Directly Managed - Variable Return | Total | Funds held - Directly Managed - Fair Value Option | Funds held - Directly Managed - Variable Return | Total |
| Short-term and fixed maturity investments, at amortized cost | $ 110,224 | $ 850,692 | $ 960,916 | $ 106,938 | $ 859,403 | $ 966,341 |
| Net unrealized gains: | | | | | | |
| Change in fair value - fair value option accounting | 5,995 | — | 5,995 | 9,693 | — | 9,693 |
| Change in fair value - embedded derivative accounting | — | 43,613 | 43,613 | — | 84,229 | 84,229 |
| Short-term fixed maturity investments within funds held - directly managed, at fair value | $ 116,219 | $ 894,305 | $ 1,010,524 | $ 116,631 | $ 943,632 | $ 1,060,263 |

Refer to the sections above for details of the short-term and fixed maturity investments within our funds held - directly managed portfolios.

*Funds Held by Reinsured Companies*

Funds held by reinsured companies, where we received a fixed crediting rate, are carried at cost on our consolidated balance sheets. As of March 31, 2021 and December 31, 2020, we had funds held by reinsured companies of $662.6 million and $635.8 million, respectively.

***Net Investment Income***

Major categories of net investment income are summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Fixed maturity investments | $ 45,481 | $ 53,442 |
| Short-term investments and cash and cash equivalents | 6 | 2,625 |
| Funds held | (412) | 270 |
| Funds held - directly managed | 7,037 | 8,816 |
| Investment income from fixed maturities and cash and cash equivalents | 52,112 | 65,153 |
| Equity investments | 4,298 | 5,963 |
| Other investments | 9,294 | 8,093 |
| Investment income from equities and other investments | 13,592 | 14,056 |
| Gross investment income | 65,704 | 79,209 |
| Investment expenses | (3,615) | (4,495) |
| Net investment income | $ 62,089 | $ 74,714 |

***Net Realized and Unrealized Gains (Losses)***

Components of net realized and unrealized gains (losses) were as follows:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| Net realized gains (losses) on sale: | | |
| Gross realized gains on fixed maturity securities, AFS | $ 4,771 | $ 1,547 |
| Gross realized losses on fixed maturity securities, AFS | (3,902) | (2,026) |
| Increase in allowance for expected credit losses on fixed maturity securities, AFS | (12,227) | (11,639) |
| Net realized gains on fixed maturity securities, trading | 17,764 | 15,824 |
| Net realized gains on funds held - directly managed | 524 | 512 |
| Net realized losses on equity investments | (970) | (1,007) |
| Net realized investment gains on investment derivatives | 179 | — |
| Total net realized gains on sale | $ 6,139 | $ 3,211 |
| Net unrealized gains (losses): | | |
| Fixed maturity securities, trading | $ (168,923) | $ (256,477) |
| Fixed maturity securities in funds held - directly managed | (44,190) | (25,302) |
| Equity investments | 29,961 | (91,952) |
| Other Investments | 156,090 | (258,541) |
| Investment derivatives | 135 | — |
| Total net unrealized losses | (26,927) | (632,272) |
| Net realized and unrealized losses | $ (20,788) | $ (629,061) |

The gross realized gains and losses on AFS investments included in the table above resulted from sales of $716.8 million and $367.8 million for the three months ended March 31, 2021 and 2020, respectively.

***Reconciliation to the Consolidated Statements of Comprehensive Income***

The following table provides a reconciliation of the gross realized gains and losses and credit recoveries (losses) on our AFS fixed maturity debt securities that arose during the three months ended March 31, 2021 within our continuing and discontinued operations and the offsetting reclassification adjustments included within our consolidated statements of comprehensive income:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| **Included within continuing operations:** | | |
| Gross realized gains on fixed maturity securities, AFS | $ 4,771 | $ 1,547 |
| Gross realized losses on fixed maturity securities, AFS | (3,902) | (2,026) |
| Tax effect | (275) | — |
| **Included within discontinued operations:** | | |
| Gross realized gains on fixed maturity securities, AFS | — | 267 |
| Total reclassification adjustment | $ 594 | $ (212) |
| **Included within continuing operations:** | | |
| Credit losses on fixed maturity securities, AFS | $ (12,227) | $ (11,639) |
| Tax effect | 202 | — |
| **Included within discontinued operations:** | | |
| Credit losses on fixed maturity securities, AFS | — | (1,573) |
| Total reclassification adjustment | $ (12,025) | $ (13,212) |

***Restricted Assets***

We utilize trust accounts to collateralize business with our (re)insurance counterparties. We are also required to maintain investments and cash and cash equivalents on deposit with regulatory authorities and Lloyd's to support our (re)insurance operations. The investments and cash and cash equivalents on deposit are available to settle (re)insurance liabilities. Collateral generally takes the form of assets held in trust, letters of credit or funds held. The assets used as collateral are primarily highly rated fixed maturity securities. The carrying value of our restricted assets, including restricted cash of $433.4 million and $472.0 million, as of March 31, 2021 and December 31, 2020, respectively, was as follows:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Collateral in trust for third party agreements | $ 5,793,748 | $ 4,924,866 |
| Assets on deposit with regulatory authorities | 127,358 | 131,283 |
| Collateral for secured letter of credit facilities | 104,597 | 104,627 |
| Funds at Lloyd's [1] | 263,091 | 260,914 |
| | $ 6,288,794 | $ 5,421,690 |

[1] Our businesses include three Lloyd's syndicates. Lloyd's determines the required capital principally through the annual business plan of each syndicate. This capital is referred to as "Funds at Lloyd's" and will be drawn upon in the event that a syndicate has a loss that cannot be funded from other sources. We also utilize unsecured letters of credit for a significant portion of our Funds at Lloyd's, as described in Note 13 - "Debt Obligations and Credit Facilities."

## 5. DERIVATIVES AND HEDGING INSTRUMENTS

***Foreign Currency Hedging of Net Investments in Foreign Operations***

We use foreign currency forward exchange rate contracts in qualifying hedging relationships to hedge the foreign currency exchange rate risk associated with certain of our net investments in foreign operations. As of March 31, 2021 and December 31, 2020, we had foreign currency forward exchange rate contracts in place which we had designated as hedges of our net investments in foreign operations.

The following table presents the gross notional amounts and estimated fair values recorded within other assets and liabilities related to our qualifying foreign currency forward exchange rate contracts:

| | March 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Gross Notional Amount | Assets | Liabilities | Gross Notional Amount | Assets | Liabilities |
| Foreign currency forward - AUD | $ 67,789 | $ 2,488 | $ — | $ 73,852 | $ 13 | $ 5,060 |
| Foreign currency forward - EUR | 234,520 | 7,800 | — | 217,168 | 205 | 8,889 |
| Foreign currency forward - GBP | 324,272 | 5,314 | — | 312,671 | 951 | 14,998 |
| Total qualifying hedges | $ 626,581 | $ 15,602 | $ — | $ 603,691 | $ 1,169 | $ 28,947 |

The following table presents the net gains and losses deferred in the cumulative translation adjustment ("CTA") account, which is a component of AOCI, in shareholders' equity, relating to our foreign currency forward exchange rate contracts:

| | Amount of Gains (Losses) Deferred in AOCI | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2021 | 2020 |
| Foreign currency forward - AUD | $ 536 | $ 8,471 |
| Foreign currency forward - EUR | 9,334 | 2,635 |
| Foreign currency forward - GBP | (3,188) | 20,812 |
| Net gains on qualifying derivative hedges | $ 6,682 | $ 31,918 |

***Derivatives Not Designated or Not Qualifying as Net Investments in Hedging Instruments***

From time to time, we may also utilize foreign currency forward contracts as part of our overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement in non-qualifying hedging relationships. We may also utilize equity call option instruments or other derivatives either to obtain exposure to a particular equity instrument or for yield enhancement in non-qualifying hedging relationships.

*Foreign Currency Forward Contracts*

The following table presents the gross notional amounts and estimated fair values recorded within other assets and other liabilities related to our non-qualifying foreign currency forward exchange rate hedging relationships:

| | March 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Gross Notional Amount | Assets | Liabilities | Gross Notional Amount | Assets | Liabilities |
| Foreign currency forward - AUD | $ 48,366 | $ 2,185 | $ 445 | $ 28,848 | $ 882 | $ 2,847 |
| Foreign currency forward - CAD | 46,926 | 163 | 333 | 64,224 | 10 | 1,764 |
| Foreign currency forward - EUR | 62,625 | — | 1,918 | 43,531 | 1,782 | 41 |
| Foreign currency forward - GBP | 21,112 | 470 | 17 | 2,731 | 161 | 404 |
| Total non-qualifying hedges | $ 179,029 | $ 2,818 | $ 2,713 | $ 139,334 | $ 2,835 | $ 5,056 |

The following table presents the amounts of the net gains and losses included in earnings related to our non-qualifying foreign currency forward exchange rate contracts:

| | Gains (losses) on non-qualifying-hedges charged to net earnings | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2021 | 2020 |
| Foreign currency forward - AUD | $ 839 | $ 2,533 |
| Foreign currency forward - CAD | (809) | 4,996 |
| Foreign currency forward - EUR | (2,325) | 1,176 |
| Foreign currency forward - GBP | 380 | $ 576 |
| Net gains (losses) on non-qualifying hedges | $ (1,915) | $ 9,281 |

*Investments in Call Options on Equities*

During the three months ended March 31, 2020, we recorded unrealized losses of less than $0.1 million in net earnings, on call options on equities which we purchased in 2018 at a cost of $10.0 million and which expired without being exercised during the three months ended March 31, 2020.

*Forward Interest Rate Swaps*

In 2019, we entered into a forward interest rate swap, with a notional amount of AUD$120.0 million, to partially mitigate the risk associated with declining interest rates prior to the completion of our business transfer transaction with Munich Reinsurance Company which closed on July 1, 2020. We recorded unrealized gains in net earnings of $0.8 million on the instrument for the three months ended March 31, 2020. This forward interest rate swap was terminated on April 7, 2020, for an inception-to-date net realized gain of $0.5 million.

*Credit Default Swaps, Futures and Currency Forward Contracts*

From time to time we may also utilize (i) credit default swaps to both hedge and replicate credit exposure, (ii) government bond futures contracts for interest rate management, and (iii) foreign currency forward contracts for currency hedging, to collectively manage credit and duration risk, as well as for yield enhancement on some of our fixed income portfolios.

The following tables present the gross notional amounts and estimated fair values recorded within other assets and other liabilities related to our credit default swaps, government bond futures contracts and currency forward contracts:

| | March 31, 2021 | | |
|---|---|---|---|
| | Gross Notional Amount | Fair Value | |
| | | Assets | Liabilities |
| Futures contracts - long positions | $ 11,672 | $ 2 | $ 17 |
| Futures contracts - short positions | (7,281) | 62 | — |
| Currency forward contracts - long positions - USD | 2,999 | 41 | — |
| Currency forward contracts - short positions - USD | (4,251) | 62 | — |
| Currency forward contracts - long positions - GBP | 6,661 | 26 | — |
| Currency forward contracts - short positions - GBP | (12,086) | — | 324 |
| Total | $ (2,286) | $ 193 | $ 341 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Gross Notional Amount | Fair Value | |
| | | Assets | Liabilities |
| Futures contracts - long positions | $ 34,502 | $ 32 | $ 5 |
| Futures contracts - short positions | (32,316) | 6 | 121 |
| Currency forward contracts - long positions - USD | 1,428 | — | 13 |
| Currency forward contracts - short positions - USD | (3,233) | 60 | — |
| Currency forward contracts - long positions - GBP | 1,278 | 19 | — |
| Currency forward contracts - short positions - GBP | (4,418) | 12 | — |
| Total | $ (2,759) | $ 129 | $ 139 |

The following table presents the amounts of the net gains (losses) included in earnings related to our credit default swaps, government bond futures contracts and currency forward contracts:

| | Three Months Ended March 31, |
|---|---|
| | 2021 |
| Futures contracts | 313 |
| Currency forward contracts | (720) |
| Total net losses | $ (407) |

We did not utilize any credit default swaps, government bond futures contracts and currency forward contracts during the three months ended March 31, 2020.

## 6. REINSURANCE BALANCES RECOVERABLE ON PAID AND UNPAID LOSSES

The following tables provide the total reinsurance balances recoverable on paid and unpaid losses:

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | Run-off [1] | Legacy Underwriting [1] | Corporate & Other | Total |
| Recoverable from reinsurers on unpaid: | | | | |
| Outstanding losses | $ 1,198,802 | $ 30,851 | $ — | $ 1,229,653 |
| IBNR | 620,576 | 56,375 | — | 676,951 |
| ULAE | 16,418 | 1,731 | | 18,149 |
| Fair value adjustments - acquired companies | — | — | (15,162) | (15,162) |
| Fair value adjustments - fair value option | — | — | (40,056) | (40,056) |
| Total reinsurance reserves recoverable | 1,835,796 | 88,957 | (55,218) | 1,869,535 |
| Paid losses recoverable | 179,240 | 1,520 | — | 180,760 |
| Total | $ 2,015,036 | $ 90,477 | $ (55,218) | $ 2,050,295 |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Reinsurance balances recoverable on paid and unpaid losses | $ 1,484,166 | $ 90,477 | $ (15,162) | $ 1,559,481 |
| Reinsurance balances recoverable on paid and unpaid losses - fair value option | 530,870 | — | (40,056) | 490,814 |
| Total | $ 2,015,036 | $ 90,477 | $ (55,218) | $ 2,050,295 |

[1] Effective January 1, 2021, the net loss reserves of StarStone International were transferred from the Legacy Underwriting segment to the Run-off segment. Refer to Note 21 - "Segment Information" for further details.

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total |
| Recoverable from reinsurers on unpaid: | | | | |
| Outstanding losses | $ 938,231 | $ 263,638 | $ — | $ 1,201,869 |
| IBNR | 508,082 | 139,761 | — | 647,843 |
| ULAE | 16,688 | — | — | 16,688 |
| Fair value adjustments - acquired companies | — | — | (15,353) | (15,353) |
| Fair value adjustments - fair value option | — | — | (21,427) | (21,427) |
| Total reinsurance reserves recoverable | 1,463,001 | 403,399 | (36,780) | 1,829,620 |
| Paid losses recoverable | 172,309 | 87,234 | — | 259,543 |
| Total | $ 1,635,310 | $ 490,633 | $ (36,780) | $ 2,089,163 |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Reinsurance balances recoverable on paid and unpaid losses | $ 1,093,053 | $ 490,633 | $ (15,353) | $ 1,568,333 |
| Reinsurance balances recoverable on paid and unpaid losses - fair value option | 542,257 | — | (21,427) | 520,830 |
| Total | $ 1,635,310 | $ 490,633 | $ (36,780) | $ 2,089,163 |

Our (re)insurance run-off subsidiaries and assumed portfolios, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of (re)insurance assumed. On an annual basis, StarStone International, included within the Run-off segment from January 1, 2021, purchased a tailored outwards reinsurance program designed to manage its risk profile. The majority of StarStone International's third-party reinsurance is with highly rated reinsurers or is collateralized by pledged assets or letters of credit.

The fair value adjustments, determined on acquisition of (re)insurance subsidiaries, are based on the estimated timing of loss and LAE recoveries included in the Run-off segment and an assumed interest rate equivalent to a risk free rate for securities with similar duration to the acquired reinsurance balances recoverable on paid and unpaid losses plus a spread for credit risk, and are amortized over the estimated recovery period, as adjusted for accelerations in timing of payments as a result of commutation settlements. The determination of the fair value adjustments on the retroactive reinsurance contracts for which we have elected the fair value option is described in Note 10 - "Fair Value Measurements."

As of each of March 31, 2021 and December 31, 2020, we had reinsurance balances recoverable on paid and unpaid losses of $2,050.3 million and $2,089.2 million, respectively. The decrease of $38.9 million was primarily due to cash collections, partially offset by assumed ceded assets relating to CNA and Syndicate 609 as discussed in Note 2 - "Significant New Business" and Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations."

***Top Ten Reinsurers***

| | March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total | % of Total |
| Top 10 reinsurers | $ 1,317,932 | $ 21,087 | $ — | $ 1,339,019 | 65.3 % |
| Other reinsurers > $1 million | 672,336 | 69,192 | (55,218) | 686,310 | 33.5 % |
| Other reinsurers < $1 million | $ 24,768 | $ 198 | $ — | $ 24,966 | 1.2 % |
| Total | $ 2,015,036 | $ 90,477 | $ (55,218) | $ 2,050,295 | 100.0 % |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total | % of Total |
| Top 10 reinsurers | $ 1,036,676 | $ 327,917 | $ — | $ 1,364,593 | 65.3 % |
| Other reinsurers > $1 million | 574,869 | 159,513 | (36,780) | 697,602 | 33.4 % |
| Other reinsurers < $1 million | 23,765 | 3,203 | — | 26,968 | 1.3 % |
| Total | $ 1,635,310 | $ 490,633 | $ (36,780) | $ 2,089,163 | 100.0 % |

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Information regarding top ten reinsurers: | | |
| Number of top 10 reinsurers rated A- or better | 7 | 7 |
| Number of top 10 non-rated reinsurers [(1)] | 3 | 3 |
| Reinsurers rated A- or better in top 10 | $ 833,882 | $ 863,819 |
| Non-rated reinsurers in top 10 [(1)] | 505,137 | 500,774 |
| Total top 10 reinsurance recoverables | $ 1,339,019 | $ 1,364,593 |
| Single reinsurers that represent 10% or more of total reinsurance balance recoverables as of March 31, 2021 and 2020: | | |
| Lloyd's Syndicates [(2)] | $ 340,281 | $ 331,118 |
| Michigan Catastrophic Claims Association[(3)] | $ 228,784 | $ 229,374 |

[(1)] The reinsurance balances recoverable from the three non-rated top 10 reinsurers was comprised of:

- $228.8 million and $229.4 million as of March 31, 2021 and December 31, 2020 respectively, due from Michigan Catastrophic Claims Association;
- $72.2 million and $73.8 million as of March 31, 2021 and December 31, 2020 respectively, due from a reinsurer who has provided us with security in the form of pledged assets in trust for the full amount of the recoverable balance; and
- $204.2 million and $208.4 million as of March 31, 2021 and December 31, 2020 respectively, due from Enhanzed Re, an equity method investee to whom some of our subsidiaries have retroceded their exposures through quota share reinsurance agreements as discussed in Note 19 - "Related Party Transactions". These quota share reinsurance agreements are written on a funds withheld basis

with our subsidiaries retaining the retrocession premium consideration, to secure the full amount of the recoverable balances due from Enhanzed Re.

(2) Lloyd's Syndicates are rated A+ by Standard & Poor's and A by A.M. Best.

(3) U.S. state backed reinsurer that is supported by assessments on active auto writers operating within the state.

***Allowance for Estimated Uncollectible Reinsurance Balances Recoverable on Paid and Unpaid Losses***

We evaluate and monitor the credit risk related to our reinsurers, and an allowance for estimated uncollectible reinsurance balances recoverable on paid and unpaid losses ("allowance for estimated uncollectible reinsurance") is established for amounts considered potentially uncollectible. For further information on how the allowance for estimated uncollectible reinsurance is derived, refer to Note 8 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

The following tables show our gross and net balances recoverable from our reinsurers as well as the related allowance for estimated uncollectible reinsurance broken down by the credit ratings of our reinsurers. The majority of the allowance for estimated uncollectible reinsurance relates to the Run-off segment.

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | Gross | Allowance for estimated uncollectible reinsurance | Net | Provisions as a % of Gross |
| Reinsurers rated A- or above | $ 1,447,044 | $ 60,342 | $ 1,386,702 | 4.2 % |
| Reinsurers rated below A-, secured | 585,538 | — | 585,538 | — % |
| Reinsurers rated below A-, unsecured | 156,478 | 78,423 | 78,055 | 50.1 % |
| Total | $ 2,189,060 | $ 138,765 | $ 2,050,295 | 6.3 % |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Gross | Allowance for estimated uncollectible reinsurance | Net | Provisions as a % of Gross |
| Reinsurers rated A- or above | $ 1,464,529 | $ 60,801 | $ 1,403,728 | 4.2 % |
| Reinsurers rated below A-, secured | 608,999 | — | 608,999 | — % |
| Reinsurers rated below A-, unsecured | 152,757 | 76,321 | 76,436 | 50.0 % |
| Total | $ 2,226,285 | $ 137,122 | $ 2,089,163 | 6.2 % |

The table below provides a reconciliation of the beginning and ending allowance for estimated uncollectible reinsurance balances for the three months ended March 31, 2021 and 2020:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2021 | March 31, 2020 |
| Allowance for estimated uncollectible reinsurance, beginning of period | $ 137,122 | $ 147,639 |
| Cumulative effect of change in accounting principle on allowance for estimated uncollectible reinsurance (1) | — | (195) |
| Effect of exchange rate movement | 158 | — |
| Current period change in the allowance | 2,017 | (4,117) |
| Recoveries collected | (532) | — |
| Allowance for estimated uncollectible reinsurance, end of period | $ 138,765 | $ 143,327 |

(1) The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

We consider a reinsurance recoverable asset to be past due when it is 90 days past due and record a credit allowance when there is reasonable uncertainty about the collectability of a disputed amount during the reporting period. We did not have significant past due balances older than one year for any of the periods presented.

## 7. DEFERRED CHARGE ASSETS AND DEFERRED GAIN LIABILITIES

Deferred charge assets and deferred gain liabilities relate to retroactive reinsurance policies providing indemnification of losses and LAE with respect to past loss events and are included within corporate and other activities. For (re)insurance contracts for which we do not elect the fair value option, a deferred charge asset is recorded for the excess, if any, of the estimated ultimate losses payable over the premiums received at the initial measurement period; whereas, a deferred gain liability is recorded for the excess, if any, of the premiums received over the estimated ultimate losses payable at the initial measurement period. In addition, for retrocessions of losses and LAE reserves that we have assumed through retroactive reinsurance contracts where the retroceded liabilities exceed the retrocession premiums paid, we record the excess as a deferred gain liability which is amortized to earnings over the estimated period during which the losses paid on the assumed retroceded liabilities are recovered from the retrocessionaire. For further information refer to Note 2 - "Significant Accounting Policies" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

### *Deferred Charge Assets*

Deferred charge assets are included in other assets on our consolidated balance sheets. The following table presents a reconciliation of the deferred charge assets:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Beginning carrying value | $ 238,602 | $ 272,462 |
| Recorded during the period | 130,881 | — |
| Amortization | (8,698) | (14,630) |
| Ending carrying value | $ 360,785 | $ 257,832 |

Deferred charge assets are assessed at each reporting period for impairment. If the asset is determined to be impaired, it is written down in the period of determination. For the three months ended March 31, 2021, we completed our assessment for impairment of deferred charge assets and concluded that there had been no impairment of our carried deferred charge assets amount.

Further information on deferred charge assets recorded during the three months ended March 31, 2021 is included in Note 2 - "Significant New Business."

### *Deferred Gain Liabilities*

Deferred gain liabilities are included in other liabilities on our consolidated balance sheets. The following table presents a reconciliation of the deferred gain liabilities:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Beginning carrying value | $ 19,880 | $ 12,875 |
| Amortization | (629) | (297) |
| Ending carrying value | $ 19,251 | $ 12,578 |

## 8. LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for losses and loss adjustment expenses ("LAE"), also referred to as loss reserves, represents our gross estimates before reinsurance for unpaid reported losses and includes losses that have been incurred but not reported ("IBNR") using a variety of actuarial methods. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. LAE reserves include allocated loss adjustment expenses ("ALAE"), and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims. IBNR represents reserves for loss and LAE that have been incurred but not yet reported to us. This includes amounts for unreported claims, development on known claims and reopened claims.

Our loss reserves cover multiple lines of business, which include asbestos, environmental, general casualty, workers' compensation/personal accident, marine, aviation and transit, construction defect, professional indemnity/directors and officers, motor, property and other non-life lines of business. Refer to Note 10 - "Losses and Loss Adjustment Expenses" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for more information on establishing the liability for losses and LAE.

The following tables summarize the liability for losses and LAE by segment and for our corporate and other activities:

| | March 31, 2021 | | | |
|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total |
| Outstanding losses | $ 5,545,947 | $ 97,928 | $ — | $ 5,643,875 |
| IBNR | 5,508,249 | 148,716 | — | 5,656,965 |
| ULAE | 413,171 | 2,452 | — | 415,623 |
| Fair value adjustments - acquired companies | — | — | (140,148) | (140,148) |
| Fair value adjustments - fair value option | — | — | (148,895) | (148,895) |
| Total | $ 11,467,367 | $ 249,096 | $ (289,043) | $ 11,427,420 |
| | | | | |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Loss and loss adjustment expenses | $ 9,041,090 | $ 249,096 | $ (140,148) | $ 9,150,038 |
| Loss and loss adjustment expenses, at fair value | 2,426,277 | — | (148,895) | 2,277,382 |
| Total | $ 11,467,367 | $ 249,096 | $ (289,043) | $ 11,427,420 |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total |
| Outstanding losses | $ 4,440,425 | $ 687,424 | $ — | $ 5,127,849 |
| IBNR | 4,641,500 | 636,003 | — | 5,277,503 |
| ULAE | 350,600 | 35,102 | — | 385,702 |
| Fair value adjustments - acquired companies | — | — | (143,183) | (143,183) |
| Fair value adjustments - fair value option | — | — | (54,589) | (54,589) |
| Total | $ 9,432,525 | $ 1,358,529 | $ (197,772) | $ 10,593,282 |
| | | | | |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Loss and loss adjustment expenses | $ 6,925,016 | $ 1,358,529 | $ (143,183) | $ 8,140,362 |
| Loss and loss adjustment expenses, at fair value | 2,507,509 | — | (54,589) | 2,452,920 |
| Total | $ 9,432,525 | $ 1,358,529 | $ (197,772) | $ 10,593,282 |

The overall increase in the liability for losses and LAE from December 31, 2020 to March 31, 2021 was primarily attributable to the CNA and Liberty Mutual reinsurance transactions, as described in Note 2 - "Significant New Business" and net incurred losses and LAE in the period, partially offset by losses paid.

The table below provides a consolidated reconciliation of the beginning and ending liability for losses and LAE:

| | Three Months Ended March 31, 2021 | 2020 |
|---|---|---|
| Balance as of beginning of period | $ 10,593,282 | $ 9,868,404 |
| Less: reinsurance reserves recoverable [1] | 1,829,620 | 1,927,624 |
| Less: net deferred charge assets and deferred gain liabilities on retroactive reinsurance | 218,722 | 259,587 |
| Less: cumulative effect of change in accounting principle on the determination of the allowance for estimated uncollectible reinsurance balances [2] | — | 643 |
| Net balance as of beginning of period | 8,544,940 | 7,680,550 |
| Net incurred losses and LAE: | | |
| Current period | 54,060 | 115,505 |
| Prior periods | (109,567) | (72,205) |
| Total net incurred losses and LAE | (55,507) | 43,300 |
| Net paid losses: | | |
| Current period | (6,502) | (3,807) |
| Prior periods | (336,030) | (356,019) |
| Total net paid losses | (342,532) | (359,826) |
| Effect of exchange rate movement | (8,771) | (146,380) |
| Assumed business [3] | 1,078,221 | 471,150 |
| Net balance as of March 31 | 9,216,351 | 7,688,794 |
| Plus: reinsurance reserves recoverable [1] | 1,869,535 | 1,902,749 |
| Plus: net deferred charge assets and deferred gain liabilities on retroactive reinsurance [4] | 341,534 | 245,254 |
| Balance as of March 31 | $ 11,427,420 | $ 9,836,797 |

[1] Net of allowance for estimated uncollectible reinsurance.

[2] The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

[3] Refer to Note 2 - "Significant New Business" for further information.

[4] Refer to Note 7 - "Deferred Charge Assets and Deferred Gain Liabilities" for further information.

The tables below provide the components of net incurred losses and LAE by segment and for our corporate and other activities:

| | Three Months Ended March 31, 2021 | | | |
|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total |
| Net losses paid | $ 330,629 | $ 11,903 | $ — | $ 342,532 |
| Net change in case and LAE reserves [1] | (119,363) | (7,771) | — | (127,134) |
| Net change in IBNR reserves [2] | (193,943) | 789 | — | (193,154) |
| Increase in estimates of net ultimate losses | 17,323 | 4,921 | — | 22,244 |
| Reduction in provisions for unallocated LAE [3] | (12,698) | (443) | — | (13,141) |
| Amortization of deferred charge assets and deferred gain liabilities [4] | — | — | 8,069 | 8,069 |
| Amortization of fair value adjustments [5] | — | — | 2,793 | 2,793 |
| Changes in fair value - fair value option [6] | — | — | (75,472) | (75,472) |
| Net incurred losses and LAE | $ 4,625 | $ 4,478 | $ (64,610) | $ (55,507) |

| | Three Months Ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Run-off | Legacy Underwriting | Corporate & Other | Total |
| Net losses paid | $ 258,966 | $ 100,860 | $ — | $ 359,826 |
| Net change in case and LAE reserves [1] | (174,580) | (35,188) | — | (209,768) |
| Net change in IBNR reserves [2] | (104,100) | 39,249 | — | (64,851) |
| Increase (reduction) in estimates of net ultimate losses | (19,714) | 104,921 | — | 85,207 |
| Increase (reduction) in provisions for unallocated LAE [3] | (7,479) | 610 | — | (6,869) |
| Amortization of deferred charge assets and deferred gain liabilities [4] | — | — | 14,333 | 14,333 |
| Amortization of fair value adjustments [5] | — | — | 8,866 | 8,866 |
| Changes in fair value - fair value option [6] | — | — | (58,237) | (58,237) |
| Net incurred losses and LAE | $ (27,193) | $ 105,531 | $ (35,038) | $ 43,300 |

(1) Comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims.

(2) Represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

(3) Represents the change in the estimate of the total future costs to administer the claims.

(4) Relates to the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts.

(5) Relates to the amortization of fair value adjustments associated with the acquisition of companies.

(6) Represents the changes in the fair value of liabilities related to our assumed retroactive reinsurance contracts for which we have elected the fair value option.

The table below provides a reconciliation of the amortization of deferred charge assets and deferred gain liabilities included in the calculation of net incurred losses and LAE above:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Amortization of deferred charge assets | $ 8,698 | $ 14,630 |
| Amortization of deferred gain liabilities | (629) | (297) |
| Total amortization of deferred charge assets and deferred gain liabilities | $ 8,069 | $ 14,333 |

### *Run-off Segment*

The table below provides a reconciliation of the beginning and ending liability for losses and LAE for the Run-off segment:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| Balance as of beginning of period | $ 9,432,525 | $ 8,683,983 |
| Less: reinsurance reserves recoverable (1) | 1,463,001 | 1,645,352 |
| Plus: cumulative effect of change in accounting principal on allowance for estimated uncollectible reinsurance (2) | — | 703 |
| Net balance as of beginning of period | 7,969,524 | 7,039,334 |
| Net incurred losses and LAE: | | |
| Current period | 44,161 | 7,849 |
| Prior periods | (39,536) | (35,042) |
| Total net incurred losses and LAE | 4,625 | (27,193) |
| Net paid losses: | | |
| Current period | (3,275) | (1,240) |
| Prior periods | (327,354) | (257,726) |
| Total net paid losses | (330,629) | (258,966) |
| Effect of exchange rate movement | (12,412) | (140,089) |
| Assumed business (3) | 1,045,333 | 471,150 |
| Transfer from the Legacy Underwriting segment (4) | 955,130 | — |
| Net balance as of March 31 | 9,631,571 | 7,084,236 |
| Plus: reinsurance reserves recoverable (1) | 1,835,796 | 1,568,296 |
| Balance as of March 31 | $ 11,467,367 | $ 8,652,532 |

(1) Net of allowance for estimated uncollectible reinsurance.

(2) The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

(3) Refer to Note 2 - "Significant New Business" for further information.

(4) Effective January 1, 2021, the net loss reserves of StarStone International were transferred from the Legacy Underwriting segment to the Run-off segment. Refer to Note 21 - "Segment Information" for further details.

Net incurred losses and LAE in the Run-off segment were as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | $ 327,354 | $ 3,275 | $ 330,629 | $ 257,726 | $ 1,240 | $ 258,966 |
| Net change in case and LAE reserves (1) | (117,156) | (2,207) | (119,363) | (176,252) | 1,672 | (174,580) |
| Net change in IBNR reserves (2) | (235,565) | 41,622 | (193,943) | (109,037) | 4,937 | (104,100) |
| Increase (reduction) in estimates of net ultimate losses | (25,367) | 42,690 | 17,323 | (27,563) | 7,849 | (19,714) |
| Increase (reduction) in provisions for unallocated LAE (3) | (14,169) | 1,471 | (12,698) | (7,479) | — | (7,479) |
| Net incurred losses and LAE | $ (39,536) | $ 44,161 | $ 4,625 | $ (35,042) | $ 7,849 | $ (27,193) |

(1) Comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims.

(2) Represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

(3) Represents the change in the estimate of the total future costs to administer the claims.

*Three Months Ended March 31, 2021*

Current period net incurred losses and LAE of $44.2 million related to current period net earned premium, primarily in respect of the run-off of StarStone International business which was transferred from the Legacy Underwriting segment on January 1, 2021. The reduction in estimates of net ultimate losses relating to prior periods of $25.4 million was driven primarily by continued favorable loss emergence relative to expectations in our Workers Compensation and General Liability lines of business as well as detailed claims reviews across a number of portfolios, including our Lloyd's syndicate. The combination of loss emergence experience and claims management has led to a favorable actual versus expected on those books of business.

*Three Months Ended March 31, 2020*

Current period net incurred losses and LAE of $7.8 million related to current period net earned premium, primarily in respect of the run-off of the AmTrust RITC transactions. The reduction in estimates of net ultimate losses of $27.6 million primarily related to favorable development in Professional Indemnity/Directors & Officers lines of businesses and favorable actual versus expected development in the Workers Compensation and Motor Liability lines of business.

***Legacy Underwriting Segment***

The table below provides a reconciliation of the beginning and ending liability for losses and LAE for our Legacy Underwriting segment:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Balance as of beginning of period | $ 1,358,529 | $ 1,569,865 |
| Less: reinsurance reserves recoverable [1] | 403,399 | 385,613 |
| Less: cumulative effect of change in accounting principal on allowance for estimated uncollectible reinsurance [2] | — | 1,346 |
| Net balance as of beginning of period | 955,130 | 1,182,906 |
| Net incurred losses and LAE: | | |
| Current period | 9,899 | 107,656 |
| Prior periods | (5,421) | (2,125) |
| Total net incurred losses and LAE | 4,478 | 105,531 |
| Net paid losses: | | |
| Current period | (3,227) | (2,567) |
| Prior periods | (8,676) | (98,293) |
| Total net paid losses | (11,903) | (100,860) |
| Effect of exchange rate movement | 3,795 | (13,955) |
| Assumed business [3] | 163,769 | — |
| Transfer to Run-off segment [4] | (955,130) | — |
| Net balance as of March 31 | 160,139 | 1,173,622 |
| Plus: reinsurance reserves recoverable [1] | 88,957 | 442,905 |
| Balance as of March 31 | $ 249,096 | $ 1,616,527 |

[1] Net of allowance for estimated uncollectible reinsurance.

[2] The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

[3] This balance represents the gross up for our participation in Atrium's Syndicate 609 relating to the 2020 and prior underwriting years which is no longer eliminated on our consolidated financial statements following the completion of the Exchange Transaction on January 1, 2021. Refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" for further details.

[4] Effective January 1, 2021, the net loss reserves of StarStone International were transferred from the Legacy Underwriting segment to the Run-off segment. Refer to Note 21 - "Segment Information" for further details.

Net incurred losses and LAE in the Legacy Underwriting segment were as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | $ 8,676 | $ 3,227 | $ 11,903 | $ 98,293 | $ 2,567 | $ 100,860 |
| Net change in case and LAE reserves [1] | (12,530) | 4,759 | (7,771) | (43,538) | 8,350 | (35,188) |
| Net change in IBNR reserves [2] | (1,350) | 2,139 | 789 | (56,789) | 96,038 | 39,249 |
| Increase (reduction) in estimates of net ultimate losses | (5,204) | 10,125 | 4,921 | (2,034) | 106,955 | 104,921 |
| Increase (reduction) in provisions for unallocated LAE [3] | (217) | (226) | (443) | (91) | 701 | 610 |
| Net incurred losses and LAE | $ (5,421) | $ 9,899 | $ 4,478 | $ (2,125) | $ 107,656 | $ 105,531 |

[1] Comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims.

[2] Represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

[3] Represents the change in the estimate of the total future costs to administer the claims.

*Three Months Ended March 31, 2021*

Current period net incurred losses and LAE of $9.9 million related to current period net earned premium. The reduction in net incurred losses and LAE liabilities relating to prior periods was $5.4 million and was attributable to a reduction in estimates of net ultimate losses of $5.2 million.

*Three Months Ended March 31, 2020*

Current period net incurred losses and LAE of $107.7 million related to current period net earned premium and included losses related to the COVID-19 pandemic of $33.2 million.

## 9. DEFENDANT ASBESTOS AND ENVIRONMENTAL LIABILITIES

We acquired DCo LLC ("DCo") on December 30, 2016, and Morse TEC on October 30, 2019. These companies hold liabilities associated with personal injury asbestos claims and environmental claims arising from their legacy manufacturing operations. Defendant asbestos liabilities on our consolidated balance sheets include amounts for loss payments and defense costs for pending and future asbestos-related claims, determined using standard actuarial techniques for asbestos exposures. Defendant environmental liabilities include estimated clean-up costs associated with the acquired companies' former operations based on engineering reports. For further details on the methodologies used for determining liabilities, refer to Note 11 - "Defendant Asbestos and Environmental Liabilities" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Insurance balances recoverable on our consolidated balance sheets include estimated insurance recoveries relating to these liabilities. The recorded asset represents our assessment of the capacity of the insurance agreements to indemnify our subsidiaries for the anticipated defense and loss payments for pending claims and projected future claims. The recognition of these recoveries is based on an assessment of the right to recover under the respective contracts and on the financial strength of the insurers. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if the accrued and projected loss and defense costs were paid in full.

Included within insurance balances recoverable and defendant asbestos and environmental liabilities are the fair value adjustments that were initially recognized upon acquisition. These fair value adjustments are amortized in proportion to the actual payout of claims and recoveries. The carrying value of the asbestos and environmental liabilities, insurance recoveries, future estimated expenses and the fair value adjustments related to DCo and Morse TEC were as follows:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Defendant asbestos and environmental liabilities: | | |
| Defendant asbestos liabilities | $ 895,523 | $ 913,276 |
| Defendant environmental liabilities | 12,386 | 12,572 |
| Estimated future expenses | 39,747 | 42,510 |
| Fair value adjustments | (256,099) | (262,029) |
| Defendant asbestos and environmental liabilities | 691,557 | 706,329 |
| Insurance balances recoverable: | | |
| Insurance recoveries related to defendant asbestos liabilities (net of allowance: 2021 - $5,272; 2020 - $4,824) | 308,523 | 310,602 |
| Fair value adjustments | (60,513) | (60,950) |
| Insurance balances recoverable | 248,010 | 249,652 |
| Net liabilities relating to defendant asbestos and environmental exposures | $ 443,547 | $ 456,677 |

The table below provides a consolidated reconciliation of the beginning and ending liability for defendant asbestos and environmental exposures:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Balance as of beginning of period | $ 706,329 | $ 847,685 |
| Less: Insurance balances recoverable | 249,652 | 448,855 |
| Plus: Cumulative effect of change in accounting principle on the determination of the allowance for estimated uncollectible insurance balances [(1)] | — | 3,167 |
| Net balance as of beginning of period | 456,677 | 401,997 |
| Total net (paid claims) recoveries | (6,308) | 6,581 |
| Amounts recorded in other income: | | |
| Reduction in estimates of ultimate net liabilities | (9,552) | (24,915) |
| Reduction in estimated future expenses | (2,763) | (2,028) |
| Amortization of fair value adjustments | 5,493 | 5,468 |
| Total other income | (6,822) | (21,475) |
| Net balance as at March 31 | 443,547 | 387,103 |
| Plus: Insurance balances recoverable [(2)] | 248,010 | 435,613 |
| Balance as at March 31 | $ 691,557 | $ 822,716 |

[(1)] The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

[(2)] Net of allowance for estimated uncollectible insurance balances.

***Allowance for Estimated Uncollectible Insurance Balances Recoverable on Defendant Asbestos Liabilities***

We evaluate and monitor the credit risk related to our insurers and an allowance for estimated uncollectible insurance balances recoverable on our defendant asbestos liabilities ("allowance for estimated uncollectible insurance") is established for amounts considered potentially uncollectible. To determine the allowance for estimated uncollectible insurance, we use the inputs and methodologies as described in Note 8 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

The table below provides a reconciliation of the beginning and ending allowance for estimated uncollectible insurance balances related to our defendant asbestos liabilities.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Allowance for estimated uncollectible insurance balances, beginning of period | $ 4,824 | $ 3,818 |
| Cumulative effect of change in accounting principle | — | 3,167 |
| Current period change in the allowance | 448 | — |
| Allowance for estimated uncollectible insurance balances, end of period | $ 5,272 | $ 6,985 |

During the three months ended March 31, 2021 and 2020, we did not have any write-offs charged against the allowance for estimated uncollectible insurance or any recoveries of amounts previously written off.

We did not have significant non-disputed past due balances receivable from our insurers related to our defendant asbestos liabilities, that were older than one year for any of the periods presented. Any balances that are part of ongoing legal activity are estimated to be recovered at the level of our recorded asset, which is consistent with our legal advice and past collection experience.

## 10. FAIR VALUE MEASUREMENTS

***Fair Value Hierarchy***

Fair value is defined as the price at which to sell an asset or transfer a liability (i.e. the "exit price") in an orderly transaction between market participants. We use a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The hierarchy is broken down into three levels as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.
- Level 2 - Valuations based on quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or for which significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on unobservable inputs where there is little or no market activity. Unadjusted third party pricing sources or management's assumptions and internal valuation models may be used to determine the fair values.

In addition, certain of our other investments are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy above. We have categorized our assets and liabilities that are recorded at fair value on a recurring basis among levels based on the observability of inputs, or at fair value using NAV per share (or its equivalent) as follows:

ENSTAR GROUP LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| | March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value Based on NAV as Practical Expedient | Total Fair Value |
| **Investments:** | | | | | |
| Short-term and fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 784,545 | $ — | $ — | $ 784,545 |
| U.K. government | — | 42,797 | — | — | 42,797 |
| Other government | — | 536,447 | — | — | 536,447 |
| Corporate | — | 6,043,130 | — | — | 6,043,130 |
| Municipal | — | 206,671 | — | — | 206,671 |
| Residential mortgage-backed | — | 620,569 | — | — | 620,569 |
| Commercial mortgage-backed | — | 978,742 | — | — | 978,742 |
| Asset-backed | — | 777,652 | — | — | 777,652 |
| | $ — | $ 9,990,553 | $ — | $ — | $ 9,990,553 |
| Other assets included within funds held - directly managed | — | 6,007 | — | — | 6,007 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 235,923 | $ 27,199 | $ — | $ — | $ 263,122 |
| Exchange-traded funds | 505,042 | — | — | — | 505,042 |
| Privately held equity investments | — | — | 330,404 | — | 330,404 |
| | $ 740,965 | $ 27,199 | $ 330,404 | $ — | $ 1,098,568 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 2,915,114 | $ 2,915,114 |
| Fixed income funds | — | 268,724 | — | 312,972 | 581,696 |
| Equity funds | — | 5,305 | — | — | 5,305 |
| Private equity funds | — | — | — | 442,602 | 442,602 |
| CLO equities | — | 134,984 | — | — | 134,984 |
| CLO equity funds | — | — | — | 178,150 | 178,150 |
| Private credit funds | — | — | 9,250 | 230,952 | 240,202 |
| Other | — | — | 314 | 20,679 | 20,993 |
| | $ — | $ 409,013 | $ 9,564 | $ 4,100,469 | $ 4,519,046 |
| Total Investments | $ 740,965 | $ 10,432,772 | $ 339,968 | $ 4,100,469 | $ 15,614,174 |
| **Cash and cash equivalents** | $ 244,979 | $ 27,726 | $ — | $ — | $ 272,705 |
| **Reinsurance balances recoverable on paid and unpaid losses:** | $ — | $ — | $ 490,814 | $ — | $ 490,814 |
| **Other Assets:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ 15,602 | $ — | $ — | $ 15,602 |
| Derivatives not qualifying as hedging | — | 3,011 | — | — | 3,011 |
| Derivative instruments | $ — | $ 18,613 | $ — | $ — | $ 18,613 |
| **Losses and LAE:** | $ — | $ — | $ 2,277,382 | $ — | $ 2,277,382 |
| **Other Liabilities:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ — | $ — | $ — | $ — |
| Derivatives not qualifying as hedging | — | 3,054 | — | — | 3,054 |
| Derivative instruments | $ — | $ 3,054 | $ — | $ — | $ 3,054 |

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value Based on NAV as Practical Expedient | Total Fair Value |
| **Investments:** | | | | | |
| Short-term and fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 951,048 | $ — | $ — | $ 951,048 |
| U.K government | — | 51,082 | — | — | 51,082 |
| Other government | — | 502,153 | — | — | 502,153 |
| Corporate | — | 5,686,732 | — | — | 5,686,732 |
| Municipal | — | 162,669 | — | — | 162,669 |
| Residential mortgage-backed | — | 553,945 | — | — | 553,945 |
| Commercial mortgage-backed | — | 854,090 | — | — | 854,090 |
| Asset-backed | — | 557,460 | — | — | 557,460 |
| | $ — | $ 9,319,179 | $ — | $ — | $ 9,319,179 |
| Other assets included within funds held - directly managed | $ — | $ 14,627 | $ — | $ — | $ 14,627 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 229,167 | $ 31,600 | $ — | $ — | $ 260,767 |
| Exchange-traded funds | 311,287 | — | — | — | 311,287 |
| Privately held equity investments | — | — | 274,741 | — | 274,741 |
| | $ 540,454 | $ 31,600 | $ 274,741 | $ — | $ 846,795 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 2,638,339 | $ 2,638,339 |
| Fixed income funds | — | 285,837 | — | 266,704 | 552,541 |
| Equity funds | — | 5,073 | — | 185,694 | 190,767 |
| Private equity funds | — | — | — | 363,103 | 363,103 |
| CLO equities | — | 128,083 | — | — | 128,083 |
| CLO equity funds | — | — | — | 166,523 | 166,523 |
| Private credit funds | — | — | 9,250 | 183,069 | 192,319 |
| Other | — | — | 314 | 12,045 | 12,359 |
| | $ — | $ 418,993 | $ 9,564 | $ 3,815,477 | $ 4,244,034 |
| Total Investments | $ 540,454 | $ 9,784,399 | $ 284,305 | $ 3,815,477 | $ 14,424,635 |
| **Cash and cash equivalents** | $ 385,790 | $ 208,272 | $ — | $ — | $ 594,062 |
| **Reinsurance balances recoverable on paid and unpaid losses:** | $ — | $ — | $ 520,830 | $ — | $ 520,830 |
| **Other Assets:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ 1,169 | $ — | $ — | $ 1,169 |
| Derivatives not qualifying as hedging | — | 2,964 | — | — | 2,964 |
| Derivative instruments | $ — | $ 4,133 | $ — | $ — | $ 4,133 |
| **Losses and LAE:** | $ — | $ — | $ 2,452,920 | $ — | $ 2,452,920 |
| **Other Liabilities:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ 28,947 | $ — | $ — | $ 28,947 |
| Derivatives not qualifying as hedging | — | 5,195 | — | — | 5,195 |
| Derivative instruments | $ — | $ 34,142 | $ — | $ — | $ 34,142 |

***Valuation Methodologies of Financial Instruments Measured at Fair Value***

*Short-term and Fixed Maturity Investments*

The fair values for all securities in the short-term and 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 for 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.

The following describes the techniques generally used to determine the fair value of our short-term and fixed maturity investments by asset class, including the investments underlying the funds held - directly managed.

- U.S. government and agency securities consist of securities issued by the U.S. Treasury and mortgage pass-through agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades and broker-dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified as Level 2.
- Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2. Where pricing is unavailable from pricing services, such as in periods of low trading activity or when transactions are not orderly, we obtain non-binding quotes from broker-dealers. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.
- Municipal securities consist primarily of bonds issued by U.S.-domiciled state and municipal entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker-dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair values of these securities are classified as Level 2.
- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Where pricing is unavailable from pricing services, we obtain non-binding quotes from broker-dealers. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. The fair values of these securities are classified as Level 2 if the significant inputs are market observable. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.

*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 major exchanges and are managed by our external advisors. Our exchange-traded funds also trade on major exchanges. 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 and exchange-traded funds. We have categorized the majority of our publicly traded equity investments, other than preferred stock, and our exchange-traded funds as Level 1 investments because the fair values of these investments are based on unadjusted quoted prices in active markets for identical assets. We have two equity securities trading in an inactive market and, as a result have been classified as Level 2. The fair value estimates of our investments in publicly traded preferred stock are based on observable market data and, as a result, have been categorized as Level 2.

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. We use 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. The fair value estimates of our investments in privately held equities are based on unobservable market data and, as a result, have been categorized as Level 3.

*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, including active discussions with managers of the investments. 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 review the audited results relative to the net asset values provided by the managers, 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 following describes the techniques generally used to determine the fair value of our other investments.

- For our investments in hedge funds, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.
- Our investments in fixed income funds and equity funds are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2. For the non-publicly available prices we are using NAV as a practical expedient and therefore these have not been categorized within the fair value hierarchy.
- For our investments in private equity funds, we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.
- We measure the fair value of our direct investment in CLO equities based on valuations provided by independent pricing services, our external CLO equity manager, and valuations provided by the broker or lead underwriter of the investment (the "broker"). The fair values measured using prices provided by independent pricing services have been classified as Level 2 and fair values using prices from brokers have

been classified as Level 3 due to the use of unobservable inputs in the valuation and the limited number of relevant trades in secondary markets.

- For our investments in the CLO equity funds, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third party administrator. The fair value of these investments is measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.
- Our investments in private credit funds are primarily valued by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy. Included within private credit funds is a loan which is valued at cost less distributions received to date.
- Included within other is an investment in a real estate debt fund, for which we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair value of this investment is measured using the NAV as a practical expedient and therefore has not been categorized within the fair value hierarchy.

*Cash and Cash Equivalents*

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are very close to maturity. As such, they present insignificant risk of changes in value due to changes in interest rates. Included within cash and cash equivalents are money market funds, fixed interest deposits and highly liquid fixed maturity investments purchased with an original maturity of three months or less.

The majority of our cash and cash equivalents included within the fair value hierarchy are comprised of money market and liquid reserve funds which have been categorized as Level 1. Fixed interest deposits and highly liquid fixed maturity investments with an original maturity of three months or less have been categorized as Level 2. Operating cash balances are not subject to the recurring fair value measurement guidance and are therefore excluded from the fair value hierarchy.

*Insurance Contracts - Fair Value Option*

The Company uses an internal model to calculate the fair value of the liability for losses and loss adjustment expenses and reinsurance balances recoverable on paid and unpaid losses for certain retroactive reinsurance contracts where we have elected the fair value option. The fair value is calculated as the aggregate of discounted cash flows plus a risk margin. The discounted cash flow approach uses (i) estimated nominal cash flows based upon an appropriate payment pattern developed in accordance with standard actuarial techniques and (ii) a discount rate based upon a high quality rated corporate bond yield plus a credit spread for non-performance risk. The model uses corporate bond rates across the yield curve depending on the estimated timing of the future cash flows and specific to the currency of the risk. The risk margin is calculated using the present value of the cost of capital. The cost of capital approach uses (i) projected capital requirements, (ii) multiplied by the risk cost of capital representing the return required for non-hedgeable risk based upon the weighted average cost of capital less investment income and (iii) discounted using the weighted average cost of capital.

*Derivative Instruments*

The fair values of our derivative instruments, as described in Note 5 - "Derivatives and Hedging Instruments" are classified as Level 2. The fair values are based upon prices in active markets for identical contracts.

***Level 3 Measurements and Changes in Leveling***

Transfers into or out of levels are recorded at their fair values as of the end of the reporting period, consistent with the date of determination of fair value.

*Investments*

The following tables present a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs:

| | Three Months Ended March 31, 2021 | | | Three months ended March 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Privately-held Equities | Other Investments | Total | Privately-held Equities | Other Investments | Total |
| Beginning fair value | $ 274,741 | $ 9,564 | $ 284,305 | $ 265,799 | $ 87,869 | $ 353,668 |
| Purchases | 57,192 | — | 57,192 | 1,358 | 37,092 | 38,450 |
| Sales | — | — | — | — | (539) | (539) |
| Total realized and unrealized losses | (1,529) | — | (1,529) | (145) | (40,368) | (40,513) |
| Transfer out of Level 3 into Level 2 | — | — | — | — | (83,740) | (83,740) |
| Ending fair value | $ 330,404 | $ 9,564 | $ 339,968 | $ 267,012 | $ 314 | $ 267,326 |

Net realized and unrealized gains related to Level 3 assets in the tables above are included in net realized and unrealized gains (losses) in our consolidated statements of earnings.

The securities transferred from Level 3 to Level 2 were based upon obtaining market observable information regarding the valuations of the specific assets.

*Valuations Techniques and Inputs*

The table below presents the qualitative information related to the fair value measurements for our privately held equity investments measured at fair value on a recurring basis using Level 3 inputs:

**Qualitative Information about Level 3 Fair Value Measurements**

| Fair Value as of March 31, 2021 | Valuation Techniques | Unobservable Input | Range (Average)[1] |
|---|---|---|---|
| (in millions of U.S. dollars) | | | |
| $ 228.8 | Guideline company methodology | Distribution waterfall | 12.89 |
| $ 104.0 | Cost as approximation of fair value | Cost as approximation of fair value | |
| $ 7.2 | Net Asset Value [2] | NAV at recent transaction | 19.49 |
| $ 340.0 | | | |

(1) The average represents the arithmetic average of the inputs and is not weighted by the relative fair value.

(2) This relates to our direct investment in the equity of a privately held business development company ("BDC") which follows the Investment Company accounting guidance in ASC 946 and therefore values its underlying investments using NAV as a practical expedient as permitted by ASC 946. Our valuation of our equity interest in this BDC is therefore based on the NAV provided by the BDC, subject to our own independent validation procedures.

*Insurance Contracts - Fair Value Option*

The following table presents a reconciliation of the beginning and ending balances for all insurance contracts measured at fair value on a recurring basis using Level 3 inputs:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Liability for losses and LAE | Reinsurance balances recoverable | Net | Liability for losses and LAE | Reinsurance balances recoverable | Net |
| Beginning fair value | $ 2,452,920 | $ 520,830 | $ 1,932,090 | $ 2,621,122 | $ 695,518 | $ 1,925,604 |
| Assumed business | — | — | — | 4,975 | — | 4,975 |
| Incurred losses and LAE: | | | | | | |
| Increase (reduction) in estimates of ultimate losses | (8,223) | 709 | (8,932) | (14,439) | (3,171) | (11,268) |
| Reduction in unallocated LAE | (4,395) | — | (4,395) | (6,413) | — | (6,413) |
| Change in fair value | (94,083) | (18,611) | (75,472) | (64,804) | (6,567) | (58,237) |
| Total incurred losses and LAE | (106,701) | (17,902) | (88,799) | (85,656) | (9,738) | (75,918) |
| Paid losses | (73,950) | (11,983) | (61,967) | (81,163) | (16,114) | (65,049) |
| Effect of exchange rate movements | 5,113 | (131) | 5,244 | (113,735) | (16,270) | (97,465) |
| Ending fair value | $ 2,277,382 | $ 490,814 | $ 1,786,568 | $ 2,345,543 | $ 653,396 | $ 1,692,147 |

The following table presents the components of the net change in fair value:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Changes in fair value due to changes in: | | |
| Duration | $ 1,566 | $ 4,148 |
| Corporate bond yield | (77,038) | (64,092) |
| Weighted cost of capital | — | (5,048) |
| Risk cost of capital | — | 6,755 |
| Change in fair value | $ (75,472) | $ (58,237) |

Below is a summary of the quantitative information regarding the significant observable and unobservable inputs used in the internal model to determine fair value on a recurring basis:

| | | March 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Valuation Technique | Unobservable (U) and Observable (O) Inputs | Weighted Average | Weighted Average |
| Internal model | Corporate bond yield (O) | A rated | A rated |
| Internal model | Credit spread for non-performance risk (U) | 0.2% | 0.2% |
| Internal model | Risk cost of capital (U) | 5.1% | 5.1% |
| Internal model | Weighted average cost of capital (U) | 8.25% | 8.25% |
| Internal model | Duration - liability (U) | 8.21 years | 8.17 years |
| Internal model | Duration - reinsurance balances recoverable on paid and unpaid losses (U) | 7.95 years | 8.23 years |

The fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses may increase or decrease due to changes in the corporate bond rate, the credit spread for non-performance risk, the risk cost of capital, the weighted average cost of capital and the estimated payment pattern as described below:

- An increase in the corporate bond rate or credit spread for non-performance risk would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a decrease in the corporate bond rate or credit spread for non-performance risk would result in an increase in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses.

- An increase in the weighted average cost of capital would result in an increase in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a decrease in the weighted average cost of capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses.
- An increase in the risk cost of capital would result in an increase in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a decrease in the risk cost of capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses.
- The duration of the liability and recoverable is adjusted every period to reflect actual net payments during the period and expected future payments. An acceleration of the estimated payment pattern, a decrease in duration, would result in an increase in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses. Conversely, a deceleration of the estimated payment pattern, an increase in duration, would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses.

In addition, the estimate of the capital required to support the liabilities is based upon current industry standards for capital adequacy. If the required capital per unit of risk increases, then the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses would increase. Conversely, a decrease in required capital would result in a decrease in the fair value of the liability for losses and LAE and reinsurance balances recoverable on paid and unpaid losses.

***Disclosure of Fair Values for Financial Instruments Carried at Cost***

*Senior Notes*

As of March 31, 2021, our 4.50% Senior Notes due 2022 (the "2022 Senior Notes") and our 4.95% Senior Notes due 2029 (the "2029 Senior Notes" and, together with the 2022 Senior Notes, the "Senior Notes") were carried at amortized cost of $349.4 million and $494.2 million, respectively, while the fair value based on observable market pricing from a third party pricing service was $360.7 million and $561.1 million, respectively. The Senior Notes are classified as Level 2.

*Junior Subordinated Notes*

As of March 31, 2021, our 5.75% Fixed-Rate Reset Junior Subordinated Notes due 2040 (the “Junior Subordinated Notes”) were carried at amortized cost of $344.9 million, while the fair value based on observable market pricing from a third party pricing service was $365.7 million. The Junior Subordinated Notes are classified as Level 2.

*Insurance Contracts*

Disclosure of fair value of amounts relating to insurance contracts is not required, except those for which we elected the fair value option, as described above.

*Remaining Assets and Liabilities*

Our remaining assets and liabilities were generally carried at cost or amortized cost, which due to their short-term nature approximates fair value as of March 31, 2021 and December 31, 2020.

## 11. PREMIUMS WRITTEN AND EARNED

The following table provides a summary of premiums written and earned by segment:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Premiums Written | Premiums Earned | Premiums Written | Premiums Earned |
| *Run-off* | | | | |
| Gross | $ 22,183 | $ 94,206 | $ 327 | $ 18,078 |
| Ceded | (17,685) | (21,370) | 1,849 | (2,048) |
| Net | $ 4,498 | $ 72,836 | $ 2,176 | $ 16,030 |
| *Legacy Underwriting* | | | | |
| Gross | $ 27,574 | $ 48,059 | $ 209,434 | $ 177,043 |
| Ceded | (16,107) | (28,019) | (57,151) | (33,722) |
| Net | $ 11,467 | $ 20,040 | $ 152,283 | $ 143,321 |
| *Total* | | | | |
| Gross | $ 49,757 | $ 142,265 | $ 209,761 | $ 195,121 |
| Ceded | (33,792) | (49,389) | (55,302) | (35,770) |
| Total | $ 15,965 | $ 92,876 | $ 154,459 | $ 159,351 |

Gross premiums written for the three months ended March 31, 2021 decreased by $160.0 million primarily due to StarStone International being placed into an orderly run-off in the second quarter of 2020 and the sale of Atrium. Refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" for further information.

## 12. GOODWILL AND INTANGIBLE ASSETS

As of each of March 31, 2021 and December 31, 2020, goodwill, included within other assets in the condensed consolidated balance sheets, was $63.0 million and related to the Run-off segment. Goodwill relating to the Legacy Underwriting segment of $8.0 million was impaired in the second quarter of 2020 following the decision to place StarStone International into run-off.

The amortization recorded on the intangible assets of the Legacy Underwriting segment, prior to the reclassification of Atrium to held-for-sale, for three months ended March 31, 2020 was $0.5 million.

## 13. DEBT OBLIGATIONS AND CREDIT FACILITIES

We utilize debt financing and credit facilities primarily for funding acquisitions and significant new business, investment activities and, from time to time, for general corporate purposes. Our debt obligations were as follows:

| Facility | Origination Date | Term | March 31, 2021 | December 31, 2020 |
|---|---|---|---|---|
| 4.50% Senior Notes due 2022 | March 10, 2017 | 5 years | $ 349,393 | $ 349,253 |
| 4.95% Senior Notes due 2029 | May 28, 2019 | 10 years | 494,244 | 494,194 |
| Total Senior Notes | | | 843,637 | 843,447 |
| 5.75% Junior Subordinated Notes due 2040 | August 26, 2020 | 20 years | 344,878 | 344,812 |
| EGL Revolving Credit Facility | August 16, 2018 | 5 years | 175,000 | 185,000 |
| Total debt obligations | | | $ 1,363,515 | $ 1,373,259 |

The table below provides a summary of the total interest expense:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Interest expense on debt obligations | $ 15,907 | $ 13,195 |
| Amortization of debt issuance costs | 256 | 220 |
| Funds withheld balances and other | 16 | — |
| Total interest expense | $ 16,179 | $ 13,415 |

***Debt Obligations***

*Senior Notes*

We have issued two series of Senior Notes as shown in the table above. The 2022 Senior Notes and the 2029 Senior Notes bear interest at a fixed rate per annum, equal to 4.50% and 4.95%, respectively.

We incurred costs of $2.9 million and $6.8 million in issuing the 2022 and 2029 Senior Notes, respectively. The unamortized costs as of March 31, 2021 were $0.6 million and $5.8 million, respectively (December 31, 2020: $0.7 million and $5.8 million, respectively).

*Junior Subordinated Notes*

Our wholly-owned subsidiary, Enstar Finance LLC ("Enstar Finance") issued the Junior Subordinated Notes as shown in the table above, which are fully and unconditionally guaranteed by us on an unsecured and junior subordinated basis. The Junior Subordinated Notes bear interest (i) during the initial five-year period ending August 30, 2025, at a fixed rate per annum of 5.75% and (ii) during each five-year reset period thereafter beginning September 1, 2025, at a fixed rate per annum equal to the five-year U.S. treasury rate calculated as of two business days prior to the beginning of such five-year period plus 5.468%.

We incurred costs of $5.2 million in issuing the Junior Subordinated Notes. The unamortized costs as of March 31, 2021 and December 31, 2020 were $5.1 million and $5.2 million, respectively.

*EGL Revolving Credit Facility*

As of March 31, 2021, we were permitted to borrow up to an aggregate of $600.0 million under the revolving credit facility. We may request additional commitments under the facility up to an additional $400.0 million, which the existing lenders in their discretion or new lenders may provide, in each case subject to the terms of the agreement. To date, we have not requested any additional commitments under the facility.

As of March 31, 2021, there was $425.0 million of available unutilized capacity under the facility. Subsequent to March 31, 2021, we have neither borrowed nor repaid any additional amounts under the facility, as such the unutilized capacity remains at $425.0 million.

We pay interest on loans borrowed under the facility at a per annum rate comprising a reference rate determined based on the type of loan we borrow plus a margin based on the Company's long term senior unsecured debt ratings. The applicable reference rate is adjusted base rate for base rate loans and adjusted LIBOR for LIBOR loans. The applicable margin varies based upon changes to our long term senior unsecured debt ratings assigned by S&P or Fitch. We pay interest quarterly for base rate loans and as frequently as monthly for LIBOR loans, depending on the applicable interest period. We also pay a commitment fee based on the average daily unutilized capacity under the facility.

Refer to Note 15 - "Debt Obligations and Credit Facilities" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further information regarding our debt obligations.

***Maturities***

As of March 31, 2021, the amount of outstanding debt obligations that will become due in each of the next five years and thereafter was as follows: 2021, $0; 2022, $350.0 million; 2023, $175.0 million; 2024, $0; 2025 $0; and thereafter, $850.0 million.

***Letters of Credit***

We utilize unsecured and secured letters of credit to support certain of our (re)insurance performance obligations.

*$275.0 million Funds at Lloyd's Letter of Credit Facility*

We use letters of credit under this facility to satisfy a portion of our Funds at Lloyd's requirements. We may request additional commitments under the facility in an aggregate amount not to exceed $75.0 million and letters of credit issued under the facility will expire at the end of 2025. As of March 31, 2021 and December 31, 2020, our combined Funds at Lloyd's comprised cash and investments of $263.1 million and $260.9 million, respectively, and unsecured letters of credit of $210.0 million as of both dates.

*$90.0 million Funds at Lloyd’s Deposit Facility*

On May 6, 2021, we entered into a $90.0 million Funds at Lloyd's Deposit Facility. We will use this facility to satisfy a portion of our Funds at Lloyd’s requirements. Under this facility, a third-party lender deposits a requested market valuation amount of eligible securities into Lloyd’s on behalf of our Lloyd’s corporate member. We may request additional commitments under the facility in an aggregate amount not to exceed $10.0 million, and the facility is scheduled to expire on May 6, 2023. As of May 7, 2021 the facility was unutilized.

*$120.0 million Letter of Credit Facility*

We use this facility to provide collateral support for certain reinsurance obligations of our subsidiaries. We may request additional commitments under the facility in an aggregate amount not to exceed $60.0 million, which the existing lender in its discretion or new lenders may provide, in each case subject to the terms of the agreement. As of March 31, 2021 and December 31, 2020, the aggregate amount of letters of credit issued under the facility was $115.7 million as of both dates.

*$800.0 million Syndicated Letter of Credit Facility*

We use this facility to collateralize certain reinsurance obligations. As of March 31, 2021 and December 31, 2020, the aggregate amount of letters of credit issued under the facility was $593.6 million and $587.1 million, respectively. The December 31, 2020 amount has been corrected from $424.1 million that was previously disclosed in our 2020 Annual Report on Form-K. This correction has no impact on our consolidated financial statements and is not considered material to previously issued financial statements.

*$65.0 million Letter of Credit Facility*

We use this facility to collateralize a portion of our reinsurance obligations relating to our novation transaction with Hannover Re, which we completed on August 6, 2020, as discussed in Note 2 - "Significant Accounting Policies." As of March 31, 2021 and December 31, 2020, the aggregate amount of letters of credit issued under the facility was $61.0 million as of both dates.

***Subsidiary Capital Letters of Credit***

We also utilize unsecured and secured letters of credit to support the regulatory capital requirements of certain of our subsidiaries.

*$100.0 million Bermuda Letter of Credit Facility*

The letter of credit issued under this facility qualifies as eligible capital for one of our Bermuda regulated subsidiaries. As of March 31, 2021 and December 31, 2020, the aggregate face amount of letters of credit under the facility was $100.0 million as of both dates.

*GBP £32.0 million United Kingdom Letter of Credit Facility*

The letter of credit issued under this facility qualifies as Ancillary Own Funds capital for one of our U.K. regulated subsidiaries. As of March 31, 2021 and December 31, 2020, the aggregate face amount of letters of credit under the facility was $44.2 million and $43.7 million, respectively.

Refer to Note 15 - "Debt Obligations and Credit Facilities" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further information on the terms of the above letter of credit facilities.

## 14. NONCONTROLLING INTERESTS

We have both redeemable noncontrolling interest ("RNCI") and noncontrolling interest ("NCI") on our consolidated balance sheets. RNCI with redemption features that are not solely within our control are classified within temporary equity in the consolidated balance sheets and carried at redemption value, which is fair value. The change in fair value is recognized through retained earnings as if the balance sheet date were also the redemption date. In addition, we also have NCI, which does not have redemption features and is classified within equity in the consolidated balance sheets.

***Redeemable Noncontrolling Interest***

As of December 31, 2020, the RNCI comprised the ownership interests held by the Trident V Funds (39.3%) and the Dowling Funds (1.7%) in our subsidiary North Bay. As discussed in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations," North Bay owned our investment in Northshore, the holding company that owns Atrium and Arden and SSHL, the holding company for the StarStone group, which includes StarStone

International and which also owned StarStone U.S. prior to its sale to Core Specialty which was completed on November 30, 2020. Following the completion of the Exchange Transaction on January 1, 2021, there is no RNCI in respect of Northshore and the remaining RNCI as of March 31, 2021 only relates to StarStone International.

The following is a reconciliation of the beginning and ending carrying amount of the equity attributable to the RNCI:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Balance at beginning of period | $ 365,436 | $ 438,791 |
| Distributions paid | (202,073) | — |
| Net earnings (losses) attributable to RNCI | 11,745 | (31,959) |
| Change in unrealized losses on AFS investments attributable to RNCI | (251) | (4,170) |
| Change in currency translation adjustments attributable to RNCI | 676 | — |
| Change in redemption value of RNCI | (730) | (10,150) |
| Cumulative effect of change in accounting principle attributable to RNCI (1) | — | 261 |
| Balance at end of period | $ 174,803 | $ 392,773 |

(1) The Company adopted ASU 2016-13 and the related amendments on January 1, 2020. Refer to Note 2 - "Significant Accounting Policies" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for further details.

We carried the RNCI at its estimated redemption value, which is fair value, as of March 31, 2021 and December 31, 2020. The decrease in the three months ended March 31, 2021 was primarily driven by the Exchange Transaction, which was completed on January 1, 2021, whereas the decrease in the three months ended March 31, 2020 was primarily attributable to net losses related to StarStone during that period.

Refer to Note 20 - "Commitments and Contingencies" for additional information regarding RNCI.

***Noncontrolling Interest***

As of March 31, 2021 and December 31, 2020, we had $12.7 million and $13.6 million, respectively, of NCI primarily related to external interests in three of our subsidiaries. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the consolidated statement of changes in shareholder's equity.

## 15. SHAREHOLDERS' EQUITY

Refer to Note 17 - "Shareholders' Equity" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 for information on our share capital.

***Voting Ordinary Shares***

*Share Repurchases*

On February 25, 2021, our Board of Directors approved an extension of the duration of our previously announced ordinary share repurchase program (the “Repurchase Program”) through March 1, 2022. The Repurchase Program was previously set to expire on March 1, 2021. Pursuant to the Repurchase Program, the Company may repurchase a limited number of its ordinary shares, not to exceed $150.0 million in aggregate, including shares repurchased prior to the extension of the Repurchase Program.

During the three months ended March 31, 2021 and 2020, we repurchased 18,003 and 92,510 ordinary shares, respectively, at an average price of $234.70 and $135.40, respectively, for an aggregate price of $4.2 million and $12.5 million, respectively, under the Repurchase Program. As of March 31, 2021, the remaining capacity under the Repurchase Program was $119.8 million.

***Non-Voting Ordinary Shares***

*Series C*

Warrants to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share were exercised on a cashless basis during the three months ended March 31, 2021, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued in the period.

***Warrants***

As of March 31, 2021, there were no warrants outstanding following the exercise described above.

***Dividends on Preferred Shares***

During the three months ended March 31, 2021 and 2020, we declared and paid dividends on Series D Preferred Shares of $7.0 million and Series E Preferred Shares of $1.9 million for both periods. On May 5, 2021, we declared $7.0 million and $1.9 million of dividends on the Series D and E Preferred Shares, respectively, to be paid on June 1, 2021 to shareholders of record as of May 15, 2021.

***Accumulated Other Comprehensive Income***

The following tables present a roll forward of accumulated other comprehensive income (loss):

| | Unrealized gains (losses) arising during the year | Cumulative Currency Translation Adjustment | Defined Benefit Pension Liability | Total |
|---|---|---|---|---|
| **Balance, December 31, 2020, net of tax** | $ 72,576 | $ 7,876 | $ 207 | $ 80,659 |
| Unrealized losses on fixed income available-for-sale investments arising during the year | (111,274) | — | — | (111,274) |
| Reclassification adjustment for change in allowance for credit losses recognized in net earnings | 12,025 | — | — | 12,025 |
| Reclassification adjustment for net realized gains included in net earnings | (594) | — | — | (594) |
| Reclassification to earnings on disposal of subsidiary | 475 | — | — | 475 |
| Change in currency translation adjustment | — | 1,418 | — | 1,418 |
| Total other comprehensive income (loss) | (99,368) | 1,418 | — | (97,950) |
| Other comprehensive (income) loss attributable to RNCI | 251 | (675) | — | (424) |
| **Balance, March 31, 2021, net of tax** | $ (26,541) | $ 8,619 | $ 207 | $ (17,715) |

| | Unrealized gains (losses) arising during the year | Cumulative Currency Translation Adjustment | Defined Benefit Pension Liability | Total |
|---|---|---|---|---|
| **Balance, December 31, 2019, net of tax** | $ (432) | $ 8,548 | $ (945) | $ 7,171 |
| Unrealized losses on fixed income available-for-sale investments arising during the year | (58,735) | — | — | (58,735) |
| Reclassification adjustment for change in allowance for credit losses recognized in net earnings | 13,212 | — | — | 13,212 |
| Reclassification adjustment for net realized gains included in net earnings | 212 | — | — | 212 |
| Change in currency translation adjustment | — | (686) | — | (686) |
| Total other comprehensive loss | (45,311) | (686) | — | (45,997) |
| Other comprehensive loss attributable to RNCI | 4,170 | — | — | 4,170 |
| **Balance, March 31, 2020, net of tax** | $ (41,573) | $ 7,862 | $ (945) | $ (34,656) |

The following table presents details about the tax effects allocated to each component of other comprehensive income (loss):

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount |
| Unrealized gains (losses) on fixed income available-for-sale investments arising during the year | $ (116,267) | $ 4,993 | $ (111,274) | $ (58,735) | $ — | $ (58,735) |
| Reclassification adjustment for change in allowance for credit losses recognized in net earnings | 12,227 | (202) | 12,025 | 13,212 | — | 13,212 |
| Reclassification adjustment for net realized (gains) losses included in net earnings | (869) | 275 | (594) | 212 | — | 212 |
| Reclassification to earnings on disposal of subsidiary | 586 | (111) | 475 | — | — | — |
| Change in currency translation adjustment | 1,418 | — | 1,418 | (686) | — | (686) |
| Other comprehensive income (loss) | $ (102,905) | $ 4,955 | $ (97,950) | $ (45,997) | $ — | $ (45,997) |

The following table presents details of amounts reclassified from accumulated other comprehensive income:

| Details about AOCI components | March 31, 2021 | March 31, 2020 | Affected Line Item in Statement where Net Earnings are presented |
|---|---|---|---|
| Unrealized losses on fixed income available-for-sale investments | (11,944) | (12,118) | Net realized and unrealized losses |
| | — | (1,306) | Net loss from discontinued operations |
| | (11,944) | (13,424) | Total before tax |
| | 38 | — | Income tax benefit |
| Total reclassifications for the period, net of tax | (11,906) | (13,424) | |

## 16. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings per ordinary share:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| **Numerator:** | | |
| **Earnings (loss) per share attributable to Enstar ordinary shareholders:** | | |
| Net earnings (loss) from continuing operations [1] | $ 183,197 | $ (515,600) |
| Net loss from discontinued operations [2] | — | (1,221) |
| Net earnings (loss) attributable to Enstar ordinary shareholders: | $ 183,197 | $ (516,821) |
| **Denominator:** | | |
| Weighted-average ordinary shares outstanding — basic [3] | 21,562,341 | 21,549,844 |
| Effect of dilutive securities: | | |
| Share-based compensation plans [4] | 209,324 | 164,435 |
| Warrants [5] | 80,659 | 65,627 |
| Weighted-average ordinary shares outstanding — diluted | 21,852,324 | 21,779,906 |
| **Earnings (loss) per share attributable to Enstar ordinary shareholders:** | | |
| Basic: | | |
| Net earnings (loss) from continuing operations | $ 8.50 | $ (23.93) |
| Net loss from discontinued operations | — | (0.05) |
| Net earnings (loss) per ordinary share | $ 8.50 | $ (23.98) |
| Diluted [6]: | | |
| Net earnings (loss) from continuing operations | $ 8.38 | $ (23.93) |
| Net loss from discontinued operations | — | (0.05) |
| Net earnings (loss) per ordinary share | $ 8.38 | $ (23.98) |

[1] Net earnings (loss) from continuing operations attributable to Enstar ordinary shareholders equals net earnings (loss) from continuing operations, plus net loss (earnings) from continuing operations attributable to noncontrolling interest, less dividends on preferred shares.

[2] Net loss from discontinued operations attributable to Enstar ordinary shareholders equals net loss from discontinued operations, net of income taxes, plus net loss from discontinued operations attributable to noncontrolling interest; refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" for a breakdown.

[3] Weighted-average ordinary shares for basic earnings per share includes ordinary shares (voting and non-voting) but excludes ordinary shares held in the Enstar Group Limited Employee Benefit Trust (the "EB Trust") in respect of Joint Share Ownership Plan ("JSOP") awards.

[4] Share-based dilutive securities include restricted shares, restricted share units, and performance share units. Certain share-based compensation awards, including the ordinary shares held in the EB Trust in respect of JSOP awards, were excluded from the calculation for the three months ended March 31, 2021 and 2020 because they were anti-dilutive.

[5] Warrants to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share were exercised on a cashless basis during the three months ended March 31, 2021, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued in the period. As of March 31, 2021, there were no warrants outstanding following the exercise described. The warrants presented in the table above are a weighted-average of the warrants outstanding for the period.

[6] During a period of loss, the basic weighted average ordinary shares outstanding is used in the denominator of the diluted loss per ordinary share computation as the effect of including potentially dilutive securities would be anti-dilutive.

## 17. SHARE-BASED COMPENSATION

We provide various employee benefits including share-based compensation, an employee share purchase plan and an annual incentive compensation program. These are described in Note 19 - "Share-Based Compensation and Pensions" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

The table below provides a summary of the compensation costs for all of our share-based compensation plans:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Share-based compensation plans: | | |
| Restricted shares and restricted share units | $ 1,295 | $ 1,599 |
| Performance share units | 3,895 | (667) |
| Cash-settled stock appreciation rights | 2,768 | (3,159) |
| Joint share ownership plan expense | 1,121 | 872 |
| Other share-based compensation plans: | | |
| Northshore incentive plan | — | 472 |
| StarStone incentive plan | — | (223) |
| Deferred compensation and ordinary share plan for non-employee directors | 871 | 866 |
| Employee share purchase plan | 85 | 104 |
| Total share-based compensation | $ 10,035 | $ (136) |

The associated tax benefit recorded to income tax benefit in the consolidated statement of earnings was $0.9 million and $1.0 million for the three months ended March 31, 2021, and 2020, respectively.

## 18. INCOME TAXATION

### *Interim Tax Calculation Method*

We use the estimated annual effective tax rate method for computing our interim tax provision. This method applies our best estimate of the effective tax rate expected for the full year to our year-to-date earnings before income taxes. We provide for income tax expense or benefit based upon our pre-tax earnings and the provisions of currently enacted tax laws. Certain items deemed to be unusual, infrequent or not reliably estimated are excluded from the estimated annual effective tax rate. In the event such items are identified, the actual tax expense or benefit is reported in the same period as the related item. Certain other items are not included in the estimated annual effective tax rate, such as changes in the assessment of valuation allowance on deferred tax assets and uncertain tax positions, if any.

### *Interim Tax Expense*

The effective tax rates on income for the three months ended March 31, 2021 and 2020 were (3.0)% and 1.0%, respectively. The effective tax rate on income differs from the statutory rate of 0% due to tax on foreign operations, primarily the U.S. and the U.K.

We have foreign operating subsidiaries and branch operations principally located in the U.S., U.K., Continental Europe and Australia that are subject to federal, foreign, state and local taxes in those jurisdictions. The undistributed earnings from our foreign subsidiaries will be indefinitely reinvested in those jurisdictions where the undistributed earnings were earned.

Deferred tax liabilities have not been accrued with respect to the undistributed earnings of our foreign subsidiaries. Generally, when earnings are distributed as dividends, withholding taxes may be imposed by the jurisdiction of the paying subsidiary. For our U.S. subsidiaries, we have not currently accrued any withholding taxes with respect to unremitted earnings because, solely for U.S. Federal income tax purposes, there are no accumulated positive earnings and profits that could be subject to U.S. dividend withholding tax. For our United Kingdom subsidiaries, there are no withholding taxes imposed as a matter of UK domestic tax law. For our other foreign subsidiaries, an insignificant amount of earnings is indefinitely reinvested; however, it would not be practicable to compute the related amounts of withholding taxes due to a variety of factors, including the amount, timing and manner of any repatriation. Because we operate in many jurisdictions, our net earnings are subject to risk due to changing tax laws and tax rates around the world. The current, rapidly changing economic environment may increase the likelihood of substantial changes to tax laws in the jurisdictions in which we operate.

***Assessment of Valuation Allowance on Deferred Tax Assets***

We have estimated the future taxable income of our foreign subsidiaries and have provided a valuation allowance in respect of loss carryforwards where we do not expect to realize a tax benefit. We have considered all available evidence using a "more likely than not" standard in determining the amount of the valuation allowance. During the three months ended March 31, 2021, we have maintained a valuation allowance for deferred tax assets which management does not believe meet the "more likely than not" criteria.

***Unrecognized Tax Benefits***

There were no unrecognized tax benefits as of March 31, 2021 and December 31, 2020.

***Tax Examinations***

Our operating subsidiaries may be subject to audit by various tax authorities and may have different statutes of limitations expiration dates. With limited exceptions, our major subsidiaries that operate in the U.S., U.K. and Australia are no longer subject to tax examinations for years before 2016.

## 19. RELATED PARTY TRANSACTIONS

***Stone Point Capital LLC***

Through several private transactions occurring from May 2012 to July 2012 and an additional private transaction that closed in May 2018, investment funds managed by Stone Point Capital LLC ("Stone Point") have acquired an aggregate of 1,635,986 of our Voting Ordinary Shares (which constitutes 8.8% of our outstanding Voting Ordinary Shares). On November 6, 2013, we appointed James D. Carey to our Board of Directors. Mr. Carey is the sole member of an entity that is one of four general partners of the entities serving as general partners for Trident, is a member of the investment committees of such general partners, and is a member and senior principal of Stone Point, the manager of the Trident funds.

On November 30, 2020, we completed the sale and recapitalization of StarStone U.S. to Core Specialty in a transaction described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations".

Pursuant to the terms of a Recapitalization Agreement entered into on August 13, 2020 among us, the Trident V Funds, which are advised by Stone Point, and the Dowling Funds (the "Recapitalization Agreement"), we agreed to exchange a portion of our indirect interest in Northshore, the holding company that owns Atrium and Arden, for all of the Trident V Funds' indirect interest in StarStone U.S. (the “Exchange Transaction”), which is described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations".

Our interests in StarStone and Atrium are held through North Bay, which is a joint venture between us, the Trident V Funds and the Dowling Funds. As of December 31, 2020, we had an indirect 59.0% interest in North Bay and the Trident V Funds and the Dowling Funds owned 39.3% and 1.7%, respectively. North Bay owned 100% of StarStone Specialty Holdings Limited ("SSHL"), the holding company for the StarStone group, which included StarStone U.S. and StarStone International. North Bay also owned 92% of Northshore. North Bay also owns the preferred equity of three segregated cells within our wholly-owned subsidiary Fitzwilliam Insurance Limited (the “Fitzwilliam Cells”) that have provided reinsurance to StarStone and are considered part of StarStone International. Following the completion of the sale and recapitalization of StarStone U.S. and the Exchange Transaction, we now own 25.2% of Core Specialty on a fully diluted basis, which owns StarStone U.S., and 13.8% of Northshore, which continues to own Atrium and Arden. The Trident V Funds own 76.3% of Northshore, and the Dowling Funds own 0.4% of Core Specialty and 1.6% of Northshore. The Exchange Transaction had no impact on the ultimate ownership of SSHL, which continues to own StarStone International, with us, the Trident V Funds and the Dowling Funds retaining our and their prior ownership interests in SSHL of 59.0%, 39.3% and 1.7%, respectively.

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

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

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

We, in partnership with StarStone's other shareholders, have previously completed transactions to provide capital support to StarStone in the form of:

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

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

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

As of March 31, 2021 and December 31, 2020, the RNCI on our balance sheet relating to these Trident co-investment transactions was $167.5 million and $350.2 million, respectively.

As of March 31, 2021, we had the following additional relationships with Stone Point and its affiliates:

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

- In the fourth quarter of 2018, we invested $25.0 million in Mitchell TopCo Holdings, the parent company of Mitchell International and Genex Services, as a co-investor alongside certain Trident funds; and
- In the second quarter of 2020, we invested $10.0 million in a 2 year senior secured unrated floating rate term loan facility with an extension option which was arranged and managed by Sound Point Capital. The facility's borrower, Amplify U.S. Inc., is a subsidiary of Evergreen (as defined below) and has used the proceeds to purchase AmTrust's preferred stock. The facility ranks senior to all other claims of the borrower, the purchased preferred stock and cash flows therefrom serve as collateral, and AmTrust has provided an unsecured guarantee for the facility. For further information on our relationships with Evergreen and AmTrust, refer to the AmTrust section below.
- On March 19, 2021, we entered into a commitment letter to invest $12 million in T-VIII Celestial Co-Invest LP, an entity formed by Stone Point to participate in a private equity transaction to acquire CoreLogic, Inc. (NYSE: CLGX). The transaction closed on April 20, 2021, and we funded our capital commitment on April 29, 2021.

The following table presents the amounts included in our consolidated balance sheet related to our related party transactions with Stone Point and its affiliated entities:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Short-term investments, AFS, at fair value | $ 629 | $ 878 |
| Fixed maturities, trading, at fair value | 177,699 | 196,086 |
| Fixed maturities, AFS, at fair value | 270,113 | 227,397 |
| Equities, at fair value | 115,634 | 103,914 |
| Other investments, at fair value: | | |
| Hedge funds | 20,806 | 19,844 |
| Fixed income funds | 213,202 | 210,017 |
| Private equity funds | 36,482 | 37,262 |
| CLO equities | 37,889 | 38,658 |
| CLO equity funds | 178,150 | 166,523 |
| Private Debt | 27,016 | 27,016 |
| Real estate fund | 28,445 | 27,278 |
| Total investments | 1,106,065 | 1,054,873 |
| Cash and cash equivalents | 34,952 | 23,933 |
| Other assets | 970 | 403 |
| Other liabilities | 3,077 | 745 |
| Net investment | $ 1,138,910 | $ 1,078,464 |

The following table presents the amounts included in net earnings related to our related party transactions with Stone Point and its affiliated entities:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net investment income | $ 462 | $ 4,084 |
| Net realized and unrealized gains (losses) | 24,914 | (102,516) |
| Total net earnings (losses) | $ 25,376 | $ (98,432) |

***Hillhouse***

Investment funds managed by Hillhouse Capital (defined below) collectively own 9.4% of Enstar's voting ordinary shares. These funds also own non-voting ordinary shares, which together with their voting ordinary shares, represent 16.9% economic interest in Enstar. During the three months ended March 31, 2021, Hillhouse Capital exercised warrants on a cashless basis to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued to

Hillhouse Capital in the period. From February 2017 to February 2021, Jie Liu, a partner of AnglePoint HK (defined below), served on our Board.

We have made significant direct investments in funds (the "Hillhouse Funds") managed by Hillhouse Capital Management, Ltd. and Hillhouse Capital Advisors, Ltd. (together, "Hillhouse Capital") and AnglePoint Asset Management Ltd., an affiliate of Hillhouse Capital ("AnglePoint Cayman"). As of March 31, 2021, the carrying value (i.e., the net asset value) of our direct investment in the InRe Fund, L.P. (the "InRe Fund"), which is managed by AnglePoint, was $2.8 billion (December 31, 2020: $2.4 billion). Hillhouse Capital and AnglePoint Cayman charge investment management and performance fees to funds they manage, which are deducted from the Hillhouse Funds' reported net asset values. For the full year ended December 31, 2020, we incurred management and performance fees of $489.0 million. This amount has been revised from $394.0 million disclosed in our 2020 Annual Report on Form 10-K to correct management and performance fees for full year 2020. This correction has no impact on our consolidated financial statements and is not considered material to previously issued financial statements.

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

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

The InRe Fund qualifies as a variable interest entity and our maximum exposure to loss is the amount of our investment in the fund, as disclosed in the table below. As of March 31, 2021, the InRe Fund's assets were invested 7% in fixed income securities, 12% in North American equities, 32% in international equities and 49% in financing, derivatives and other items. The derivatives in the InRe Fund are used for both hedging and investment purposes. The InRe Fund utilizes prime brokerage borrowing facilities and has also securitized certain letters of credit relating to intragroup reinsurances. We do not provide any financial support to the InRe Fund. Funds that employ leverage through borrowings and derivatives can generate outsized returns but can also experience greater levels of volatility.

As of March 31, 2021, our equity method investee, Enhanzed Re, had investments in a fund managed by AnglePoint, as set forth in the table below. Our consolidated balance sheet included the following balances related to transactions with Hillhouse Capital and AnglePoint (as applicable):

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Investments in funds managed by AnglePoint Cayman, held by Enhanzed Re | $ 909,021 | $ 851,435 |
| Our ownership percentage of Enhanzed Re | 47.4 % | 47.4 % |
| Our share of Enhanzed Re's investment in funds managed by AnglePoint Cayman held by Enhanzed Re (through our equity method investment ownership) | $ 430,876 | $ 403,580 |
| Investment in other funds managed by AnglePoint Cayman and Hillhouse: | | |
| InRe Fund | $ 2,823,144 | $ 2,365,158 |
| Other funds | — | 369,508 |
| | $ 2,823,144 | $ 2,734,666 |

The following table presents the amounts included in net earnings related to our related party transactions with Hillhouse Capital and AnglePoint Cayman (as applicable):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Net realized and unrealized gains (losses)[1] | $ | 97,478 | $ | (64,704) |

(1) Includes the impact of a deduction of $100.0 million from amounts due to affiliates of Hillhouse Capital from the InRe Fund, which had the effect of increasing our NAV in the InRe Fund on February 21, 2021.

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

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

***Northshore***

Following the completion of the Exchange Transaction with the Stone Point managed Trident V Funds on January 1, 2021 as described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations", our equity interest in Northshore, the holding company that owns Atrium and Arden was reduced to 13.8% from 54.1% while the Trident V Funds' total equity interest in Northshore increased from 36.0% to 76.3%. We have accounted for our residual equity interest in Northshore as an investment in a privately held equity security at fair value. The carrying value of our investment in Northshore was $34.0 million as of March 31, 2021.

Concurrent with the closing of the Exchange Transaction on January 1, 2021, one of our wholly-owned subsidiaries and Northshore entered into a TSA through which our wholly-owned subsidiary agreed to provide certain transitional services to Northshore over a transition period of up to 18 months.

In addition, concurrent with the completion of the Exchange Transaction on January 1, 2021, Arden also entered into an LPT Retrocession Agreement with one of our majority owned subsidiaries, through which Arden fully reinsured its non-life run-off portfolio with total liabilities of $19.0 million to our majority owned subsidiary, in exchange for a retrocession premium consideration of an equal amount. Arden retained the premium under a funds held arrangement, to secure the payment obligations of our majority owned subsidiary.

Our consolidated balance sheet included the following balances between us and Arden:

| | March 31, 2021 | |
|---|---|---|
| Balances under LPT Retrocession Agreement: | | |
| Premiums Receivable | $ | 13,735 |
| Loss and loss adjustment expenses | | 13,417 |

Our consolidated statement of earnings included the following amounts between us and Arden:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | |
| Transactions under LPT Retrocession Agreement: | | |
| Net incurred losses and LAE | | 318 |
| Total net earnings | $ | 318 |

Furthermore, as described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations", through our wholly-owned subsidiary SGL No.1, a Lloyd’s corporate member, we provided 25% of the underwriting capacity on the 2017 to 2020 underwriting years of Atrium's Syndicate 609 at Lloyd’s. Effective January 1, 2021, and in conjunction with the completion of the Exchange Transaction, SGL No.1 ceased its provision of underwriting capacity on Syndicate 609. Accordingly, the 2020 underwriting year was the last underwriting year that SGL No. 1 participated in with respect to the Atrium business. We will continue to report SGL No. 1's 25% gross share of the 2020 and prior underwriting years of Syndicate 609 until the 2020 underwriting year completes an RITC into a successor year, which will be no earlier than December 31, 2022. There is no net retention for Enstar on Atrium's

2020 and prior underwriting years as the business was contractually transferred to the Atrium entities that were divested in the Exchange Transaction. Effective January 1, 2021, all balances that SGL No. 1 has with Atrium and Arden are no longer eliminated in our consolidated financial statements.

Our consolidated balance sheet includes the following balances related to our participation in Atrium's Syndicate 609 through our wholly-owned subsidiary SGL 1. The balances are disclosed on a gross basis and therefore include the reinsurance balances recoverable from Arden under a quota share reinsurance agreement as well as the net results arising from our participation which is payable by SGL 1 to Atrium under a capacity lease tenancy agreement as described further below:

| | March 31, 2021 |
|---|---|
| Short-term investments, trading, at fair value | $ 1,665 |
| Fixed maturities, trading, at fair value | 156,956 |
| Fixed maturities, available-for-sale, at fair value | 4,431 |
| Other investments, at fair value | 9,935 |
| Cash and cash equivalents | 24,378 |
| Restricted cash and cash equivalents | 5,628 |
| Premiums receivable | 33,064 |
| Reinsurance balances recoverable on paid and unpaid losses | 90,476 |
| Funds held by reinsured companies | 33,880 |
| Other assets | 95,979 |
| Losses and loss adjustment expenses | 249,096 |
| Unearned premiums | 70,953 |
| Insurance and reinsurance balances payable | 121,834 |
| Other liabilities | 14,114 |

Our consolidated statement of earnings included the following amounts related to our participation in Atrium's Syndicate 609 through our wholly-owned subsidiary SGL 1. These amounts reflect the impact of cessions by SGL 1 to Arden under a quota share reinsurance agreement with the net results arising from our participation being payable by SGL 1 to Atrium under a capacity lease tenancy agreement as described further below:

| | Three Months Ended March 31, 2021 |
|---|---|
| Net premiums earned | $ 20,040 |
| Net investment income | 758 |
| Net realized and unrealized losses | (1,289) |
| Other expense | (6,518) |
| Net incurred losses and loss adjustment expenses | (4,478) |
| Acquisition costs | (4,977) |
| General and administrative expenses | (2,084) |
| Net foreign exchange losses | (1,111) |
| Total net earnings | $ 341 |

As discussed above, Enstar does not retain any of the economics related to its participation in Atrium's 2020 and prior underwriting years through its wholly-owned subsidiary SGL 1 since this business is contractually transferred to the Atrium entities that were divested in the Exchange Transaction, through a quota share reinsurance agreement with Arden covering 65% of the business written by Atrium's Syndicate 609 and a capacity lease tenancy agreement covering the net results arising from the residual business written but not covered by the 65% quota share reinsurance agreement with Arden.

***Monument Re***

Monument Insurance Group Limited ("Monument Re") was established in October 2016 and Enstar has invested a total of $59.6 million in the common and preferred shares of Monument Re as of March 31, 2021 (December 31, 2020: $59.6 million). We own 20% of the common shares of Monument Re, as well as different classes of preferred shares which have fixed dividend yields, and which collectively represented a total economic interest of 22.5% as at March 31, 2021 (December 31, 2020: 23.0%). In connection with our investment in Monument Re, we entered into a Shareholders Agreement with the other shareholders and have accounted for our equity interest in Monument Re as an equity method investment since we have significant influence over its operating and financial policies.

Our investment in the common and preferred shares of Monument Re, which is included in equity method investments on our consolidated balance sheet, as of March 31, 2021 and December 31, 2020 was $200.8 million and $193.7 million, respectively.

During the three months ended March 31, 2021 and 2020 our share of net earnings (loss) on our investment in Monument Re was $14.8 million and $(1.5) million, respectively. In addition, one of our representatives serves on Monument Re's board of directors. No director fees were received during the during the three months ended March 31, 2021 and 2020.

***Clear Spring (formerly SeaBright)***

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

Effective December 30, 2020, we sold our remaining interest in Clear Spring to Delaware Life for $12.2 million and recorded a gain on sale of $0.6 million in the fourth quarter of 2020. As a result, Clear Spring was not a related party as of December 31, 2020. Prior to the sale, we accounted for our equity interest in Clear Spring as an equity method investment as we had significant influence over its operating and financial policies.

During the three months ended March 31, 2020 our share of net earnings on our investment in Clear Spring was $0.3 million.

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.

Our consolidated statement of earnings included the following amounts between us and Clear Spring:

| | Three Months Ended March 31, 2020 |
|---|---|
| Transactions under StarStone ceding quota share, included in net loss from discontinued operations: | |
| Ceded premium earned | $ (681) |
| Net incurred losses and LAE | 754 |
| Acquisition costs | 72 |
| Transactions under assuming quota share: | |
| Premium earned | 170 |
| Net incurred losses and LAE | 372 |
| Acquisition costs | (13) |
| Total net earnings | $ 674 |

***AmTrust***

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

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

Our indirect investment in the shares of AmTrust, carried in equities on our consolidated balance sheet, as of March 31, 2021 and December 31, 2020 was $228.8 million and $230.3 million, respectively.

The following table presents the amounts included in net earnings related to our related party transactions with AmTrust (excluding withholding taxes):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net investment income | $ 1,493 | $ 2,471 |
| Net realized and unrealized losses | (1,492) | (145) |
| Total net earnings | $ 1 | $ 2,326 |

***Citco***

In June 2018, we made a $50.0 million indirect investment in the shares of Citco III Limited ("Citco"), a fund administrator with global operations. As of March 31, 2021 and December 31, 2020, we owned 31.9% of the common shares in HH CTCO Holdings Limited, which in turn owns 15.4% of the convertible preferred shares, amounting to a 6.2% interest in the total equity of Citco. Pursuant to an investment agreement and in consideration for participation therein, a related party of Hillhouse Capital provided us with investment support. In a private transaction that preceded our co-investment opportunity, certain Citco shareholders, including Trident, agreed to sell all or a portion of their interests in Citco. As of March 31, 2021 and December 31, 2020, Trident owned 3.4% interest in Citco. Mr. Carey currently serves as an observer to the board of directors of Citco in connection with Trident's investment therein.

Our indirect investment in the shares of Citco, which is included in equity method investments on our consolidated balance sheet, as of March 31, 2021 and December 31, 2020 was $53.7 million and $53.0 million, respectively.

During the three months ended March 31, 2021 and 2020 our share of net earnings on our indirect investment in Citco was $0.7 million and $(0.2) million, respectively.

***Enhanzed Re***

Enhanzed Re is a joint venture between Enstar, Allianz SE ("Allianz") and Hillhouse Capital that was capitalized in December 2018. Enhanzed Re is a Bermuda-based Class 4 and Class E reinsurer and will reinsure life, non-life run-off, and property and casualty insurance business, initially sourced from Allianz and Enstar. Enstar, Allianz and Hillhouse Capital affiliates have made equity investment commitments in the aggregate of $470.0 million to Enhanzed Re. Enstar owns 47.4% of the entity, Allianz owns 24.9%, and an affiliate of Hillhouse Capital owns 27.7%. As of March 31, 2021, Enstar contributed $154.1 million of its total capital commitment to Enhanzed Re and had an uncalled amount of $68.7 million. We have accounted for our equity interest in Enhanzed Re as an equity method investment as we have significant influence over its operating and financial policies.

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

Our investment in the common shares of Enhanzed Re, which is included in equity method investments on our consolidated balance sheet, as of March 31, 2021 and December 31, 2020 was $435.9 million and $330.3 million, respectively.

During the three months ended March 31, 2021 and 2020 our share of net earnings on our investment in Enhanzed Re was $105.6 million and $14.2 million, respectively.

We have ceded 10% of the 2019 Zurich transaction and the 2020 AXA transaction, which is described in Note 2 - "Significant New Business," to Enhanzed Re on the same terms and conditions as those received by Enstar.

During the fourth quarter of 2020, one of our UK-based Run-off subsidiaries entered into a 50% Quota Share reinsurance agreement with Enhanzed Re. The reinsurance is on a funds held basis with fixed crediting rates.

Our consolidated balance sheet included the following balances between us and Enhanzed Re:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Balances under ceding quota share: | | |
| Reinsurance balances recoverable | $ 204,179 | $ 208,379 |
| Funds held | 187,198 | 193,981 |
| Insurance balances payables | 1,386 | 1,276 |
| Other assets | 877 | 730 |

Our consolidated statement of earnings included the following amounts between us and Enhanzed Re:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Amounts under ceding quota share: | | |
| Ceded premium earned | $ (131) | $ — |
| Net incurred losses and LAE | (265) | — |
| Acquisition costs | 5 | 23 |
| Net investment expense | (1,157) | — |
| Net realized and unrealized losses | (17) | — |
| Other income | 727 | 291 |
| Fees and commission income | 116 | — |
| Total net earnings (loss) | $ (722) | $ 314 |
| Change in unrealized losses on AFS investments | $ (623) | — |

***Core Specialty***

Following the sale and recapitalization of StarStone U.S. as described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations," our investment in the common shares of Core Specialty, which is included in equity method investments on our consolidated balance sheet, was $228.0 million as of March 31, 2021 (December 31, 2020: $235.0 million). As a result of the completion of the Exchange Transaction on January 1, 2021, as discussed in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations", as well as in Note 14 - "Noncontrolling Interests", our investment in Core Specialty was reduced by $4.0 million as of March 31, 2021. During the three months ended March 31, 2021 our share of net loss on our investment in Core Specialty was $3.0 million. We account for our equity method investment in Core Specialty on a one quarter lag.

In connection with the sale and recapitalization of StarStone U.S. we entered into an LPT and ADC reinsurance agreement with respect to StarStone U.S.' legacy reserves. Concurrent with the closing of the LPT and

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

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

On completion of the sale and recapitalization of StarStone U.S. on November 30, 2020, we received $235.0 million of Core Specialty shares and $51.5 million of cash. Subsequently, the cash component of the consideration was determined to be $47.0 million with the surplus cash received of $4.5 million being repaid to Core Specialty during the three months ended March 31, 2021.

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

Our consolidated balance sheets as of March 31, 2021 and December 31, 2020 included the following balances between us and Core Specialty:

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Balances under assuming quota share, LPT and ADC reinsurances: | | |
| Funds held by reinsured companies | $ 55,205 | $ 58,086 |
| Other assets | 6,884 | 38,846 |
| Losses and loss adjustment expenses | 646,720 | 682,637 |
| Insurance and reinsurance balances payable | 32,067 | 24,806 |
| Other liabilities | 5,017 | 5,003 |
| Balances under ceding reinsurances: | | |
| Reinsurance balances recoverable on paid and unpaid losses | 1,691 | 1,736 |
| Balances under service agreements: | | |
| Other assets | 4,610 | 6,727 |
| Other liabilities | 53 | 328 |
| Balances under sale and recapitalization agreement: | | |
| Other liabilities | — | 4,512 |

Our consolidated statement of earnings included the following amounts between us and Core Specialty:

| | Three Months Ended March 31, 2021 |
|---|---|
| Transactions under assuming quota share, LPT and ADC reinsurances: | |
| Net premiums earned | $ 4,245 |
| Net incurred losses and loss adjustment expenses | 7,852 |
| Acquisition costs | 1,324 |
| Net investment income | 121 |
| Transactions under service agreements: | |
| Fees and commission income | 3,698 |
| Transactions under sale and recapitalization agreement: | |
| Other Income | 567 |
| Interest expense | (15) |
| Total net earnings | $ 17,792 |

## 20. COMMITMENTS AND CONTINGENCIES

### *Concentration of Credit Risk*

We believe that there are no significant concentrations of credit risk associated with our cash and cash equivalents, fixed maturity investments, or other investments. Our cash and investments are managed pursuant to guidelines that follow prudent standards of diversification and liquidity, and limit the allowable holdings of a single issue and issuers. We are also subject to custodial credit risk on our investments, which we manage by diversifying our holdings amongst large financial institutions that are highly regulated.

We have exposure to credit risk on certain of our assets pledged to ceding companies under insurance contracts. In addition, we are potentially exposed should any insurance intermediaries be unable to fulfill their contractual obligations with respect to payments of balances owed to and by us.

Credit risk exists in relation to (re)insurance balances recoverable on paid and unpaid losses. We remain liable to the extent that counterparties do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our (re)insurers.

We are also subject to credit risk in relation to funds held by reinsured companies. Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds may be placed into trust or subject to other security arrangements. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us. As of March 31, 2021, we had a significant funds held concentration of $899.5 million (December 31, 2020: $955.0 million) to one reinsured company which has financial strength credit ratings of A+ from A.M. Best and AA from S&P.

We limit the amount of credit exposure to any one counterparty, and none of our counterparty credit exposures, excluding U.S. government instruments and the counterparty noted above, exceeded 10% of shareholders' equity as of March 31, 2021. Our credit exposure to the U.S. government was $1.3 billion as of March 31, 2021 (December 31, 2020: $1.4 billion).

### *Legal Proceedings*

We are, from time to time, involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. Estimated losses relating to claims arising in the ordinary course of business, including the anticipated outcome of any pending arbitration or litigation, are included in the liability for losses and LAE in our consolidated balance sheets. In addition to claims litigation, we may be subject to other lawsuits and regulatory actions in the normal course of business, which may involve, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. We do not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on our business, results of operations or financial condition. We anticipate that, similar to the rest of the (re)insurance industry, we will continue to be subject to litigation and arbitration proceedings in the ordinary course of business, including litigation generally related to the scope of coverage with respect to asbestos and environmental and other claims.

### *Unfunded Investment Commitments*

As of March 31, 2021, we had unfunded commitments of $931.8 million to other investments, $68.7 million to equity method investments, $25.0 million to fixed maturity investments and $10.1 million to equities.

### *Guarantees*

As of March 31, 2021 and December 31, 2020, parental guarantees and capital instruments supporting subsidiaries' (re)insurance obligations were $1.5 billion as of both dates. We also guarantee the Junior Subordinated Notes and the Funds at Lloyd's facilities, which are described in Note 13 - "Debt Obligations and Credit Facilities."

On May 3, 2021, one of our (re)insurance subsidiaries completed an LPT and ADC transaction with AXA Group, as described in Note 2 - "Significant New Business," which is guaranteed by Enstar.

### *Redeemable Noncontrolling Interest*

We have the right to purchase the RNCI interests from the RNCI holders at certain times in the future (each such right, a "call right") and the RNCI holders have the right to sell their RNCI interests to us at certain times in the future (each such right, a "put right"). Following the closing of the Exchange Transaction, we have a call right over the portion of SSHL owned by the Trident V Funds and the Dowling Funds, and they have put rights to transfer those interests to us.

***Leases***

We have recognized a right-of-use asset and an offsetting lease liability on our consolidated balance sheets, relating primarily to office space and facilities that we have leased to conduct our business operations. On an ongoing basis we determine whether an arrangement is a lease or contains a lease at inception and also complete an assessment to determine the classification of each lease as either a finance lease or an operating lease. Our leases are all currently classified as operating leases.

Our leases have remaining lease terms of one year to 36 years; some of which include options to extend the lease term for up to five years, and some of which include options to terminate the lease within one year. We consider these options in determining the lease term used to establish our right-of-use assets and lease liabilities. Renewal options that we believe we are likely to exercise are considered when determining lease terms. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Since a majority of our leases do not provide an implicit discount rate, we use our collateralized incremental borrowing rate in determining the present value of lease payments.

The table below provides the lease cost and other information relating to our operating leases:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Lease cost:** | | |
| Operating lease cost | $ 2,112 | $ 3,322 |
| Short-term lease cost[1] | 4 | 58 |
| Total lease cost | 2,116 | 3,380 |
| Sub-lease income[2] | (554) | (138) |
| Total net lease cost | $ 1,562 | $ 3,242 |
| **Other information:** | | |
| Operating cash paid for amounts included in the measurement of lease liabilities | $ 2,110 | $ 3,183 |
| Non-cash activity: right-of-use assets relating to leases | (365) | 72 |
| Weighted-average remaining lease term | 6.1 years | 6.2 years |
| Weighted-average discount rate | 6.7 % | 6.3 % |

[1] Leases with an initial lease term of twelve months or less are not recognized within our consolidated balance sheets.

[2] Sub-lease income consists of rental income received from third parties to whom we have sub-leased some of our leased office spaces and is included within other income in our consolidated statements of earnings.

The table below provides a summary of the operating leases recorded on our consolidated balance sheets:

| | Balance sheet classification | March 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Right-of-use assets [1] | Other assets | $ 24,078 | $ 32,297 |
| Current lease liabilities [1] | Other liabilities | 6,302 | 7,959 |
| Non-current lease liabilities [1] | Other liabilities | 20,543 | 27,064 |

[1] The December 31, 2020 right-of-use assets and the total lease liability balances exclude balances of $1.0 million related to Atrium which were reclassified to held-for-sale balances on our consolidated balance sheet as of December 31, 2020.

The table below provides a summary of the contractual maturities of our operating lease liabilities:

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 and beyond | Total lease payments | Less: Imputed interest | Present value of lease liabilities |
|---|---|---|---|---|---|---|---|---|---|
| Contractual maturities | $ 6,147 | 6,608 | 5,778 | 4,136 | 3,164 | 8,642 | 34,475 | (7,629) | $ 26,846 |

## 21. SEGMENT INFORMATION

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

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

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

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

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

Our assets are reviewed on a consolidated basis by management for decision making purposes since they support business operations across all of our three reportable segments as well as our Corporate & Other activities. We do not allocate assets to our reportable segments with the exception of liabilities for losses and loss adjustment expenses, reinsurance balances recoverable on paid and unpaid losses and goodwill that are directly attributable to our reportable segments. In addition, the assets for the Legacy underwriting segment are shown separately since the balance sheets primarily relate to entities that have been sold.

Following the re-organization of our reportable segments during the first quarter of 2021 as detailed above, we restated the prior period comparatives to conform to the current period presentation.

The following tables set forth selected and unaudited condensed consolidated statement of earnings results by segment and for our corporate and other activities:

| | Three Months Ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Run-off | Investments | Legacy Underwriting | Corporate & Other [1] | Total |
| INCOME | | | | | |
| Net premiums earned | $ 72,836 | $ — | $ 20,040 | $ — | $ 92,876 |
| Fees and commission income | 9,598 | — | — | — | 9,598 |
| Net investment income | — | 61,331 | 758 | — | 62,089 |
| Net realized and unrealized losses | — | (19,479) | (1,309) | — | (20,788) |
| Other income (expense) | 12,315 | — | (6,518) | (5,246) | 551 |
| Net gain on sale of subsidiaries | — | — | — | 14,894 | 14,894 |
| | 94,749 | 41,852 | 12,971 | 9,648 | 159,220 |
| EXPENSES | | | | | |
| Net incurred losses and loss adjustment expenses | 4,625 | — | 4,478 | (64,610) | (55,507) |
| Acquisition costs | 29,037 | — | 4,977 | — | 34,014 |
| General and administrative expenses | 27,591 | 3,540 | 2,084 | 49,785 | 83,000 |
| | 61,253 | 3,540 | 11,539 | (14,825) | 61,507 |
| EARNINGS BEFORE INTEREST EXPENSE, FOREIGN EXCHANGE AND INCOME TAXES | 33,496 | 38,312 | 1,432 | 24,473 | 97,713 |
| Earnings from equity method investments | — | 118,031 | — | — | 118,031 |
| SEGMENT INCOME | 33,496 | 156,343 | 1,432 | 24,473 | 215,744 |
| Interest expense | | | | (16,179) | (16,179) |
| Net foreign exchange losses | | | | (2,634) | (2,634) |
| Income tax benefit | | | | 5,982 | 5,982 |
| NET EARNINGS | | | | | 202,913 |
| Net earnings attributable to noncontrolling interest | | | | (10,791) | (10,791) |
| NET EARNINGS ATTRIBUTABLE TO ENSTAR | | | | | 192,122 |
| Dividends on preferred shares | | | | (8,925) | (8,925) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | | | | $ (8,074) | $ 183,197 |

[1] Net incurred losses and loss adjustment expenses for corporate and other activities includes the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts and fair value adjustments associated with the acquisition of companies, and the changes in the fair value of liabilities related to our assumed retroactive reinsurance agreements for which we have elected the fair value option.

| | Three Months Ended March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Run-off | Investments | Legacy Underwriting | Corporate & Other [1] | Total |
| INCOME | | | | | |
| Net premiums earned | $ 16,030 | $ — | $ 143,321 | $ — | $ 159,351 |
| Fees and commission income | 4,985 | — | 2,543 | — | 7,528 |
| Net investment income | — | 64,963 | 9,751 | — | 74,714 |
| Net realized and unrealized losses | — | (574,682) | (54,379) | — | (629,061) |
| Other income (expense) | 27,763 | — | 120 | (7,439) | 20,444 |
| | 48,778 | (509,719) | 101,356 | (7,439) | (367,024) |
| EXPENSES | | | | | |
| Net incurred losses and loss adjustment expenses | (27,193) | — | 105,531 | (35,038) | 43,300 |
| Acquisition costs | 6,907 | — | 39,136 | — | 46,043 |
| General and administrative expenses | 23,387 | 3,564 | 26,058 | 45,419 | 98,428 |
| | 3,101 | 3,564 | 170,725 | 10,381 | 187,771 |
| EARNINGS (LOSS) BEFORE INTEREST EXPENSE, FOREIGN EXCHANGE AND INCOME TAXES | 45,677 | (513,283) | (69,369) | (17,820) | (554,795) |
| Earnings from equity method investments | — | 12,450 | — | — | 12,450 |
| SEGMENT INCOME (LOSS) | 45,677 | (500,833) | (69,369) | (17,820) | (542,345) |
| Interest expense | | | | (13,415) | (13,415) |
| Net foreign exchange gains | | | | 11,939 | 11,939 |
| Income tax benefit | | | | 5,272 | 5,272 |
| NET LOSS FROM CONTINUING OPERATIONS | | | | | (538,549) |
| Net loss from discontinued operations, net of income taxes | | | | (2,069) | (2,069) |
| NET LOSS | | | | | (540,618) |
| Net loss attributable to noncontrolling interest | | | | 32,722 | 32,722 |
| NET LOSS ATTRIBUTABLE TO ENSTAR | | | | | (507,896) |
| Dividends on preferred shares | | | | (8,925) | (8,925) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | | | | $ 7,704 | $ (516,821) |

[1] Net incurred losses and loss adjustment expenses for corporate and other activities includes the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts and fair value adjustments associated with the acquisition of companies, and the changes in the fair value of liabilities related to our assumed retroactive reinsurance agreements for which we have elected the fair value option,

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition as of March 31, 2021 and our results of operations for the three months ended March 31, 2021 and 2020 should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2020. Some of the information contained in this discussion and analysis or included elsewhere in this quarterly report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" included in item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

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### Business Overview

We are a leading global insurance group that offers innovative capital release solutions through our network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Our core focus is acquiring and managing (re)insurance companies and portfolios of (re)insurance business in run-off. Since the formation of our Bermuda-based holding company in 2001, we have completed or announced over 100 acquisitions or portfolio transfers. The substantial majority of our transactions have been in the Run-off business, which generally includes property and casualty, workers' compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

Our primary corporate objective is growing our book value per share. We strive to achieve this primarily through growth in net earnings derived from both organic and accretive sources, such as the completion of new acquisitions, the generation of claims savings and investment income through the effective management of companies and portfolios in run-off and returns on strategic investments.

As a result of the sale and recapitalization of StarStone U.S., the sale of the majority of our interest in Atrium and placing StarStone International into run-off, we have exited our previously controlled active underwriting platforms. We maintain strategic minority interests in live active underwriting businesses with strong management teams and our primary focus is on our core business of acquiring and managing (re)insurance companies or portfolios of (re)insurance business in run-off. For further information on strategic developments, refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

#### *Key Performance Indicator*

As noted above, our primary corporate objective is growing our book value per share, and we believe that long-term growth in fully diluted book value per share is the most appropriate measure of our financial performance. We create growth in our book value through the execution of the strategies discussed in "Item 1. Business - Business Strategy" in our Annual Report on Form 10-K for the year ended December 31, 2020.

During the three months ended March 31, 2021, our fully diluted book value per ordinary share increased by

1.3% to $284.72. The table below summarizes the calculation of our fully diluted book value per ordinary share:

| | March 31, 2021 | December 31, 2020 | Change |
|---|---|---|---|
| | (In thousands of U.S. dollars, except share and per share data) | | |
| **Numerator:** | | | |
| Total Enstar shareholder's equity | $ 6,760,776 | $ 6,674,395 | $ 86,381 |
| Less: Series D and E preferred shares | 510,000 | 510,000 | — |
| Total Enstar ordinary shareholders' equity (A) | 6,250,776 | 6,164,395 | 86,381 |
| Proceeds from assumed conversion of warrants(1) | — | 20,229 | (20,229) |
| Numerator for fully diluted book value per ordinary share calculations (B) | $ 6,250,776 | $ 6,184,624 | $ 66,152 |
| **Denominator:** | | | |
| Ordinary shares outstanding (C) (2) | 21,629,529 | 21,519,602 | 109,927 |
| Effect of dilutive securities: | | | |
| Share-based compensation plans (3) | 324,931 | 298,095 | 26,836 |
| Warrants(1) | — | 175,901 | (175,901) |
| Fully diluted ordinary shares outstanding (D) | 21,954,460 | 21,993,598 | (39,138) |
| **Book value per ordinary share:** | | | |
| Basic book value per ordinary share = (A) / (C) | $ 288.99 | $ 286.45 | $ 2.54 |
| Fully diluted book value per ordinary share = (B) / (D) | $ 284.72 | $ 281.20 | $ 3.52 |

(1) Warrants to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share were exercised on a cashless basis during the three months ended March 31, 2021, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued in the period. As of March 31, 2021, there were no warrants outstanding following the exercise described above.

(2) Ordinary shares outstanding includes voting and non-voting shares but excludes ordinary shares held in the Enstar Group Limited Employee Benefit Trust (the "EB Trust") in respect of awards made under our JSOP.

(3) Share-based dilutive securities include restricted shares, restricted share units, and performance share units ("PSUs"). The amounts for PSUs and ordinary shares held in the EB Trust in respect of the JSOP are adjusted at the end of each period end to reflect the latest estimated performance multipliers for the respective awards. The JSOP shares did not have a dilutive effect as of March 31, 2021.

***Non-GAAP Financial Measures***

Our non-GAAP measures shown below, as defined in Item 10(e) of Regulation S-K, enables readers of the consolidated financial statements to analyze our results in a way that is more aligned with the manner in which our management measures our underlying performance. We believe that presenting these non-GAAP financial measures, which may be defined and calculated differently by other companies, improves the understanding of our consolidated results of operations. These measures should not be viewed as a substitute for those calculated in accordance with U.S. GAAP.

***Non-GAAP Operating Income***

In addition to presenting net earnings (loss) attributable to Enstar ordinary shareholders and diluted earnings (losses) per ordinary share determined in accordance with U.S. GAAP, we believe that presenting non-GAAP operating income (loss) attributable to Enstar ordinary shareholders and non-GAAP diluted operating income (loss) per ordinary share provides investors with valuable measures of our performance.

Non-GAAP operating income (loss) attributable to Enstar ordinary shareholders is calculated by the addition or subtraction of certain items from within our consolidated statements of earnings to or from net earnings (loss) attributable to Enstar ordinary shareholders, the most directly comparable GAAP financial measure, as illustrated in the table below:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (expressed in thousands of U.S. dollars, except share and per share data) | |
| Net earnings (loss) attributable to Enstar ordinary shareholders | $ 183,197 | $ (516,821) |
| Adjustments: | | |
| Net realized and unrealized losses on fixed maturity investments and funds held - directly managed [(1)] | 206,183 | 277,561 |
| Change in fair value of insurance contracts for which we have elected the fair value option | (75,472) | (58,237) |
| Net gain on sale of subsidiaries | (14,894) | — |
| Net loss from discontinued operations | — | 2,069 |
| Tax effects of adjustments [(2)] | (16,148) | (25,965) |
| Adjustments attributable to noncontrolling interest [(3)] | 864 | (16,411) |
| Non-GAAP operating income (loss) attributable to Enstar ordinary shareholders [(4)] | $ 283,730 | $ (337,804) |
| Diluted net earnings (loss) per ordinary share | $ 8.38 | $ (23.98) |
| Adjustments: | | |
| Net realized and unrealized losses on fixed maturity investments and funds held - directly managed [(1)] | 9.43 | 12.86 |
| Change in fair value of insurance contracts for which we have elected the fair value option | (3.45) | (2.70) |
| Net gain on sale of subsidiaries | (0.68) | — |
| Net loss from discontinued operations | — | 0.10 |
| Tax effects of adjustments [(2)] | (0.74) | (1.20) |
| Adjustments attributable to noncontrolling interest [(3)] | 0.04 | (0.76) |
| Diluted non-GAAP operating income (loss) per ordinary share [(4)] [(5)] | $ 12.98 | $ (15.68) |
| Weighted average ordinary shares outstanding: | | |
| Basic | 21,562,341 | 21,549,844 |
| Diluted | 21,852,324 | 21,779,906 |

(1) Represents the net realized and unrealized gains and losses related to fixed maturity securities recognized in net earnings (loss). Our fixed maturity securities are held directly on our balance sheet and also within the "Funds held - directly managed" balance. Refer to Note 4 - "Investments" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further details on our net realized and unrealized gains and losses.

(2) 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.

(3) Represents the impact of the adjustments on the net earnings (loss) attributable to noncontrolling interest associated with the specific subsidiaries to which the adjustments relate.

(4) Non-GAAP financial measure.

(5) During a period of loss, the basic weighted average ordinary shares outstanding is used in the denominator of the diluted loss per ordinary share computation as the effect of including potentially dilutive securities would be anti-dilutive.

Non-GAAP operating income (loss) is net earnings attributable to Enstar ordinary shareholders excluding: (i) net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed included in net earnings (loss); (ii) change in fair value of insurance contracts for which we have elected the fair value option; (iii) (gain) loss on sale of subsidiaries, if any; (iv) net (earnings) loss from discontinued operations, if any; (v) tax effect of these adjustments, where applicable; and (vi) attribution of share of adjustments to noncontrolling interest, where applicable. We eliminate the impact of net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed, included in net earnings (loss), and change in fair value of insurance contracts for which we have elected the fair value option because these items are subject to significant fluctuations in fair value from period to period, driven primarily by market conditions and general economic conditions, and therefore their impact on our earnings is not reflective of the performance of our core operations. We eliminate the impact of (gain) loss on sale of subsidiaries and net (earnings) loss on discontinued operations because these are not reflective of the performance of our core operations. Diluted Non-GAAP operating income (loss) per ordinary share is diluted net earnings per ordinary share excluding the per diluted share amounts of each of the adjustments used to calculate non-GAAP operating income.

**Reserve/Claims Savings**

Reserve/Claims Savings is a non-GAAP measure calculated using components of amounts determined in accordance with U.S. GAAP for our Run-off segment. Reserve/Claims Savings is calculated by adding (i) the reduction (increase) in estimates of net ultimate losses relating to prior periods, included in net incurred losses and LAE, and (ii) the reduction (increase) in estimates of ultimate net defendant asbestos and environmental ("Defendant A&E") liabilities relating to prior periods, included in other income (expense). Because the reduction (increase) in estimates of ultimate Defendant A&E liabilities for prior periods is presented as a component of other income (expense) in our consolidated statement of earnings, there is not a U.S. GAAP measure that is directly comparable to Reserve/Claims Savings presented on a non-GAAP basis. However, we believe Reserve/Claims Savings provides investors with a meaningful measure of claims management performance within our Run-off segment that is consistent with management's view of the business because it combines the reduction (increase) in estimates of net ultimate losses related to our direct exposure to certain acquired asbestos and environmental liabilities with the reduction (increase) in estimates of net ultimate losses related to liabilities that we have insured. For a reconciliation showing the calculation of Reserve/Claims Savings using the applicable components of amounts determined in accordance with U.S. GAAP for our Run-off segment, refer to "Results of Operations by Segment - Run-off Segment" below.

***Current Outlook***

The evolving COVID-19 pandemic, which began to affect the Company late in the first quarter of 2020, has caused significant disruption in global financial markets and economies worldwide. Although the overall financial and operational impact to us has been minimal to-date, with virtually all of our employees working remotely, the scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic are highly uncertain and difficult or impossible to anticipate. As a result, it is not possible to predict its impact on our results for the remainder of 2021. As with others in our industry, we are subject to economic factors such as interest rates, inflationary pressures, market volatility, foreign exchange rates, underwriting events, regulation, tax policy changes, political risks and other market risks that can impact our strategy and operations. For additional information on these risks, refer to "Item 1A. Risk Factors - Risks Relating to our Run-off Business" in our Annual Report on Form 10-K for the year ended December 31, 2020.

As a result of the COVID-19 pandemic, interest rates dropped to historically low levels in 2020. During the first quarter of 2021, rising interest rates, partially mitigated by credit spreads tightening, have contributed to net unrealized losses on our fixed income portfolio for the three months ended March 31, 2021.

Our results for the three months ended March 31, 2021 also included the impact of net unrealized investment gains of $186.2 million on other investments, including equities, and earnings from equity method investments of $118.0 million. Investments that are accounted for under equity method typically report their financial statement information to the Company three months following the end of the reporting period. Accordingly, the potential effects of volatility across global financial markets, including the impact of the COVID-19 pandemic, on our equity method investments is generally reflected in our financial statements on a quarter lag basis. Heightened volatility in equity markets was introduced during the first quarter of 2020 as a result of the COVID-19 pandemic. However, equity prices had recovered by the fourth quarter of 2020 and continued to improve in the first quarter of 2021. Our other investments, including equities, hedge funds, investments accounted for under equity method accounting and other non-fixed income investments, carry higher expected returns, have a longer investment time horizon, and provide diversification from our fixed income portfolio. Given their higher risk and return profile, we expect their returns to be more volatile over the short term relative to our fixed income investments.

We anticipate continued volatility in the global investment markets as a result of the economic conditions caused by the COVID-19 pandemic. We continue to remain focused on actively managing our well diversified investment strategy and generating strong investment returns across our investment portfolio.

During the three months ended March 31, 2021, the Legacy Underwriting segment incurred COVID-19 related net underwriting losses of $0.6 million whereas our Run-off segment had no COVID-19 related underwriting losses. As of March 31, 2021, the Legacy Underwriting segment had COVID-19 related loss reserves of $71.8 million and the Run-off segment had COVID-19 related loss reserves of $10.0 million assumed from the loss portfolio transfer and adverse development cover reinsurance agreement with StarStone U.S., as further described in Note 3 -

"Divestitures, Held-for-Sale Businesses and Discontinued Operations" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.[1]

*Strategic Developments*

As a result of the sale and recapitalization of StarStone U.S., the sale of the majority of our interest in Atrium and placing StarStone International into run-off, we have exited our previously controlled active underwriting platforms. We maintain strategic minority interests in active underwriting businesses with strong management teams and our primary focus is on our core business of acquiring and managing (re)insurance companies or portfolios of (re)insurance business in run-off. For further information on strategic developments, refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

*Run-off Business Opportunities*

Our acquisition activity in the Run-off segment remains strong, with some attractive books of business being brought to market that meet our return thresholds. Each transaction we undertake has its own variables that drive our expected return and the respective impact and weighting of each variable to our pricing can vary from transaction to transaction. For example, expected returns for one transaction may be more heavily driven by claims savings opportunities whereas another transaction may be weighted more towards the investment income opportunity it presents. So far in 2021, we have signed or completed four deals—with AXA Group, CNA, ProSight and Liberty Mutual. Collectively, these transactions represent an estimated $2.9 billion of assets and $3.0 billion liabilities (based upon initial estimates of assumed assets and liabilities). Refer to Note 2 - "Significant New Business" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further details on these transactions.

We continue to evaluate transactions in our pipeline that include adverse development cover arrangements like those used in the transactions that we undertook with AXA Group and ProSight. We offer multiple innovative capital solutions that enable our clients to meet their capital and risk management objectives through bespoke structures that draw on our expertise in understanding diverse and complex portfolios. We believe our ability to execute on creative and sizable transactions is a competitive advantage for Enstar as a growing number of primary insurers seek large legacy solutions. While there may be increased competition in the run-off space and increased volatility in run-off portfolios that have come to market, we continue to apply our disciplined approach to underwriting and pricing transactions. In managing our acquired run-off portfolios, our strategy is to administer the run-off of claims profitably by closing claims in an efficient and effective manner that aims to mitigate the volatility that can exist in our run-off portfolios.

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[1] The amounts of Legacy Underwriting and Run-off segment loss reserves referenced herein represent our estimate of underwriting losses related to the COVID-19 pandemic incurred through March 31, 2021. Given the uncertainties associated with the COVID-19 pandemic and its impact, and the limited information upon which our current estimates have been made, our preliminary reserves and the estimated liability for losses and LAE arising from the COVID-19 pandemic may materially change.

### Consolidated Results of Operations - For the Three Months Ended March 31, 2021 and 2020

The following table sets forth our unaudited condensed consolidated statements of earnings for each of the periods indicated. For a discussion of the critical accounting estimates that affect the results of operations, see "Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2020, and within this Quarterly Report on Form 10-Q.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| | (in thousands of U.S. dollars) | | |
| INCOME | | | |
| Net premiums earned | $ 92,876 | $ 159,351 | $ (66,475) |
| Fees and commission income | 9,598 | 7,528 | 2,070 |
| Net investment income | 62,089 | 74,714 | (12,625) |
| Net realized and unrealized losses | (20,788) | (629,061) | 608,273 |
| Other income | 551 | 20,444 | (19,893) |
| Net gain on sale of subsidiaries | 14,894 | — | 14,894 |
| | 159,220 | (367,024) | 526,244 |
| EXPENSES | | | |
| Net incurred losses and LAE | (55,507) | 43,300 | (98,807) |
| Acquisition costs | 34,014 | 46,043 | (12,029) |
| General and administrative expenses | 83,000 | 98,428 | (15,428) |
| Interest expense | 16,179 | 13,415 | 2,764 |
| Net foreign exchange (gains) losses | 2,634 | (11,939) | 14,573 |
| | 80,320 | 189,247 | (108,927) |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 78,900 | (556,271) | 635,171 |
| Income tax benefit | 5,982 | 5,272 | 710 |
| Earnings from equity method investments | 118,031 | 12,450 | 105,581 |
| NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS | 202,913 | (538,549) | 741,462 |
| Net loss from discontinued operations, net of income taxes | — | (2,069) | 2,069 |
| NET EARNINGS (LOSS) | 202,913 | (540,618) | 743,531 |
| Net (earnings) loss attributable to noncontrolling interest | (10,791) | 32,722 | (43,513) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR | 192,122 | (507,896) | 700,018 |
| Dividends on preferred shares | (8,925) | (8,925) | — |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ 183,197 | $ (516,821) | $ 700,018 |

***Highlights***

*Consolidated Results of Operations for the Three Months Ended March 31, 2021:*

- Consolidated net earnings attributable to Enstar ordinary shareholders of $183.2 million and basic and diluted net earnings per ordinary share of $8.50 and $8.38, respectively.
- Non-GAAP operating income attributable to Enstar ordinary shareholders of $283.7 million and diluted non-GAAP operating income per ordinary share of $12.98. For a reconciliation of non-GAAP operating income attributable to Enstar ordinary shareholders to net earnings attributable to Enstar ordinary shareholders calculated in accordance with GAAP, and diluted non-GAAP operating income per ordinary share to diluted net earnings per ordinary share calculated in accordance with GAAP, see "Non-GAAP Financial Measure" above.
- Segment income from our Run-off segment of $33.5 million, which included Reserve/Claims Savings[2] of $34.9 million.

[2] Non-GAAP financial measure. Refer to "Business Overview - Non-GAAP Financial Measures" above and "Results of Operations by Segment - Run-off Segment Results" below for further details.

- Segment income from our Investments segment of $156.3 million, which included earnings from equity method investments of $118.0 million, driven primarily by our investments in Enhanzed Re and Monument Re.

*Consolidated Financial Condition as of March 31, 2021:*

- Total investable assets of $18.2 billion, an increase of 5.5% from December 31, 2020.
- Total reinsurance balances recoverable on paid and unpaid losses of $2.1 billion.
- Total assets of $22.1 billion compared to $21.6 billion at December 31, 2020.
- Total gross and net reserves for losses and LAE of $11.4 billion and $9.2 billion, respectively. During the three months ended March 31, 2021, our Run-off segment assumed net reserves of $1.0 billion.
- Total capital of $8.3 billion, including common equity of $6.3 billion, preferred equity of $510.0 million, noncontrolling interests of $187.5 million and debt of $1.4 billion.
- Fully diluted book value per ordinary share of $284.72, an increase of 1.3% since December 31, 2020.

***Consolidated Overview for the Three Months Ended March 31, 2021 and 2020***

Consolidated net earnings (loss) attributable to Enstar ordinary shareholders was $183.2 million for the three months ended March 31, 2021 compared to $(516.8) million for the same period in 2020, a favorable change of $700.0 million. The most significant drivers of the change in our financial performance included:

- Investments - segment income (loss) from our Investments segment was $156.3 million for the three months ended March 31, 2021 compared to $(500.8) million for the same period in 2020, a favorable change of $657.2 million. The favorable change was primarily driven by a reduction in net realized and unrealized losses on investments and an increase in earnings from equity method investments in 2021.
- Legacy Underwriting - segment income (loss) from our Legacy Underwriting segment was $1.4 million for the three months ended March 31, 2021 compared to $(69.4) million for the same period in 2020, a favorable change of $70.8 million. The favorable change was primarily driven by the decision to place StarStone International into run-off and the related subsequent transfer of StarStone International to the Run-off segment, as well as the sale of Atrium on January 1, 2021.
- Run-off - segment income from our Run-off segment was $33.5 million for the three months ended March 31, 2021 compared to $45.7 million for the same period in 2020, a decrease of $12.2 million. The decrease was primarily due to an insurance recovery on a defendant A&E claim in 2020.

Non-GAAP operating income (loss) attributable to Enstar ordinary shareholders, which excludes the impact of net realized and unrealized gains and losses on fixed maturity investments and other items, was $283.7 million for the three months ended March 31, 2021 compared to $(337.8) million for the same period in 2020, a favorable change of $621.5 million primarily attributable to the net realized and unrealized gains on other investments, including equities of $185.4 million during the three months ended March 31, 2021 compared to losses of $(351.5) million for the same period in 2020. Also contributing to the favorable change in non-GAAP operating income was an increase in earnings from equity method investments of $105.6 million in 2021. For a reconciliation of non-GAAP operating income attributable to Enstar ordinary shareholders to net earnings attributable to Enstar ordinary shareholders calculated in accordance with GAAP, see "Non-GAAP Financial Measure" above.

**Results of Operations by Segment - For the Three Months Ended March 31, 2021 and 2020**

Following the completion of our strategic transactions related to both Atrium and StarStone, our segment structure was revised effective January 1, 2021. For further information on these strategic transactions and our new segment structure, refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" and Note 21 - "Segment Information," respectively, to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

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

The below table provides our results by segment and for our corporate and other activities:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| | (in thousands of U.S. dollars) | | |
| Results by segment: | | | |
| Run-off | $ 33,496 | $ 45,677 | $ (12,181) |
| Investments | 156,343 | (500,833) | 657,176 |
| Legacy Underwriting | 1,432 | (69,369) | 70,801 |
| Corporate and other | (8,074) | 7,704 | (15,778) |
| Net earnings (loss) attributable to Enstar ordinary shareholders | $ 183,197 | $ (516,821) | $ 700,018 |

The following is a discussion of our results of operations by segment.

***Run-off Segment***

For a description of our Run-off segment, see Note 21 - "Segment Information" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. The following is a discussion and analysis of the results of operations for our Run-off segment.

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 | Change |
|---|---|---|---|
| INCOME | | | |
| Net premiums earned | $ 72,836 | $ 16,030 | $ 56,806 |
| Fees and commission income | 9,598 | 4,985 | 4,613 |
| Other income | 12,315 | 27,763 | (15,448) |
| | 94,749 | 48,778 | 45,971 |
| EXPENSES | | | |
| Net incurred losses and LAE | 4,625 | (27,193) | 31,818 |
| Acquisition costs | 29,037 | 6,907 | 22,130 |
| General and administrative expenses | 27,591 | 23,387 | 4,204 |
| | 61,253 | 3,101 | 58,152 |
| SEGMENT INCOME | $ 33,496 | $ 45,677 | $ (12,181) |
| | | | |
| Supplemental information: | | | |
| Reconciliation of reserve/claims savings to GAAP line items in the Run-off segment: | | | |
| Net incurred losses and LAE: | | | |
| Reduction in estimates of net ultimate losses - prior periods (A) | $ 25,367 | $ 27,563 | $ (2,196) |
| Increase in estimates of net ultimate losses - current period | (42,690) | (7,849) | (34,841) |
| Reduction in provisions for unallocated LAE | 12,698 | 7,479 | 5,219 |
| Net incurred losses and LAE | (4,625) | 27,193 | (31,818) |
| Other income: | | | |
| Reduction in estimates of net ultimate defendant A&E liabilities - prior periods (B) | 9,552 | 24,915 | (15,363) |
| Reduction in estimated future defendant A&E expenses | 2,763 | 2,028 | 735 |
| All other income | — | 820 | (820) |
| Other income | 12,315 | 27,763 | (15,448) |
| Reserve/claims savings: total reduction in net ultimate losses [(1)] = (A) + (B) | $ 34,919 | $ 52,478 | $ (17,559) |

[(1)] Non-GAAP financial measure. Refer to "Business Overview - Non-GAAP Financial Measures" for further details.

*Overall Results*

The Run-off segment consists of our acquired property and casualty and other non-life (re)insurance business and the StarStone International business (from January 1, 2021) following our decision to place it into run-off.

**Three Months Ended March 31, 2021 versus 2020:** Segment income from our Run-off segment was $33.5 million for the three months ended March 31, 2021 compared to $45.7 million for the same period in 2020, a decrease of $12.2 million. The decrease was primarily due to an insurance recovery on a defendant A&E claim in 2020.

*Net Premium Earned*

The following table shows the gross and net premiums written and earned for the Run-off segment.

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Gross premiums written | $ 22,183 | $ 327 | $ 21,856 |
| Ceded premiums written | (17,685) | 1,849 | (19,534) |
| Net premiums written | 4,498 | 2,176 | 2,322 |
| Gross premiums earned | $ 94,206 | $ 18,078 | 76,128 |
| Ceded premiums earned | (21,370) | (2,048) | (19,322) |
| Net premiums earned | $ 72,836 | $ 16,030 | 56,806 |

Since business in this segment is in run-off, our general expectation is for premiums associated with legacy business to decline in future periods. However, the actual amount in any particular year will be impacted by new transactions during the year and the run-off of unearned premiums from transactions completed in recent years. Premiums earned in this segment are generally offset by net incurred losses and LAE related to the premiums. Premiums earned may be higher than premiums written as we may acquire or assume unearned premium without the writing of gross premiums.

**Three Months Ended March 31, 2021 versus 2020:** Net premiums earned of $72.8 million in 2021 included $52.4 million of premiums from StarStone International whereas net premiums earned in 2020 were primarily related to the AmTrust RITC transactions assumed in 2019.

*Net Incurred Losses and LAE:*

The following table shows the components of net incurred losses and LAE for the Run-off segment.

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Prior Periods | Current Period | Total | Prior Periods | Current Period | Total |
| | (in thousands of U.S. dollars) | | | | | |
| Net losses paid | $ 327,354 | $ 3,275 | $ 330,629 | $ 257,726 | $ 1,240 | $ 258,966 |
| Net change in case and LAE reserves [(1)] | (117,156) | (2,207) | (119,363) | (176,252) | 1,672 | (174,580) |
| Net change in IBNR reserves [(2)] | (235,565) | 41,622 | (193,943) | (109,037) | 4,937 | (104,100) |
| Increase (reduction) in estimates of net ultimate losses | (25,367) | 42,690 | 17,323 | (27,563) | 7,849 | (19,714) |
| Increase (reduction) in provisions for unallocated LAE[(3)] | (14,169) | 1,471 | (12,698) | (7,479) | — | (7,479) |
| Net incurred losses and LAE | $ (39,536) | $ 44,161 | $ 4,625 | $ (35,042) | $ 7,849 | $ (27,193) |

[(1)] Comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims.

[(2)] Represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

[(3)] Represents the change in the estimate of the total future costs to administer the claims.

**Three Months Ended March 31, 2021:** Current period net incurred losses and LAE of $44.2 million related to current period net earned premium, primarily in respect of the run-off of StarStone International business which was transferred from the Legacy Underwriting segment on January 1, 2021. The reduction in estimates of net ultimate losses relating to prior periods of $25.4 million was driven primarily by continued favorable loss emergence relative to expectations in our Workers Compensation and General Liability lines of business as well as detailed claims reviews across a number of portfolios, including our Lloyd's syndicate. The combination of loss emergence experience and claims management has led to a favorable actual versus expected on those books of business.

**Three Months Ended March 31, 2020:** Current period net incurred losses and LAE of $7.8 million related to current period net earned premium, primarily in respect of the run-off of the AmTrust RITC transactions. The reduction in estimates of net ultimate losses of $27.6 million primarily related to favorable development in Professional Indemnity/Directors & Officers lines of businesses and favorable actual versus expected development in the Workers Compensation and Motor Liability lines of business.

*Other Items*

**Three Months Ended March 31, 2021 versus 2020:**

- Fees and commission income in our Run-off segment represents amounts earned under fronting and consulting arrangements with third parties. The increase of $4.6 million was driven by fees from service agreements with Core Specialty.
- Other income decreased by $15.4 million primarily due to an insurance recovery on a defendant A&E claim in 2020.
- Acquisition costs increased by $22.1 million primarily due to the transfer of StarStone International from the Legacy Underwriting segment on January 1, 2021.

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***Investments Segment***

For a description of our Investments segment, see Note 21 - "Segment Information" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. The following is a discussion and analysis of the results of operations for our Investments segment.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| INCOME | | | |
| Net investment income | $ 61,331 | $ 64,963 | $ (3,632) |
| Net realized and unrealized losses [1] | (19,479) | (574,682) | 555,203 |
| | 41,852 | (509,719) | 551,571 |
| EXPENSES | | | |
| General and administrative expenses | 3,540 | 3,564 | (24) |
| | 3,540 | 3,564 | (24) |
| EARNINGS (LOSS) BEFORE INTEREST EXPENSE, FOREIGN EXCHANGE AND INCOME TAXES | 38,312 | (513,283) | 551,595 |
| Earnings from equity method investments | 118,031 | 12,450 | 105,581 |
| SEGMENT INCOME (LOSS) | $ 156,343 | $ (500,833) | $ 657,176 |
| | | | |
| Supplemental information: | | | |
| Net investment income | $ 61,331 | $ 64,963 | $ (3,632) |
| Net realized and unrealized losses | (19,479) | (574,682) | 555,203 |
| Total investment return included in net earnings | $ 41,852 | $ (509,719) | $ 551,571 |

[1] Includes the impact of a deduction of $100.0 million from amounts due to affiliates of Hillhouse Capital from the InRe Fund, which had the effect of increasing our NAV in the InRe Fund on February 21, 2021.

*Overall Results*

**Three Months Ended March 31, 2021 versus 2020:** Segment income (loss) from our Investments segment was $156.3 million for the three months ended March 31, 2021 compared to $(500.8) million for the same period in 2020, a favorable change of $657.2 million primarily due to:

- A reduction in net realized and unrealized losses on investments of $555.2 million, driven primarily by gains on other investments, including equities in 2021 compared to losses in 2020. Refer to "Investments Results - Consolidated" below for further details and discussion; and
- An increase in earnings from equity method investments of $105.6 million driven primarily by our investments in Enhanzed Re and Monument Re, which are recorded on a one quarter lag.

***Legacy Underwriting Segment***

For a description of our Legacy Underwriting segment, see Note 21 - "Segment Information" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. The following is a discussion and analysis of the results of operations for our Legacy Underwriting segment.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| INCOME | | | |
| Net premiums earned | $ 20,040 | $ 143,321 | $ (123,281) |
| Fees and commission income | — | 2,543 | (2,543) |
| Net investment income | 758 | 9,751 | (8,993) |
| Net realized and unrealized losses | (1,309) | (54,379) | 53,070 |
| Other income (expense) | (6,518) | 120 | (6,638) |
| | 12,971 | 101,356 | (88,385) |
| EXPENSES | | | |
| Net incurred losses and LAE | 4,478 | 105,531 | (101,053) |
| Acquisition costs | 4,977 | 39,136 | (34,159) |
| General and administrative expenses | 2,084 | 26,058 | (23,974) |
| | 11,539 | 170,725 | (159,186) |
| SEGMENT INCOME (LOSS) | $ 1,432 | $ (69,369) | $ 70,801 |

*Overall Results*

Prior to January 1, 2021, the Legacy Underwriting segment comprised SGL No. 1's 25% net share of Atrium's Syndicate 609 and StarStone International (through December 31, 2020). From January 1, 2021, this segment comprises SGL No.1's 25% gross share of the 2020 and prior underwriting years of Atrium's Syndicate 609 at Lloyd's, offset by the contractual transfer of the results to the Atrium entities that were divested in the Exchange Transaction. There is no net retention for Enstar on Atrium's 2020 and prior underwriting years. Refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further information.

**Three Months Ended March 31, 2021 versus 2020:** Segment income (loss) from our Legacy Underwriting segment was $1.4 million for the three months ended March 31, 2021 compared to $(69.4) million for the same period in 2020, a favorable change of $70.8 million primarily driven by the decision to place StarStone International into run-off and the related subsequent transfer of StarStone International to the Run-off segment, as well as the sale of Atrium on January 1, 2021.

Investment results are separately discussed below in "Investments Results - Consolidated."

*Net Premiums Earned:*

The following table provides gross and net premiums written and earned by line of business for the Legacy Underwriting segment.

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Gross premiums written | $ 27,574 | $ 209,434 | $ (181,860) |
| Ceded premiums written | (16,107) | (57,151) | 41,044 |
| Net premiums written | 11,467 | 152,283 | (140,816) |
| Gross premiums earned | $ 48,059 | $ 177,043 | $ (128,984) |
| Ceded premiums earned | (28,019) | (33,722) | 5,703 |
| Net premiums earned | $ 20,040 | $ 143,321 | $ (123,281) |

**Three Months Ended March 31, 2021:** Gross premiums written of $27.6 million and net premiums earned of $20.0 million related to SGL No.1's 25% gross share of the 2020 and prior underwriting years of Atrium's Syndicate 609.

**Three Months Ended March 31, 2020:** Gross premiums written of $209.4 million and net premiums earned of $143.3 million related to StarStone International and SGL No. 1's 25% net share of Atrium's Syndicate 609.

*Net Incurred Losses and LAE:*

The following table shows the components of net incurred losses and LAE for the Legacy Underwriting segment.

| | Three Months Ended March 31, 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | $ 8,676 | $ 3,227 | $ 11,903 | $ 98,293 | $ 2,567 | $ 100,860 |
| Net change in case and LAE reserves [1] | (12,530) | 4,759 | (7,771) | (43,538) | 8,350 | (35,188) |
| Net change in IBNR reserves [2] | (1,350) | 2,139 | 789 | (56,789) | 96,038 | 39,249 |
| Increase (reduction) in estimates of net ultimate losses | (5,204) | 10,125 | 4,921 | (2,034) | 106,955 | 104,921 |
| Increase (reduction) in provisions for unallocated LAE [3] | (217) | (226) | (443) | (91) | 701 | 610 |
| Net incurred losses and LAE | $ (5,421) | $ 9,899 | $ 4,478 | $ (2,125) | $ 107,656 | $ 105,531 |

[1] Comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims.

[2] Represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

[3] Represents the change in the estimate of the total future costs to administer the claims.

**Three Months Ended March 31, 2021:**

Current period net incurred losses and LAE of $9.9 million related to current period net earned premium. The reduction in net incurred losses and LAE liabilities relating to prior periods was $5.4 million and was primarily attributable to a reduction in estimates of net ultimate losses of $5.2 million. Net incurred losses and LAE of $4.5 million for the three months ended March 31, 2021 related to SGL No.1's 25% gross share of the 2020 and prior underwriting years of Atrium's Syndicate 609.

**Three Months Ended March 31, 2020:**

Current period net incurred losses and LAE of $107.7 million related to current period net earned premium and included losses related to the COVID-19 pandemic of $33.2 million. Net incurred losses and LAE of $105.5 million for the three months ended March 31, 2020 related to StarStone International and SGL No. 1's 25% net share of Atrium's Syndicate 609.

*Other Items*

**Three Months Ended March 31, 2021 versus 2020:**

- The decrease in acquisition costs of $34.2 million and general and administrative expenses of $24.0 million was primarily driven by the decision to place StarStone International into run-off and the related subsequent transfer of StarStone International to the Run-off segment, as well as the sale of Atrium effective January 1, 2021.

***Corporate and Other***

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

The following is a discussion and analysis of our results of operations for our corporate and other activities.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| INCOME | | | |
| Other income (expense) [1] | $ (5,246) | $ (7,439) | $ 2,193 |
| Net gain on sale of subsidiaries | 14,894 | — | 14,894 |
| | 9,648 | (7,439) | 17,087 |
| EXPENSES | | | |
| Net incurred losses and LAE [2] | (64,610) | (35,038) | (29,572) |
| General and administrative expenses | 49,785 | 45,419 | 4,366 |
| | (14,825) | 10,381 | (25,206) |
| EARNINGS (LOSS) BEFORE INTEREST EXPENSE, FOREIGN EXCHANGE AND INCOME TAXES | 24,473 | (17,820) | 42,293 |
| Interest expense | (16,179) | (13,415) | (2,764) |
| Net foreign exchange gains (losses) | (2,634) | 11,939 | (14,573) |
| Income tax benefit | 5,982 | 5,272 | 710 |
| Net loss from discontinued operations, net of income taxes | — | (2,069) | 2,069 |
| Net (earnings) loss attributable to noncontrolling interest | (10,791) | 32,722 | (43,513) |
| Dividends on preferred shares | (8,925) | (8,925) | — |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ (8,074) | $ 7,704 | $ (15,778) |

[1] Includes the amortization of fair value adjustments associated with the acquisition of DCo and Morse TEC.

[2] Includes the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts and fair value adjustments associated with the acquisition of companies and the changes in the fair value of liabilities related to our assumed retroactive reinsurance agreements for which we have elected the fair value option.

*Overall Results*

**Three Months Ended March 31, 2021 versus 2020:**

Net earnings (loss) from our corporate and other activities was $(8.1) million for the three months ended March 31, 2021 compared to $7.7 million for the same period in 2020. The unfavorable change in net earnings (loss) of $15.8 million was primarily due to the unfavorable change in net (earnings) loss attributable to noncontrolling interest and net foreign exchange gains (losses), partially offset by the favorable change in net incurred losses and LAE and the net gain on sale of subsidiaries in 2021.

*Net Incurred Losses and LAE*

The following table shows the components of net incurred losses and LAE for corporate and other activities.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Amortization of deferred charges and gains [1] | $ 8,069 | $ 14,333 |
| Amortization of fair value adjustments [2] | 2,793 | 8,866 |
| Changes in fair value - fair value option [3] | (75,472) | (58,237) |
| Net incurred losses and LAE | $ (64,610) | $ (35,038) |

[1] Relates to the amortization of deferred charge assets and deferred gain liabilities on retroactive reinsurance contracts.

[2] Relates to the amortization of fair value adjustments associated with the acquisition of companies.

[3] Represents the changes in the fair value of liabilities related to our assumed retroactive reinsurance agreements for which we have elected the fair value option.

**Three Months Ended March 31, 2021 versus 2020:** The reduction in net incurred losses and LAE of $29.6 million was primarily driven by the change in the fair value of liabilities for which we have elected the fair value option due to higher increases in corporate bond yields in 2021.

*Other Items*

**Three Months Ended March 31, 2021 versus 2020:**

- The net gain on sale of subsidiaries of $14.9 million in 2021 was primarily driven by a gain on the sale of SUL of $23.1 million, partially offset by a loss on the sale of Atrium of $7.8 million as described in Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further information.
- Net foreign exchange gains (losses) were $(2.6) million compared to $11.9 million for the three months ended March 31, 2021 and 2020, respectively. The unfavorable change in net foreign exchange gains (losses) of $14.6 million was primarily the result of increased volatility in foreign exchange markets associated with the COVID-19 pandemic and the resulting impact on non-U.S. dollar denominated investments and technical balances in 2020.
- The unfavorable change in net earnings (loss) attributable to noncontrolling interest of $43.5 million was due to higher earnings in 2021 for those companies where there is a noncontrolling interest.

*Discontinued Operations (StarStone U.S.):*

**Three Months Ended March 31, 2020:** The sale of StarStone U.S. was completed on November 30, 2020. The StarStone U.S. business, included in discontinued operations, includes the results of intra-group reinsurance cessions which were non-renewed as of January 1, 2018. The effect of these intra-group reinsurance cessions on net earnings, net of income taxes for the StarStone U.S. business was as follows:

| | Three Months Ended March 31, 2020 |
|---|---|
| StarStone U.S. Group net earnings (loss) before Intra-Group Cessions | $ 9,324 |
| Intra-Group Cessions | (11,393) |
| StarStone U.S. net loss, net of income taxes | $ (2,069) |

**Investable Assets**

We define investable assets as the sum of total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held. Investments consist primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration, equities and other investments. Cash and cash equivalents and restricted cash and cash equivalents is comprised mainly of cash, high-grade fixed deposits, and other highly liquid instruments such as commercial paper with maturities of less than three months at the time of acquisition and money market funds. Funds held primarily consists of investment grade, liquid, fixed maturity securities of short-to-medium duration.

Investable assets were $18.2 billion as of March 31, 2021 as compared to $17.3 billion as of December 31, 2020, an increase of 5.5% primarily due to assets acquired in relation to the CNA and Liberty Mutual transactions.

A description of our investment strategies is included in "Item 1. Business - Investments" in our Annual Report on Form 10-K for the year ended December 31, 2020.

***Composition of Investable Assets***

We strive to structure our investment holdings and the duration of our investments in a manner that recognizes our liquidity needs, including our obligation to pay losses. We consider the duration characteristics of our liabilities in determining the extent to which we correlate with assets of comparable duration depending on our other investment strategies and to the extent practicable. If our liquidity needs or general liability profile change unexpectedly, we may adjust the structure of our investment portfolio to meet our revised expectations. Schedules of contractual maturities for our short-term and fixed maturity securities are included in Note 4 - "Investments" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

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The following tables summarize the composition of total investable assets by segment:

| | March 31, 2021 | | |
|---|---|---|---|
| | Investments | Legacy Underwriting | Total |
| | (in thousands of U.S. dollars) | | |
| Short-term investments, trading, at fair value | $ 10,279 | $ 1,665 | $ 11,944 |
| Short-term investments, AFS, at fair value | 89,637 | — | 89,637 |
| Fixed maturities, trading, at fair value | 4,154,002 | 156,956 | 4,310,958 |
| Fixed maturities, AFS, at fair value | 4,563,059 | 4,431 | 4,567,490 |
| Funds held - directly managed | 1,016,531 | — | 1,016,531 |
| Equities, at fair value | 1,098,568 | — | 1,098,568 |
| Other investments, at fair value | 4,509,113 | 9,933 | 4,519,046 |
| Equity method investments | 938,618 | — | 938,618 |
| Total investments | 16,379,807 | 172,985 | 16,552,792 |
| Cash and cash equivalents (including restricted cash) | 965,687 | 30,006 | 995,693 |
| Funds held by reinsured companies | 628,765 | 33,880 | 662,645 |
| Total investable assets | $ 17,974,259 | $ 236,871 | $ 18,211,130 |
| Duration (in years) (1) | 4.93 | 2.00 | 4.87 |
| Average credit rating (2) | A+ | AA- | A+ |

| | December 31, 2020 | | |
|---|---|---|---|
| | Investments | Legacy Underwriting | Total |
| | (in thousands of U.S. dollars) | | |
| Short-term investments, trading, at fair value | $ 5,129 | $ — | $ 5,129 |
| Short-term investments, AFS, at fair value | 263,795 | — | 263,795 |
| Fixed maturities, trading, at fair value | 4,145,956 | 448,936 | 4,594,892 |
| Fixed maturities, AFS, at fair value | 3,194,327 | 200,773 | 3,395,100 |
| Funds held - directly managed | 1,074,890 | — | 1,074,890 |
| Equities, at fair value | 773,744 | 73,051 | 846,795 |
| Other investments, at fair value | 4,146,271 | 97,763 | 4,244,034 |
| Equity method investments | 597,295 | 235,000 | 832,295 |
| Total investments | 14,201,407 | 1,055,523 | 15,256,930 |
| Cash and cash equivalents (including restricted cash) | 1,112,273 | 260,843 | 1,373,116 |
| Funds held by reinsured companies | 553,973 | 81,846 | 635,819 |
| Total investable assets | $ 15,867,653 | $ 1,398,212 | $ 17,265,865 |
| Duration (in years) (1) | 5.09 | 1.96 | 4.82 |
| Average credit rating (2) | A+ | AA- | A+ |

(1) The duration calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at March 31, 2021 and December 31, 2020.

(2) The average credit ratings calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at March 31, 2021 and December 31, 2020.

As of both March 31, 2021 and December 31, 2020, our investment portfolio, including funds held - directly managed, had an average credit quality rating of A+. As of March 31, 2021 and December 31, 2020, our fixed maturity investments (classified as trading and AFS and our fixed maturity investments included within funds held - directly managed) that were non-investment grade (i.e. rated lower than BBB- and non-rated securities) comprised 3.7% of our total fixed maturity investment portfolio as of both dates. A detailed schedule of average credit ratings by asset class as of March 31, 2021 is included in Note 4 - "Investments" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

### *Composition of Investment Portfolio By Asset Class*

The following tables summarize the composition of our investment portfolio by asset class:

| | March 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AAA Rated | AA Rated | A Rated | BBB Rated | Non-investment Grade | Not Rated | Total | % |
| | (in thousands of U.S. dollars, except percentages) | | | | | | | |
| **Fixed maturity and short-term investments, trading and AFS and funds held - directly managed** | | | | | | | | |
| U.S. government & agency | $ 784,545 | $ — | $ — | $ — | $ — | $ — | $ 784,545 | 4.7 % |
| U.K. government | — | 35,567 | 7,230 | — | — | — | 42,797 | 0.3 % |
| Other government | 260,548 | 173,669 | 46,179 | 51,088 | 4,963 | — | 536,447 | 3.3 % |
| Corporate | 166,957 | 606,856 | 2,841,483 | 2,129,144 | 286,072 | 12,618 | 6,043,130 | 36.5 % |
| Municipal | 9,643 | 109,188 | 67,308 | 20,438 | — | 94 | 206,671 | 1.2 % |
| Residential mortgage-backed | 605,835 | 6,212 | 2,194 | 1,991 | 2,438 | 1,899 | 620,569 | 3.7 % |
| Commercial mortgage-backed | 698,161 | 132,766 | 74,577 | 65,143 | 3,627 | 4,468 | 978,742 | 5.9 % |
| Asset-backed | 336,571 | 168,969 | 136,848 | 84,113 | 25,080 | 26,071 | 777,652 | 4.7 % |
| Total | 2,862,260 | 1,233,227 | 3,175,819 | 2,351,917 | 322,180 | 45,150 | 9,990,553 | 60.3 % |
| Other assets included within funds held - directly managed | | | | | | | 6,007 | — % |
| **Equities** | | | | | | | | |
| Publicly traded equities | | | | | | | 263,122 | 1.6 % |
| Exchange-traded funds | | | | | | | 505,042 | 3.1 % |
| Privately held equities | | | | | | | 330,404 | 2.0 % |
| Total | | | | | | | 1,098,568 | 6.7 % |
| **Other investments** | | | | | | | | |
| Hedge funds | | | | | | | 2,915,114 | 17.6 % |
| Fixed income funds | | | | | | | 581,696 | 3.5 % |
| Equity funds | | | | | | | 5,305 | — % |
| Private equity funds | | | | | | | 442,602 | 2.7 % |
| CLO equities | | | | | | | 134,984 | 0.8 % |
| CLO equity funds | | | | | | | 178,150 | 1.1 % |
| Private credit funds | | | | | | | 240,202 | 1.5 % |
| Other | | | | | | | 20,993 | 0.1 % |
| Total | | | | | | | 4,519,046 | 27.3 % |
| **Equity method investments** | | | | | | | 938,618 | 5.7 % |
| **Total investments** | **$ 2,862,260** | **$ 1,233,227** | **$ 3,175,819** | **$ 2,351,917** | **$ 322,180** | **$ 45,150** | **$ 16,552,792** | **100.0 %** |

| | December 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | AAA Rated | AA Rated | A Rated | BBB Rated | Non-investment Grade | Not Rated | Total | % |
| | (in thousands of U.S. dollars, except percentages) | | | | | | | |
| **Fixed maturity and short-term investments, trading and AFS and funds held - directly managed** | | | | | | | | |
| U.S. government & agency | $ 951,048 | $ — | $ — | $ — | $ — | $ — | $ 951,048 | 6.2 % |
| U.K. government | — | 43,199 | 7,883 | — | — | — | 51,082 | 0.3 % |
| Other government | 244,041 | 159,095 | 42,337 | 51,413 | 5,267 | — | 502,153 | 3.3 % |
| Corporate | 172,718 | 607,796 | 2,646,602 | 1,960,971 | 287,363 | 11,282 | 5,686,732 | 37.3 % |
| Municipal | 8,270 | 78,585 | 55,631 | 20,183 | — | — | 162,669 | 1.1 % |
| Residential mortgage-backed | 544,545 | — | 2,195 | 2,615 | 2,472 | 2,118 | 553,945 | 3.6 % |
| Commercial mortgage-backed | 591,396 | 115,114 | 74,615 | 61,730 | 3,961 | 7,274 | 854,090 | 5.6 % |
| Asset-backed | 239,733 | 84,058 | 119,757 | 89,898 | 24,014 | — | 557,460 | 3.7 % |
| Total | 2,751,751 | 1,087,847 | 2,949,020 | 2,186,810 | 323,077 | 20,674 | 9,319,179 | 61.1 % |
| Other assets included within funds held - directly managed | | | | | | | 14,627 | 0.1 % |
| **Equities** | | | | | | | | |
| Publicly traded equities | | | | | | | 260,767 | 1.7 % |
| Exchange-traded funds | | | | | | | 311,287 | 2.0 % |
| Privately held equities | | | | | | | 274,741 | 1.8 % |
| Total | | | | | | | 846,795 | 5.5 % |
| **Other investments** | | | | | | | | |
| Hedge funds | | | | | | | 2,638,339 | 17.3 % |
| Fixed income funds | | | | | | | 552,541 | 3.6 % |
| Equity funds | | | | | | | 190,767 | 1.3 % |
| Private equity funds | | | | | | | 363,103 | 2.4 % |
| CLO equities | | | | | | | 128,083 | 0.8 % |
| CLO equity funds | | | | | | | 166,523 | 1.1 % |
| Private credit funds | | | | | | | 192,319 | 1.3 % |
| Other | | | | | | | 12,359 | 0.1 % |
| Total | | | | | | | 4,244,034 | 27.9 % |
| **Equity method investments** | | | | | | | 832,295 | 5.4 % |
| **Total investments** | **$ 2,751,751** | **$ 1,087,847** | **$ 2,949,020** | **$ 2,186,810** | **$ 323,077** | **$ 20,674** | **$ 15,256,930** | **100.0 %** |

A description of our investment valuation processes is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2020 and Note 10 - "Fair Value Measurements" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

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The amortized cost, gross unrealized gains and losses and the fair value of our short-term investments and fixed maturity investments were as follows:

| | | | Gross Unrealized Losses | | |
|---|---|---|---|---|---|
| As of March 31, 2021 | Amortized Cost | Gross Unrealized Gains | Non-Credit Related Losses | Allowance for Credit Losses | Fair Value |
| U.S. government and agency | $ 784,636 | $ 8,345 | $ (8,436) | $ — | $ 784,545 |
| U.K. government | 40,668 | 2,453 | (324) | — | 42,797 |
| Other government | 516,283 | 25,238 | (5,006) | (68) | 536,447 |
| Corporate | 5,858,328 | 264,622 | (67,614) | (12,206) | 6,043,130 |
| Municipal | 197,008 | 11,505 | (1,842) | — | 206,671 |
| Residential mortgage-backed | 617,633 | 7,665 | (4,729) | — | 620,569 |
| Commercial mortgage-backed | 965,020 | 27,164 | (13,178) | (264) | 978,742 |
| Asset-backed | 782,527 | 3,214 | (8,089) | — | 777,652 |
| | $ 9,762,103 | $ 350,206 | $ (109,218) | $ (12,538) | $ 9,990,553 |

| | | | Gross Unrealized Losses | | |
|---|---|---|---|---|---|
| As of December 31, 2020 | Amortized Cost | Gross Unrealized Gains | Non-Credit Related Losses | Allowance for Credit Losses | Fair Value |
| U.S. government and agency | $ 935,014 | $ 17,148 | $ (1,114) | $ — | $ 951,048 |
| U.K. government | 46,988 | 4,094 | — | — | 51,082 |
| Other government | 463,765 | 38,460 | (72) | — | 502,153 |
| Corporate | 5,226,238 | 463,459 | (2,784) | (181) | 5,686,732 |
| Municipal | 145,469 | 17,210 | (10) | — | 162,669 |
| Residential mortgage-backed | 545,628 | 9,640 | (1,323) | — | 553,945 |
| Commercial mortgage-backed | 828,155 | 37,318 | (11,250) | (133) | 854,090 |
| Asset-backed | 567,638 | 3,682 | (13,852) | (8) | 557,460 |
| | $ 8,758,895 | $ 591,011 | $ (30,405) | $ (322) | $ 9,319,179 |

We have historically accounted for our fixed income securities as a "trading," portfolio, whereby unrealized gains are reflected in earnings. However, from October 1, 2019, we have elected to use AFS accounting and, as trading fixed income securities mature or are disposed, to the extent the proceeds are reinvested in fixed income securities, the investments will be classified as AFS securities for the Investments segment and the StarStone International portfolio.[3] The difference in the treatment of the fixed income securities is that unrealized changes on investments classified as trading are recorded through earnings, whereas unrealized changes on investments classified as AFS are recorded directly to shareholders' equity as a component of other comprehensive income. We may experience unrealized losses on our fixed maturity investments, depending on investment conditions and general economic conditions. Unrealized amounts would only become realized in the event of a sale of the specific securities prior to maturity, allowances for credit losses or a credit default. For further information on the sensitivity of our portfolio to changes in interest rates, refer to the Interest Rate Risk section within "Item 3. Quantitative and Qualitative Disclosures About Market Risk", included within this Quarterly Report on Form 10-Q.

[3] The investment results of StarStone International were included in the Legacy Underwriting segment prior to January 1, 2021 and the Investments segment from January 1, 2021. Refer to Note 3 - "Divestitures, Held-for-Sale Businesses and Discontinued Operations" and Note 21 - "Segment Information," respectively, to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further information.

The following table summarizes the composition of our top ten corporate issuers included within our short-term investments and fixed maturity investments, classified as trading and AFS and the fixed maturity investments included within our funds held - directly managed balance as of March 31, 2021:

| | Fair Value | Average Credit Rating |
|---|---|---|
| | (in thousands of U.S. dollars) | |
| Bank of America Corp | $ 123,173 | A |
| Morgan Stanley | 112,016 | A |
| Citigroup Inc | 108,244 | A- |
| JPMorgan Chase & Co. | 99,007 | A |
| Comcast Corp | 90,170 | A- |
| Wells Fargo & Co | 80,567 | A |
| Apple Inc | 74,695 | AA+ |
| HSBC Holdings PLC | 58,273 | A |
| AT&T Inc | 57,057 | BBB |
| BNP Paribas SA | 53,007 | A- |
| | $ 856,209 | |

***Investment Results - Consolidated***

Comparability of our investment results between periods is impacted by our significant new business as described in Note 2 - "Significant New Business" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

The following tables summarize our consolidated investment results.

| | Three Months Ended March 31, 2021 | | |
|---|---|---|---|
| | Investments | Legacy Underwriting | Total |
| Net investment income: | | | |
| Fixed income securities [1] | $ 51,494 | $ 706 | $ 52,200 |
| Cash and restricted cash | (259) | 171 | (88) |
| Other investments, including equities | 13,592 | — | 13,592 |
| Less: Investment expenses | (3,496) | (119) | (3,615) |
| **Total net investment income** | **$ 61,331** | **$ 758** | **$ 62,089** |
| Net realized gains (losses): | | | |
| Fixed income securities [1] | $ 7,051 | $ (121) | $ 6,930 |
| Other investments, including equities | (791) | — | (791) |
| **Total net realized gains (losses)** | **$ 6,260** | **$ (121)** | **$ 6,139** |
| Net unrealized gains (losses): | | | |
| Fixed income securities, trading [1] | $ (211,799) | $ (1,314) | $ (213,113) |
| Other investments, including equities | 186,060 | 126 | 186,186 |
| **Total net unrealized losses** | **$ (25,739)** | **$ (1,188)** | **$ (26,927)** |
| **Total investment return included in earnings (A)** | **$ 41,852** | **$ (551)** | **$ 41,301** |
| Other comprehensive income (loss): | | | |
| Unrealized losses, on fixed income securities, AFS, net of reclassification adjustments excluding foreign exchange (B) [1] | $ (105,421) | $ (37) | $ (105,458) |
| **Total investment return = (A) + (B)** | **$ (63,569)** | **$ (588)** | **$ (64,157)** |
| Annualized income from fixed income assets [2] | $ 204,940 | $ 3,508 | $ 208,448 |
| Average aggregate fixed income assets, at cost [2][3] | 10,959,707 | 225,419 | 11,185,126 |
| **Annualized investment book yield** | 1.87 % | 1.56 % | 1.86 % |
| Average aggregate invested assets, at fair value [3] | $ 16,736,925 | $ 240,300 | $ 16,977,225 |
| Investment return included in net earnings | 0.25 % | (0.23)% | 0.24 % |
| **Total investment return** | (0.38)% | (0.24)% | (0.38)% |

(1) Fixed income securities includes both trading and AFS short-term and fixed maturity investments as well as funds held - directly managed whereas, fixed income securities, trading excludes AFS investments and fixed income, AFS excludes trading investments.

(2) Fixed income assets includes fixed income securities and cash and restricted cash.

(3) These amounts are an average of the amounts disclosed in our quarterly U.S. GAAP consolidated financial statements.

| | Three Months Ended March 31, 2020 | | |
|---|---|---|---|
| | Investments | Legacy Underwriting | Total |
| Net investment income: | | | |
| Fixed income securities (1) | $ 56,136 | $ 6,867 | $ 63,003 |
| Cash and restricted cash | 1,381 | 769 | 2,150 |
| Other investments, including equities | 11,264 | 2,792 | 14,056 |
| Less: Investment expenses | (3,818) | (677) | (4,495) |
| **Total net investment income** | **$ 64,963** | **$ 9,751** | **$ 74,714** |
| Net realized gains (losses): | | | |
| Fixed income securities (1) | $ 3,270 | $ 948 | $ 4,218 |
| Other investments, including equities | (1,197) | 190 | (1,007) |
| **Total net realized gains** | **$ 2,073** | **$ 1,138** | **$ 3,211** |
| Net unrealized losses: | | | |
| Fixed income securities, trading (1) | $ (241,550) | $ (40,229) | $ (281,779) |
| Other investments, including equities | (335,205) | (15,288) | (350,493) |
| **Total net unrealized losses** | **$ (576,755)** | **$ (55,517)** | **$ (632,272)** |
| **Total investment return included in earnings (A)** | **$ (509,719)** | **$ (44,628)** | **$ (554,347)** |
| Other comprehensive income (loss): | | | |
| Unrealized losses, on fixed income securities, AFS, net of reclassification adjustments excluding foreign exchange (B) (1) | $ (39,934) | $ (9,703) | $ (49,637) |
| **Total investment return = (A) + (B)** | **$ (549,653)** | **$ (54,331)** | **$ (603,984)** |
| Annualized income from fixed income assets (2) | $ 230,068 | $ 30,544 | $ 260,612 |
| Average aggregate fixed income assets, at cost (2)(3) | 8,968,167 | 1,285,495 | 10,253,662 |
| **Annualized investment book yield** | 2.57 % | 2.38 % | 2.54 % |
| Average aggregate invested assets, at fair value (3) | $ 11,903,312 | $ 1,517,575 | $ 13,420,887 |
| Investment return included in net earnings | (4.28)% | (2.94)% | (4.13)% |
| **Total investment return** | (4.62)% | (3.58)% | (4.50)% |

(1) Fixed income securities Includes both trading and AFS short-term and fixed maturity investments as well as funds held - directly managed whereas, fixed income securities, trading excludes AFS investments and fixed income, AFS excludes trading investments.

(2) Fixed income assets includes fixed income securities and cash and restricted cash.

(3) These amounts are an average of the amounts disclosed in our quarterly U.S. GAAP consolidated financial statements.

*Net Investment Income*

**Three Months Ended March 31, 2021 versus 2020:** Net investment income decreased by $12.6 million for 2021 compared to 2020 primarily due to a $10.8 million decrease in net investment income from fixed maturities. There was an increase of $931.5 million in our average aggregate fixed maturities and cash and cash equivalents primarily due to the CNA and Liberty mutual transactions in 2021 and Hannover Re, Munich Re, Aspen and AXA Group transactions in 2020. The annualized book yield decreased 68 basis points, primarily due to reinvestment of fixed maturities at lower yields, and due to time required to invest new premium.

*Net Realized and Unrealized Gains (Losses):*

**Three Months Ended March 31, 2021 versus 2020:** Net realized and unrealized losses were $20.8 million for the three months ended March 31, 2021 compared to $629.1 million for the three months ended March 31, 2020, a change of $608.3 million. Included in net realized and unrealized losses are the following items:

- Net realized and unrealized losses on fixed income securities, including fixed income securities within our funds held portfolios, of $206.2 million for the three months ended March 31, 2021, compared to $277.6 million for the three months ended March 31, 2020, a change of $71.4 million. The losses in 2021 were primarily due to a continued rise in interest rates partially offset by tighter credit spreads, whereas the losses in 2020 were primarily attributable to a decrease in the valuation of our fixed maturity investments due to a widening in investment grade and high yield credit spreads, which was partially offset by declining interest rates due to the disruption in global financial markets associated with the COVID-19 pandemic;

- Net realized and unrealized gains on other investments, including equities of $185.4 million for the three months ended March 31, 2021 compared to losses of $351.5 million for the three months ended March 31, 2020, a change of $536.9 million. The unrealized gains for the three months ended March 31, 2021 were driven by strong performance in our equities and equity funds, private equity funds, private credit funds, fixed income funds, CLO equity and CLO equity funds. The unrealized losses for the three months ended March 31, 2020 primarily comprised unrealized losses in our equities, equity funds, hedge funds, fixed income funds, CLO equities and CLO equity funds due to the disruption in global financial markets associated with the COVID-19 pandemic.

## Liquidity and Capital Resources

### *Overview*

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

Our capital resources as of March 31, 2021 included ordinary shareholders' equity of $6.3 billion, preferred equity of $510.0 million, redeemable noncontrolling interest of $174.8 million, and debt obligations of $1.4 billion. Based on our current loss reserves position, our portfolios of in-force (re)insurance business, and our investment positions, we believe we are well capitalized.

The following table details our capital position:

| | March 31, 2021 | December 31, 2020 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Ordinary shareholders' equity | $ 6,250,776 | $ 6,164,395 | $ 86,381 |
| Series D and E Preferred Shares | 510,000 | 510,000 | — |
| Total Enstar Shareholders' Equity (A) | 6,760,776 | 6,674,395 | 86,381 |
| Noncontrolling interest | 12,655 | 13,609 | (954) |
| Total Shareholders' Equity (B) | 6,773,431 | 6,688,004 | 85,427 |
| Senior Notes | 843,637 | 843,447 | 190 |
| Junior Subordinated Notes | 344,878 | 344,812 | 66 |
| Revolving credit facility | 175,000 | 185,000 | (10,000) |
| Total debt (C) | 1,363,515 | 1,373,259 | (9,744) |
| Redeemable noncontrolling interest (D) | 174,803 | 365,436 | (190,633) |
| Total capitalization = (B) + (C) + (D) | $ 8,311,749 | $ 8,426,699 | $ (114,950) |
| Total capitalization attributable to Enstar = (A) + (C) | $ 8,124,291 | $ 8,047,654 | $ 76,637 |
| Debt to total capitalization | 16.4 % | 16.3 % | 0.1 % |
| Debt and Series D and E Preferred Shares to total capitalization | 22.5 % | 22.3 % | 0.2 % |
| Debt to total capitalization attributable to Enstar | 16.8 % | 17.1 % | (0.3)% |
| Debt and Series D and E Preferred Shares to total capitalization attributable to Enstar | 23.1 % | 23.4 % | (0.3)% |

As of March 31, 2021, we had $562.3 million of cash and cash equivalents, excluding restricted cash that supports (re)insurance operations, and included in this amount was $434.2 million held by our foreign subsidiaries outside of Bermuda. Based on our group's current corporate structure with a Bermuda domiciled parent company and the jurisdictions in which we operate, if the cash and cash equivalents held by our foreign subsidiaries were to be distributed to us, as dividends or otherwise, such amounts would not be subject to incremental income taxes; however, in certain circumstances withholding taxes may be imposed by some jurisdictions, including by the United States. Based on existing tax laws, regulations and our current intentions, there were no accruals as of March 31, 2021 for any material withholding taxes on dividends or other distributions, as described in Note 18 - "Income Taxation" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Dividends***

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

On June 28, 2018, we issued 16,000 Series D Preferred Shares with an aggregate liquidation value of $400.0 million. On November 21, 2018, we issued 4,400 Series E Preferred Shares with an aggregate liquidation value of $110.0 million. The dividends on the Series D and E Preferred Shares are non-cumulative and may be paid quarterly in arrears on the first day of March, June, September and December of each year, only when, as and if declared. For further information on preferred share dividends, refer to Note 15 - "Shareholders' Equity" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

Any payment of common or preferred dividends must be approved by our Board of Directors. Our ability to pay ordinary and preferred dividends is subject to certain restrictions, as described in Note 22 - "Dividend Restrictions and Statutory Financial Information" in the notes to our consolidated financial statements included within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020.

***Sources and Uses of Cash***

*Holding Company Liquidity*

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

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

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

As we are a holding company and have no substantial operations of our own, our assets consist primarily of investments in subsidiaries and our loans and advances to subsidiaries. Dividends from our (re)insurance subsidiaries are restricted by (re)insurance laws and regulations, as described below. The ability of our subsidiaries to make distributions and transfers to us may also be restricted by, among other things, other applicable laws and regulations and the terms of our credit facilities and our subsidiaries' bank loans and other issued debt instruments.

*U.S. Finance Company Liquidity*

Enstar Finance LLC ("Enstar Finance") is a wholly-owned finance subsidiary and is dependent upon funds from other subsidiaries to pay any amounts due under the Junior Subordinated Notes. In addition, as noted above, we are a holding company that conducts substantially all of our operations through our subsidiaries. Our only significant assets are the capital stock of our subsidiaries. Because substantially all of our operations are conducted through our (re)insurance subsidiaries, substantially all of our consolidated assets are held by our subsidiaries and most of our cash flow, and, consequently, our ability to pay any amounts due under the guaranty of the Junior Subordinated Notes, is dependent upon the earnings of our subsidiaries and the transfer of funds by those subsidiaries to us in the form of distributions or loans.

In addition, the ability of our (re)insurance subsidiaries to make distributions or other transfers to Enstar Finance or us is limited by applicable insurance laws and regulations, as described below. These laws and regulations and the determinations by the regulators implementing them may significantly restrict such distributions and transfers, and, as a result, adversely affect the overall liquidity of Enstar Finance or us. The ability of all of our subsidiaries to make distributions and transfers to Enstar Finance and us may also be restricted by, among other things, other applicable laws and regulations and the terms of our credit facilities and our subsidiaries’ bank loans and other issued debt instruments.

*Operating Company Liquidity*

The ability of our (re)insurance subsidiaries to pay dividends and make other distributions is limited by the applicable laws and regulations of the jurisdictions in which our (re)insurance subsidiaries operate, including Bermuda, the United Kingdom, the United States, Australia and Continental Europe, which subject these subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, certain of our (re)insurance subsidiaries to maintain minimum capital requirements and limit the amount of dividends and other payments that these subsidiaries can pay to us, which in turn may limit our ability to pay dividends and make other payments. For more information on these laws and regulations, see "Item 1. Business - Regulation" in our Annual Report on Form 10-K for the year ended December 31, 2020. As of March 31, 2021, all of our (re)insurance subsidiaries’ capital resources levels were in excess of the minimum levels required. The ability of our subsidiaries to pay dividends is subject to certain restrictions, as described in Note 22 - "Dividend Restrictions and Statutory Financial Information" in the notes to our consolidated financial statements included within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020. Our subsidiaries' ability to pay dividends and make other forms of distributions may also be limited by our repayment obligations under certain of our outstanding credit facility agreements and other debt instruments. Variability in ultimate loss payments may also result in increased liquidity requirements for our subsidiaries.

Sources of funds primarily consist of cash and investment portfolios acquired on the completion of acquisitions and loss portfolio transfer reinsurance agreements. Cash balances acquired upon our purchase of (re)insurance companies are classified as cash provided by investing activities. Cash acquired from loss portfolio transfers and other reinsurance agreements is classified as cash provided by operating activities. We expect to use funds acquired from cash and investment portfolios, collected premiums, collections from reinsurance debtors, fees and commission income, investment income and proceeds from sales and redemptions of investments to meet expected claims payments and operational expenses, with the remainder used for acquisitions and additional investments. We generally expect negative operating cash flows to be met by positive investing cash flows; however, cash provided by operating activities was positive for the three months ended March 31, 2021 and 2020 as the cash acquired from loss portfolio transfers and other reinsurance agreements exceeded cash used in the purchase of trading securities, with the net proceeds being used in the purchase of AFS securities and other investments included within investing cash flows.

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

*Cash Flows*

The following table summarizes our consolidated cash flows provided by (used in) operating, investing and financing activities:

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Cash provided by (used in): | | | |
| Operating activities | $ 808,860 | $ 106,060 | $ 702,800 |
| Investing activities | (1,387,346) | (327,079) | (1,060,267) |
| Financing activities | (23,150) | 328,549 | (351,699) |
| Net cash flows from discontinued operations | — | (9,048) | 9,048 |
| Effect of exchange rate changes on cash | 1,013 | 6,717 | (5,704) |
| Net increase (decrease) in cash and cash equivalents | (600,623) | 105,199 | (705,822) |
| Cash and cash equivalents, beginning of period | 1,373,116 | 971,349 | 401,767 |
| Net change in cash of businesses held-for-sale | 223,200 | 9,048 | 214,152 |
| Cash and cash equivalents, end of period | $ 995,693 | $ 1,085,596 | $ (89,903) |

Details of our consolidated cash flows are included in "Item 1. Financial Statements - Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020."

Three Months Ended March 31, 2021 versus 2020: Cash and cash equivalents decreased by $600.6 million during the three months ended March 31, 2021 compared to an increase of $105.2 million during the three months ended March 31, 2020.

For the three months ended March 31, 2021, cash and cash equivalents decreased by $600.6 million, as cash used in investing and financing activities of $1.4 billion and $23.2 million, respectively, was partially offset by cash provided by operating activities of $808.9 million. Cash provided by operations was predominantly driven by: (i) cash and restricted cash acquired in Run-off reinsurance transactions of $984.6 million; partially offset by (ii) the cash outflows from net sales and maturities of trading securities of $19.0 million and (iii) the timing of paid losses. Cash used in financing activities for the three months ended March 31, 2021 was attributable to net loan repayments of $10.0 million, share repurchases and preferred share dividends. Cash used in investing activities for the three months ended March 31, 2021 primarily related to net purchases of AFS securities of $1.0 billion and the sale of subsidiaries, net of cash sold, of $232.3 million. Change in cash of businesses held-for-sale is due to the disposal of Northshore.

For the three months ended March 31, 2020, cash and cash equivalents increased by $105.2 million, as cash provided by operating and financing activities of $106.1 million and $328.5 million, respectively, was partially offset by cash used in investing activities of $327.1 million. Cash provided by operations was largely a result of the timing of paid losses and net sales and maturities of trading securities. Cash provided by financing activities for the three months ended March 31, 2020 was primarily attributable to net inflows of $350.0 million from loan obligations, partially offset by share repurchases and preferred share dividends. Cash used in investing activities for the three months ended March 31, 2020 was primarily related to net subscriptions of other investments of $74.3 million and net purchases of AFS securities of $252.7 million.

***Investable Assets***

We define investable assets as the sum of total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held. Investable assets were $18.2 billion as of March 31, 2021 as compared to $17.3 billion as of December 31, 2020, an increase of 5.5%. The increase was primarily due to assets acquired in relation to the CNA and Liberty Mutual transactions. For further information regarding our investment strategy and our portfolio and results, refer to "Item 1. Business - Investments" in our Annual Report on Form 10-K for the year ended December 31, 2020 and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Investable Assets" above, respectively.

***Reinsurance Balances Recoverable on Paid and Unpaid Losses***

As of March 31, 2021 and December 31, 2020, we had reinsurance balances recoverable on paid and unpaid losses of $2.1 billion as of both dates.

Our (re)insurance run-off subsidiaries and assumed portfolios, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of (re)insurance assumed. On an annual basis, StarStone International, included within the Run-off segment from January 1, 2021, purchased a tailored outwards reinsurance program designed to manage its risk profile. The majority of StarStone International's third-party reinsurance is with highly rated reinsurers or is collateralized by pledged assets or 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.

For further information regarding our reinsurance balances recoverable on paid and unpaid losses, refer to Note 6 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Debt Obligations***

We utilize debt financing and loan facilities primarily for funding acquisitions and significant new business, investment activities and, from time to time, for general corporate purposes. Our debt obligations were as follows:

| Facility | Origination Date | Term | March 31, 2021 | December 31, 2020 |
|---|---|---|---|---|
| 4.50% Senior Notes due 2022 | March 10, 2017 | 5 years | $ 349,393 | $ 349,253 |
| 4.95% Senior Notes due 2029 | May 28, 2019 | 10 years | 494,244 | 494,194 |
| Total Senior Notes | | | 843,637 | 843,447 |
| 5.75% Junior Subordinated Notes due 2040 | August 26, 2020 | 20 years | 344,878 | 344,812 |
| EGL Revolving Credit Facility | August 16, 2018 | 5 years | 175,000 | 185,000 |
| Total debt obligations | | | $ 1,363,515 | $ 1,373,259 |

For further information regarding our debt arrangements, including letters of credit, refer to Note 13 - "Debt Obligations and Credit Facilities" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

*Credit Ratings*

The following table presents our credit ratings as of May 7, 2021:

| Credit ratings [1] | Standard and Poor’s | Fitch Ratings |
|---|---|---|
| Long-term issuer | BBB (Outlook: Stable) | BBB (Outlook: Stable) |
| Senior notes | BBB | BBB- |
| Junior subordinated notes | BB+ | BB+ |
| Series D preferred shares | BB+ | BB+ |
| Series E preferred shares | BB+ | BB+ |

[1] Credit ratings are provided by third parties, 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.

Agency ratings are not a recommendation to buy, sell or hold any of our securities and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating. For information on risks related to our credit ratings, refer to "Item 1A. Risk Factors - Risks Relating to Liquidity and Capital Resources" and "Item 1A. Risk Factors - Risks Relating to Ownership of our Shares" in our Annual Report on Form 10-K for the year ended December 31, 2020.

***Contractual Obligations***

The following table summarizes, as of March 31, 2021, our future payments under material contractual obligations and estimated payments for losses and LAE for the Run-off segment by expected payment date. The table includes only obligations that are expected to be settled in cash.

| | Total | Less than 1 Year | 1 - 3 years | 3 - 5 years | 6 - 10 years | More than 10 Years |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | |
| **Operating Activities** | | | | | | |
| Estimated gross reserves for losses and LAE for the Run-off segment [(1)] | | | | | | |
| Asbestos | $ 1,755.6 | $ 143.5 | $ 259.1 | $ 213.7 | $ 333.1 | $ 806.2 |
| Environmental | 297.8 | 33.5 | 57.6 | 43.8 | 59.7 | 103.2 |
| General Casualty | 1,799.2 | 239.3 | 351.3 | 444.5 | 643.8 | 120.3 |
| Workers' compensation/personal accident | 2,716.0 | 223.1 | 417.4 | 420.6 | 549.2 | 1,105.7 |
| Marine, aviation and transit | 331.4 | 69.9 | 86.6 | 51.8 | 64.1 | 59.0 |
| Construction defect | 163.6 | 32.3 | 57.5 | 38.5 | 26.9 | 8.4 |
| Professional indemnity/ Directors & Officers | 1,060.7 | 178.9 | 250.9 | 247.3 | 315.6 | 68.0 |
| Motor | 895.1 | 309.1 | 255.5 | 88.4 | 87.9 | 154.2 |
| Property | 148.6 | 52.9 | 44.4 | 21.1 | 18.4 | 11.8 |
| Other | 619.6 | 163.9 | 156.5 | 93.9 | 89.2 | 116.1 |
| StarStone International (Non-U.S.) | 1,266.6 | 425.4 | 446.5 | 206.0 | 151.1 | 37.6 |
| Total outstanding losses and IBNR | 11,054.2 | 1,871.8 | 2,383.3 | 1,869.6 | 2,339.0 | 2,590.5 |
| ULAE | 413.2 | 70.2 | 92.8 | 65.0 | 80.3 | 104.9 |
| Estimated gross reserves for losses and LAE for the Run-off segment [(1)] | 11,467.4 | 1,942.0 | 2,476.1 | 1,934.6 | 2,419.3 | 2,695.4 |
| **Investing Activities** | | | | | | |
| Unfunded investment commitments | 1,035.7 | 400.9 | 314.5 | 186.6 | 133.7 | — |
| **Financing Activities** | | | | | | |
| Loan repayments (including estimated interest payments) | 2,004.4 | 415.4 | 270.8 | 89.8 | 687.2 | 541.2 |
| **Total** | $ 14,507.5 | $ 2,758.3 | $ 3,061.4 | $ 2,211.0 | $ 3,240.2 | $ 3,236.6 |

(1) The reserves for losses and LAE represent management's estimate of the ultimate cost of settling losses. The estimation of losses is based on various complex and subjective judgments. Actual losses paid may differ, perhaps significantly, from the reserve estimates reflected in our financial statements. Similarly, the timing of payment of our estimated losses is not fixed and there may be significant changes in actual payment activity. The assumptions used in estimating the likely payments due by period are based on our historical claims payment experience and industry payment patterns, but due to the inherent uncertainty in the process of estimating the timing of such payments, there is a risk that the amounts paid in any such period can be significantly different from the amounts disclosed above. The amounts in the above table represent our estimates of known liabilities as of March 31, 2021 and do not take into account corresponding reinsurance recoverable amounts that would be due to us. Furthermore, certain of the reserves included in the unaudited condensed consolidated financial statements as of March 31, 2021 were acquired by us and initially recorded at fair value with subsequent amortization, whereas the expected payments by period in the table above are the estimated payments at a future time and do not reflect the fair value adjustment in the amount payable.

As of March 31, 2021, excluding fair value adjustments, we expect to pay estimated gross losses and LAE for the Run-off segment of $1.9 billion in the short-term (less than one year) and $9.5 billion in the long-term (more than one year). We generally attempt to match the duration of our investment portfolio to the duration of our general liability profile. We generally seek to maintain investment portfolios that are shorter or of equivalent duration to the liabilities in order to provide liquidity for the settlement of losses and, where possible, to avoid having to liquidate longer-dated investments. The settlement of liabilities also has the potential to accelerate the natural payout of losses, which may require additional liquidity.

In addition to the contractual obligations noted in the table, above, as of March 31, 2021 we had the right to purchase the RNCI related to StarStone International from the Trident V Funds and the Dowling Funds after a certain time in the future (a "call right") and the RNCI holders had the right to sell their RNCI interests to us after a certain time in the future (a "put right").

For additional information relating to our commitments and contingencies, see Note 20 - "Commitments and Contingencies" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. For additional information relating to our defendant asbestos and environmental liabilities, see Note 9 - "Defendant Asbestos and Environmental Liabilities" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Off-Balance Sheet Arrangements***

At March 31, 2021, we did not have any off-balance sheet arrangements, as defined by SEC rules and regulations.

**Critical Accounting Estimates**

Our critical accounting estimates are discussed in Management's Discussion and Analysis of Results of Operations and Financial Condition contained in our Annual Report on Form 10-K for the year ended December 31, 2020. Except as discussed above, in the updates included in Note 1 - "Significant Accounting Policies" to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q, our critical accounting estimates have not materially changed.

**Cautionary Statement Regarding Forward-Looking Statements**

This quarterly report and the documents incorporated by reference herein contain statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities, plans and objectives of our management, as well as the markets for our securities and the insurance and reinsurance sectors in general. Statements that include words such as "estimate," "project," "plan," "intend," "expect," "anticipate," "believe," "would," "should," "could," "seek," "may" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements are necessarily estimates or expectations, and not statements of historical fact, reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward looking statements should, therefore, be considered in light of various important factors, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2020. These factors include:

**Risks Relating to our Run-off Business**

- changes in our plans, strategies, objectives, expectations or intentions, which may happen at any time at management’s discretion;
- the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time;
- risks relating to our acquisitions, including our ability to evaluate opportunities, successfully price acquisitions, address operational challenges, support our planned growth and assimilate acquired companies into our internal control system in order to maintain effective internal controls, provide reliable financial reports and prevent fraud;
- emerging claim and coverage issues and disputes that could impact reserve adequacy;
- lengthy and unpredictable litigation affecting the assessment of losses and/or coverage issues;
- increased competitive pressures, including increased competition in the market for run-off business that aligns with our strategic objectives;
- risks relating to our ability to obtain regulatory approvals, including the timing, terms and conditions of any such approvals, and to satisfy other closing conditions in connection with our acquisition agreements, which could affect our ability to complete acquisitions;
- risks relating to our subsidiaries with liabilities arising from legacy manufacturing operations;
- the impact of the COVID-19 pandemic and the resulting disruption and economic turmoil, such as increased volatility in global financial markets, could adversely impact our investment returns, financial condition, and liquidity and capital resources, and any future impact on our business is difficult to predict at this time;

**Risks Relating to Liquidity and Capital Resources**

- risks relating to the variability of statutory capital requirements and the risk that we may require additional capital in the future, which may not be available or may be available only on unfavorable terms;
- the risk that our reinsurance subsidiaries may not be able to provide the required collateral to ceding companies pursuant to their reinsurance contracts, including through the use of letters of credit;
- changes and uncertainty in economic conditions, including interest rates, inflation, currency exchange rates, equity markets and credit conditions, which could affect our investment portfolio, our ability to finance future acquisitions and our profitability;
- risks relating to the availability and collectability of our reinsurance;
- the ability of our subsidiaries to distribute funds to us and the resulting impact on our liquidity;
- losses due to foreign currency exchange rate fluctuations;
- our ability to comply with covenants in our debt agreements;

**Risk Relating to our Investments**

- the risk that the value of our investment portfolios and the investment income that we receive from these portfolios may decline materially as a result of market fluctuations and economic conditions, including those related to interest rates, credit spreads, and the phase out of the London Interbank Offered Rate ("LIBOR");
- risks relating to the performance of our investment portfolio and our ability to structure our investments in a manner that recognizes our liquidity needs;
- risks relating to our strategic investments in alternative asset classes, such as hedge funds, and joint ventures, which are illiquid and may be volatile;

**Risks Relating to Laws and Regulations**

- risks relating to the complex regulatory environment in which we operate, including that ongoing or future industry regulatory developments will disrupt our business, affect the ability of our subsidiaries to operate in the ordinary course or to make distributions to us, or mandate changes in industry practices in ways that increase our costs, decrease our revenues or require us to alter aspects of the way we do business;

**Risks Relating to our Operations**

- loss of key personnel;
- operational risks, including cybersecurity events, external hazards, human failures or other difficulties with our information technology systems that could disrupt our business or result in the loss of critical and confidential information, increased costs;

**Risks Relating to Taxation**

- tax, regulatory or legal restrictions or limitations applicable to us or the (re)insurance business generally;
- changes in tax laws or regulations applicable to us or our subsidiaries, or the risk that we or one of our non-U.S. subsidiaries become subject to significant, or significantly increased, income taxes in the United States or elsewhere;

**Risks Relating to the Ownership of our Shares**

- risk relating to the ownership of our shares resulting from certain provisions of our bye-laws and our status as a Bermuda company.

The factors listed above should be not construed as exhaustive and should be read in conjunction with the Risk Factors that are included in our Annual Report on Form 10-K for the year ended December 31, 2020. 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.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following risk management discussion and the estimated amounts generated from sensitivity analysis presented are forward-looking statements of market risk assuming certain market conditions occur. Future results may differ materially from these estimated results due to, among other things, actual developments in the global financial markets, changes in the composition of our investment portfolio, or changes in our business strategies. The results of analysis we use to assess and mitigate risk are not projections of future events or losses. See "Cautionary Statement Regarding Forward-Looking Statements" for additional information regarding our forward-looking statements.

We are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk. Our policies to address these risks in 2021 are not materially different than those used in 2020 and, based on our current knowledge and expectations, we do not currently anticipate significant changes in our market risk exposures or in how we will manage those exposures in future reporting periods. However, due to the ongoing uncertainty and volatility in financial markets as a result of the economic conditions caused by the COVID-19 pandemic, we expect interest rates, credit spreads and global equity markets to remain volatile in the near-term. Furthermore, the pandemic has increased the risk of defaults across many industries. As a result, we continue to closely monitor market risk during this time.

### Interest Rate and Credit Spread Risk

Interest rate risk is the price sensitivity of a security to changes in interest rates. Credit spread risk is the price sensitivity of a security to changes in credit spreads. Our investment portfolio and funds held - directly managed includes fixed maturity and short-term investments, whose fair values will fluctuate with changes in interest rates and credit spreads. We attempt to maintain adequate liquidity in our fixed maturity investments portfolio with a 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. We also monitor the duration and structure of our investment portfolio.

The following table summarizes the aggregate hypothetical change in fair value from an immediate parallel shift in the treasury yield curve, assuming credit spreads remain constant, in our fixed maturity and short-term investments portfolio classified as trading and AFS, our funds held directly managed portfolio, our fixed income funds and our fixed income exchange-traded funds, and excludes investments classified as held-for-sale:

| | Interest Rate Shift in Basis Points | | | | |
|---|---|---|---|---|---|
| **As of March 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| | | | (in millions of U.S. dollars) | | |
| Total Market Value [1] | $ 11,384 | $ 11,080 | $ 10,783 | $ 10,513 | $ 10,246 |
| Market Value Change from Base | 5.6 % | 2.8 % | — % | (2.5)% | (5.0)% |
| Change in Unrealized Value | $ 601 | $ 297 | $ — | $ (270) | $ (537) |
| **As of December 31, 2020** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [1] | $ 10,632 | $ 10,324 | $ 10,028 | $ 9,756 | $ 9,495 |
| Market Value Change from Base | 6.0 % | 3.0 % | — % | (2.7)% | (5.3)% |
| Change in Unrealized Value | $ 604 | $ 296 | $ — | $ (272) | $ (533) |

[1] Excludes equity exchange-traded funds of $293.9 million and $154.9 million for the years ended March 31, 2021 and December 31, 2020, respectively, which are included in the Equity Price Risk section below.

Actual shifts in interest rates may not change by the same magnitude across the maturity spectrum or on an individual security and, as a result, the impact on the fair value of our fixed maturity securities, short-term investments, funds held - directly managed and fixed income exchange-traded fund may be materially different from the resulting change in value indicated in the tables above.

The following table summarizes the aggregate hypothetical change in fair value from an immediate parallel shift in credit spreads assuming interest rates remain fixed, in our fixed maturity and short-term investments portfolio classified as trading and AFS, our funds held directly managed portfolio, our fixed income funds and our fixed income exchange-traded funds, and excludes investments classified as held-for-sale:

| | Credit Spread Shift in Basis Points | | | | |
|---|---|---|---|---|---|
| **As at March 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| | | | (in millions of U.S. dollars) | | |
| Total Market Value [(1)] | $ 11,378 | $ 11,071 | $ 10,783 | $ 10,510 | $ 10,251 |
| Market Value Change from Base | 5.5 % | 2.7 % | | (2.5)% | (4.9)% |
| Change in Unrealized Value | $ 595 | $ 288 | | $ (273) | $ (532) |
| **As at December 31, 2020** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [(1)] | $ 10,608 | $ 10,308 | $ 10,028 | $ 9,765 | $ 9,516 |
| Market Value Change from Base | 5.8 % | 2.8 % | | (2.6)% | (5.1)% |
| Change in Unrealized Value | $ 580 | $ 280 | | $ (263) | $ (512) |

(1) Excludes equity exchange-traded funds of $293.9 million and $154.9 million for the years ended March 31, 2021 and December 31, 2020, respectively, which are included in the Equity Price Risk section below.

### 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 balances recoverable on paid and unpaid losses, respectively, as discussed below.

#### *Fixed Maturity and Short-Term Investments*

As a holder of $10.0 billion of fixed maturity and short-term investments, we also have exposure to credit risk as a result of investment ratings downgrades or issuer defaults. In an effort to mitigate this risk, our investment portfolio consists primarily of investment grade-rated, liquid, fixed maturity investments of short-to-medium duration and mutual funds. A table of credit ratings for our fixed maturity and short-term investments is in Note 4 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. As of March 31, 2021, 41.0% of our fixed maturity and short-term investment portfolio was rated AA or higher by a major rating agency (December 31, 2020: 41.2%) with 3.2% rated lower than BBB- (December 31, 2020: 3.5%). The portfolio as a whole, including cash, restricted cash, fixed maturity and short term investments and funds held - directly managed, had an average credit quality rating of A+ as of March 31, 2021 (December 31, 2020: A+). In addition, we manage our portfolio pursuant to guidelines that follow what we believe are prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers and, as a result, we believe we do not have significant concentrations of credit risk.

A summary of our fixed maturity and short-term investments by credit rating is as follows:

| **Credit rating** | **March 31, 2021** | **December 31, 2020** | **Change** |
|---|---|---|---|
| AAA | 28.7 % | 29.5 % | (0.8)% |
| AA | 12.3 % | 11.7 % | 0.6 % |
| A | 31.8 % | 31.6 % | 0.2 % |
| BBB | 23.5 % | 23.5 % | — % |
| Non-investment grade | 3.2 % | 3.5 % | (0.3)% |
| Not rated | 0.5 % | 0.2 % | 0.3 % |
| Total | 100.0 % | 100.0 % | |
| Average credit rating | A+ | A+ | |

***Reinsurance Balances Recoverable on Paid and Unpaid Losses***

We have exposure to credit risk as it relates to our reinsurance balances recoverable on paid and unpaid losses. Our (re)insurance subsidiaries remain liable to the extent that retrocessionaires do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our reinsurers. A discussion of our reinsurance balances recoverable on paid and unpaid losses is in Note 6 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Funds Held***

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. We are subject to credit risk if the reinsured company is unable to honor the value of the funds held balances, such as in the event of insolvency. However, 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. Our funds held are shown under two categories on the 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." Both types of funds held are subject to credit risk. We routinely monitor the creditworthiness of reinsured companies with whom we have funds held arrangements. As of March 31, 2021, we had a significant concentration of $899.5 million (December 31, 2020: $955.0 million) to one reinsured company which has financial strength credit ratings of A+ from A.M. Best and AA from Standard & Poor's.

**Equity Price Risk**

Our portfolio of equity investments, excluding our fixed income exchange-traded funds but including the equity funds, has exposure to equity price risk, which is the risk of potential loss in fair value resulting from adverse changes in stock prices. Our fixed income exchange-traded funds are excluded from the below analysis and have been included within the interest rate and credit spread risk analysis, as these exchange-traded funds are part of our fixed income investment strategy and are backed by fixed income instruments. Our global equity portfolio is correlated with a blend of the S&P 500 and MSCI World indices, and changes in this blend of indices would approximate the impact on our portfolio. The following table summarizes the aggregate hypothetical change in fair value from a 10% decline in the overall market prices of our equities at risk:

| | March 31, 2021 | December 31, 2020 | Change |
|---|---|---|---|
| | | (in millions of U.S. dollars) | |
| Publicly traded equity investments in common and preferred stocks | $ 263.1 | $ 260.8 | $ 2.3 |
| Privately held equity investments in common and preferred stocks | 330.4 | 274.7 | 55.7 |
| Private equity funds | 442.6 | 363.1 | 79.5 |
| Equity funds | 5.3 | 190.8 | (185.5) |
| Equity exchange traded funds | 293.9 | 154.9 | 139.0 |
| Fair value of equities at risk | $ 1,335.3 | $ 1,244.3 | $ 91 |
| Impact of 10% decline in fair value | $ 133.5 | $ 124.4 | $ 9.1 |

***Hedge Funds***

As of March 31, 2021, we had investments of $2.9 billion (December 31, 2020: $2.6 billion) in hedge funds, included within our other investments, at fair value, that have exposure to equity price risk given the underlying assets in those funds. As of March 31, 2021 and December 31, 2020, the impact of a 10% decline in the fair value of these investments would have been $291.5 million and $263.8 million, respectively. These hedge funds may employ investment strategies that involve the use of leverage and short sales, which would have the effect of increasing equity price sensitivity such that a 10% decline in equity prices could reduce the fair value of our investment in the funds by more than 10%.

**Foreign Currency Risk**

The table below summarizes our net exposures to foreign currencies:

| | AUD | CAD | EUR | GBP | Other | Total |
|---|---|---|---|---|---|---|
| **As of March 31, 2021** | **(in millions of U.S. dollars)** | | | | | |
| Total net foreign currency exposure | $ (1.6) | $ 7.4 | $ 13.2 | $ (19.9) | $ 1.6 | $ 0.7 |
| Pre-tax impact of a 10% movement in USD[(1)] | $ (0.2) | $ 0.7 | $ 1.3 | $ (2.0) | $ 0.2 | $ — |
| **As of December 31, 2020** | | | | | | |
| Total net foreign currency exposure | $ 7.0 | $ (1.9) | $ 24.4 | $ 38.9 | $ 1.5 | $ 69.9 |
| Pre-tax impact of a 10% movement in USD[(1)] | $ 0.7 | $ (0.2) | $ 2.4 | $ 3.9 | $ 0.2 | $ 7.0 |

[(1)] Assumes 10% change in U.S. dollar relative to other currencies.

Through our subsidiaries located in various jurisdictions, we conduct our (re)insurance operations in a variety of non-U.S. currencies. We have the following exposures to foreign currency risk:

- *Transaction Risk:* The functional currency for the majority of our subsidiaries is the U.S. dollar. Within these entities, any fluctuations in foreign currency exchange rates relative to the U.S. dollar has a direct impact on the valuation of our assets and liabilities denominated in other currencies. All changes in foreign exchange rates, with the exception of non-U.S. dollar AFS investments, are recognized in our consolidated statements of earnings. Changes in foreign exchange rates relating to non-U.S. dollar AFS investments are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Our subsidiaries with non-U.S. dollar functional currencies are also exposed to fluctuations in foreign currency exchange rates relative to their own functional currency.
- *Translation Risk:* We have net investments in certain European, British, and Australian subsidiaries whose functional currencies are the Euro, British pound and Australian dollar, respectively. The foreign exchange gain or loss resulting from the translation of their financial statements from their respective functional currency into U.S. dollars is recorded in the cumulative translation adjustment account, which is a component of accumulated other comprehensive income (loss) in shareholders' equity.

Our foreign currency policy is to broadly manage, where possible, our foreign currency risk by:

- Seeking to match our liabilities under (re)insurance policies that are payable in foreign currencies with assets that are denominated in such currencies, subject to regulatory constraints.
- Selectively utilizing foreign currency forward contracts to mitigate foreign currency risk.

The instruments we use to manage foreign currency risk are discussed in Note 5 - "Derivatives and Hedging Instruments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. To the extent our foreign currency exposure is not matched or hedged, we may experience foreign exchange losses or gains, which would be reflected in our consolidated results of operations and financial condition.

**Effects of Inflation**

Inflation may have a material effect on our consolidated results of operations by its effect on our assets and our liabilities. Inflation could lead to higher interest rates, resulting in a decrease in the market value of our fixed maturity portfolio. We may choose to hold our fixed maturity investments to maturity, which would result in the unrealized gains or losses accreting back over time. Inflation may also affect the value of certain of our liabilities, primarily our estimate for losses and LAE, such as our cost of claims which includes medical treatments, litigation costs and judicial awards. Although our estimate for losses and LAE is established to reflect the likely payments in the future, we would be subject to the risk that inflation could cause these amounts to be greater than the current estimate for losses and LAE. We seek to take this into account when setting reserves and pricing new business. However, the actual effects of inflation on our consolidated results of operations cannot be accurately known until claims are ultimately settled.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2021. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that we maintained effective disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and timely reported as specified in the rules and forms of the U.S. Securities and Exchange Commission and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 20 - "Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

Our results of operations and financial condition are subject to numerous risks and uncertainties described in “Risk Factors” included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. The risk factors identified therein have not materially changed.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities

The following table provides information about ordinary shares acquired by the Company during the three months ended March 31, 2021.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number (or Dollar Value) of Shares that May Yet be Purchased Under the Program (1) |
|---|---|---|---|---|
| Beginning dollar amount available to be repurchased | | | | $ 123,994 |
| January 1, 2021 - January 31, 2021 | — | $ — | — | $ — |
| February 1, 2021 - February 28, 2021 | — | $ — | — | $ — |
| March 1, 2021 - March 31, 2021 | 18,003 | $ 234.70 | 18,003 | $ (4,225) |
| | 18,003 | | 18,003 | $ 119,769 |

(1) On February 25, 2021, our Board of Directors approved an extension of the duration of our previously announced ordinary share Repurchase Program through March 1, 2022. The Repurchase Program was previously set to expire on March 1, 2021. Pursuant to the Repurchase Program, the Company may repurchase a limited number of its ordinary shares, not to exceed $150.0 million in aggregate (the “Authorized Shares”) including shares repurchased prior to the extension of the Repurchase Program. During the three months ended March 31, 2021, we repurchased 18,003 ordinary shares at an average price of $234.70, for an aggregate price of $4.2 million under the Repurchase Program. As of March 31, 2021, the remaining capacity under the Repurchase Program was $119.8 million.

## ITEM 6. EXHIBITS

| Exhibit No. | Description |
|---|---|
| 3.1 | Memorandum of Association of Enstar Group Limited (incorporated by reference to Exhibit 3.1 of the Company's Form 10-K/A filed on May 2, 2011). |
| 3.2 | Fifth Amended and Restated Bye-Laws of Enstar Group Limited (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on June 13, 2019). |
| 3.3 | Certificate of Designations of Series C Participating Non-Voting Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on June 17, 2016). |
| 3.4 | Certificate of Designations of 7.00% fixed-to-floating rate perpetual non-cumulative preference shares, Series D (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on June 27, 2018). |
| 3.5 | Certificate of Designations of 7.00% perpetual non-cumulative preference shares, Series E (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 21, 2018). |
| 4.1 | Junior Subordinated Indenture dated as of August 26, 2020, among Enstar Finance LLC, Enstar Group Limited and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on August 26, 2020). |
| 4.2 | First Supplemental Indenture dated as of August 26, 2020, among Enstar Finance LLC, Enstar Group Limited and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed on August 26, 2020). |
| 10.1*+ | Form of Performance Stock Unit Award Agreement (Annual Cycle) (2021) under the Enstar Group Limited 2016 Equity Incentive Plan |
| 10.2*♦ | Third Amendment to Revolving Credit Agreement, Waiver & Consent dated as of March 31, 2021, by and among Enstar Group Limited and certain of its subsidiaries, National Australia Bank Limited, Barclays Bank PLC, Wells Fargo Bank, National Association, and each of the lenders party thereto. |
| 10.3*♦ | Fourth Amendment to Letter of Credit Facility Agreement, dated as of March 31, 2021, by and among Enstar Group Limited and certain of its subsidiaries, National Australia Bank Limited, London Branch, The Bank of Nova Scotia and each of the lenders party thereto. |
| 10.4+ | Amended and Restated Employment Agreement dated March 31, 2021 between the Company and Dominic Silvester (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 6, 2021). |
| 10.5 | Voting and Shareholders' Agreement dated as of January 1, 2021 among StarStone Specialty Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P., Trident V Professionals Fund, L.P., Dowling Capital Partners I, L.P. and Capital City Partners LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 4, 2021). |
| 10.6 | Third Amended and Restated Shareholders' Agreement dated as of January 1, 2021 among Northshore Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P., Trident V Professionals Fund, L.P., Dowling Capital Partners I, L.P. and Capital City Partners LLC (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on January 4, 2021). |
| 10.7♦ | Termination and Release Agreement, dated as of February 21, 2021, by and among Enstar Group Limited and certain of its subsidiaries and Hillhouse Capital Management, Ltd. and certain of its affiliates (incorporated by reference to Exhibit 10.50 of the Company's Form 10-K filed on March 1, 2021). |
| 22.1 | Subsidiary Guarantors and Issuers of Guaranteed Securities (incorporated by reference to Exhibit 22.1 of the Company's Form 10-Q filed on November 6, 2020). |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

| | |
|---|---|
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101) |

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* filed herewith

** furnished herewith

+ denotes management contract or compensatory arrangement

♦ certain of the schedules and similar attachments are not filed but Enstar Group Limited undertakes to furnish a copy of the schedules or similar attachments to the SEC upon request

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 7, 2021.

ENSTAR GROUP LIMITED

By: /s/ Zachary Wolf
Zachary Wolf
Chief Financial Officer, Authorized Signatory, Principal Financial Officer

By: /s/ Kathleen Carbone
Kathleen Carbone
Chief Accounting Officer,
Principal Accounting Officer

**Exhibit 10.1**

**PERFORMANCE STOCK UNIT AWARD AGREEMENT**
**UNDER THE AMENDED AND RESTATED ENSTAR GROUP LIMITED 2016 EQUITY INCENTIVE PLAN**

This Performance Stock Unit Award Agreement (this “Agreement”) is entered into as of the Grant Date (as defined below), by and between the Grantee (as defined below) and Enstar Group Limited (the “Company”). Except as otherwise defined herein, capitalized terms used in this Agreement have the respective meanings set forth in the Plan (as defined below).

WITNESSETH THAT:

WHEREAS, the Company maintains the Amended and Restated Enstar Group Limited 2016 Equity Incentive Plan (the “Plan”), which is incorporated into and forms a part of this Agreement; and

WHEREAS, the Grantee has been selected by the committee administering the Plan (the “Committee”) to receive a Performance Stock Unit Award under the Plan.

NOW, THEREFORE, IT IS AGREED, by and between the Company and the Grantee as follows:

1. Terms of Award.

(a) The “Grantee” is __________.

(b) The “Grant Date” is __________.

(c) The target number of Performance Stock Units (“PSUs”) granted under this Agreement is __________.

(d) The “Performance Period” is the period commencing on __________ and ending on __________.

2. Award. Subject to the terms of this Agreement and the Plan, the Grantee is hereby granted the PSUs as described in paragraph 1. The number of PSUs awarded in this paragraph 2 is referred to as the “Target Award.” Each PSU represents the right to receive one Common Share, subject to the terms and conditions set forth in this Agreement and the Plan. The number of PSUs that the Grantee actually earns for the Performance Period will be determined by the level of achievement of the Performance Goals in accordance with Exhibit A attached hereto and shall be rounded up to the nearest whole PSU. The Company shall establish a bookkeeping account in the Grantee’s name which reflects the number of PSUs standing to the credit of the Grantee.

3. Performance Goals.

(a) The number of PSUs earned by the Grantee for the Performance Period will be determined at the end of the Performance Period based on the level of achievement of the Performance Goals in accordance with Exhibit A. All determinations of whether Performance Goals have been achieved, the number of PSUs earned by the Grantee, and all other matters related to this paragraph 3 shall be made by the Committee in its sole discretion.

(b) Promptly following completion of the Performance Period, the Committee will review and certify in writing (a) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (b) the number of PSUs that the Grantee shall earn, if any, subject to compliance with the requirements of paragraph 4. Such certification shall be final, conclusive and binding on the Grantee, and on all other persons, to the maximum extent permitted by law.

4. Vesting.

(a) The PSUs are subject to forfeiture until they vest. Except as otherwise provided herein, the PSUs will vest and become nonforfeitable on the date the Committee certifies the achievement of the Performance Goals in accordance with paragraph 3(b), subject to the achievement of the minimum threshold Performance Goals for payout set forth in Exhibit A attached hereto. The number of PSUs that vest and become payable under this Agreement shall be determined by the Committee based on the level of achievement of the Performance Goals set forth in Exhibit A.

(b) Except as otherwise expressly provided in this paragraph 4, if the Grantee's Termination of Service occurs for any reason prior to the end of the Performance Period, the Grantee shall forfeit all PSUs granted with respect to the Performance Period and neither the Company nor any Related Corporation shall have any further obligations to the Grantee under this Agreement.

(c) If the Grantee's Termination of Service occurs as a result of the Grantee's death or disability, or termination by the Company or a Related Corporation without Cause (or, if the Grantee's employment agreement so provides, the voluntary termination by the Grantee for Good Reason) prior to the end of the Performance Period, the Grantee will vest on such date in a pro rata portion of the Award calculated by multiplying (x) the lesser of (i) the estimated expected performance multiplier in respect of the Award as reflected in the most recently filed consolidated financial statements of the Company as of the date of the Termination of Service (ii) Target Award by (y) a fraction, the numerator of which equals the number of days that the Grantee was employed during the Performance Period and the denominator of which equals the total number of days in the Performance Period.

(d) Upon the occurrence of a Change in Control during the Performance Period, if the Committee makes a good faith determination that an Alternative Award (as defined in Section 14 of the Plan) has not been granted by the acquirer, the Performance Period shall end and the Grantee shall be deemed to have earned a pro rata portion of the Target Award calculated by multiplying the Target Award by a fraction, the numerator of which equals the number of days that have elapsed during the Performance Period as of the date of the Change in Control and the denominator of which equals the total number of days in the Performance Period.

(f) Upon a Change in Control during the Performance Period, if the Committee makes a good faith determination that an Alternative Award has been granted by the acquirer, the Alternative Award shall continue to vest in accordance with this paragraph 4.

5. Shareholder Rights. The Grantee shall not have any right, in respect of PSUs awarded pursuant to the Plan, to receive dividends or vote on any matter submitted to the Company's stockholders until such time as Common Shares attributable to such PSUs have been issued to the Grantee.

6. Dividend Equivalents. PSUs awarded under this Agreement are eligible to receive Dividend Equivalents. On each date that a cash dividend is paid with respect to Common Shares, the Company shall credit the bookkeeping account (the "Account") established on behalf of the Grantee with the dollar amount of the dividends the Grantee would have received if the PSUs held by the Grantee on the record date for such dividend payment had been Common Shares. Interest may be credited on the Dividend Equivalents at a rate and subject to such terms as determined by the Committee. Dividend Equivalents shall be subject to the same vesting and forfeiture restrictions as the PSUs to which they are attributable and shall be paid in cash on the same date that the PSUs to which they are attributable are settled.

7. Settlement of PSUs. As soon as practicable after the vesting date and in any event no later than March 15 of the calendar year following the calendar year in which such vesting occurs, the Company shall transfer to the Grantee one Common Share for each PSU vesting on the vesting date (the date of any such transfer shall be the settlement date for purposes of this Agreement); however, the Company may withhold shares otherwise transferable to the Grantee to the extent necessary to satisfy withholding taxes due by reason of the vesting of the PSU. Notwithstanding the foregoing, upon a Change in Control, the Company may, in its sole discretion and on such terms and conditions as it deems appropriate, pay the Award either (i) in Common Shares, and/or (ii) as a Settlement Payment in cash or other property on the 30th day following such Change in Control, based on the Change in Control Price.

8. Deferral of PSUs.

(a) The Grantee may elect to defer the settlement of PSUs (and any related Dividend Equivalents) granted under this Agreement until the earliest of (i) a date (the "Specified Payment Date") selected by the Grantee that is not less than one (1) year and not more than ten (10) years from the vesting date, (ii) a Change in Control, provided that the event constitutes a change in control within the meaning of Treasury Regulation Section 1.409A-3(i)(5) or any successor provision, or (iii) the Grantee's Termination of Service for any reason, provided that the event constitutes a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h) or any successor provision. In such case, settlement of PSUs (and any related Dividend Equivalents) will occur as soon as practicable after the Specified Payment Date, Change in Control, or Termination of Service, as applicable, but in any event no later than sixty (60) days thereafter. Notwithstanding the foregoing, if settlement is to be made as a result of the Grantee's Termination of Service other than due to death or disability and the Grantee is a "specified employee" within the meaning of Code Section 409A at the time of such Termination of Service, then settlement will not occur until the first business day of the seventh month following the month in which such Termination of Service occurs (or, if earlier, within 60 days of the Grantee's death if the Grantee dies following Termination of Service and before payment is made).

(b) To make an election to defer settlement of PSUs (and any related Dividend Equivalents), the Grantee must make a valid election in compliance with the provisions of Section 409A of the Code and in accordance with procedures established by the Committee. Such deferral election is irrevocable and may not be accelerated, revoked or modified except as otherwise permitted under Code Section 409A and the Plan. PSUs deferred under this election will be settled in Common Shares payable in a single lump sum. Dividend Equivalents deferred under this election will be settled in a single lump sum cash payment.

9. Transferability. The Grantee shall not transfer or assign, in whole or in part, PSUs subject to this Agreement, other than (a) by will or by the laws of descent and distribution, or (b) by designation, in a manner established by the Company, of a beneficiary or beneficiaries to exercise the rights of the Grantee and to receive any property distributable with respect to this Agreement upon the death of the Grantee upon satisfaction of the vesting conditions described in paragraph 4 above.

10. Withholding. Any tax consequences arising from the grant of this Award shall be borne solely by the Grantee. The Company and/or its Related Corporations shall withhold taxes according to the requirements under the applicable laws, rules and regulations including withholding taxes at source. The Grantee will not be entitled to receive from the Company any Common Shares hereunder prior to the full payment of the Grantee's tax liabilities relating to this Award. The Company may, in its discretion, elect (a) to withhold Common Shares otherwise issuable under the Plan or (b) allow the Grantee to deliver to the Company previously acquired Common Shares (through actual tender or attestation), in either case for the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date of vesting not in excess of the amount required to satisfy the withholding tax obligations.

11. Compliance with Applicable Law. Notwithstanding any other provision of this Agreement, the Company shall have no obligation to issue any Common Shares if such issuance would violate any applicable law or any applicable regulation or requirement of any securities exchange or similar entity.

12. Section 409A. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the PSUs (including any Dividend Equivalents) to be made to the Grantee pursuant to this Agreement is intended to qualify as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, under certain circumstances, including where Grantee has elected to defer settlement of this Award in accordance with paragraph 8, settlement of the PSUs or any Dividend Equivalents may not so qualify, and in that case, the Committee shall administer the grant and settlement of such PSUs and any Dividend Equivalents in compliance with Section 409A of the Code. Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on the Grantee under Section 409A of the Code and neither the Company nor the Committee will have any liability to the Grantee for such tax or penalty.

14. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all parties. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

15. Not an Employment Contract. This Award will not confer on the Grantee any right with respect to the continuance of employment or other service to the Company or any Related Corporation, nor will it interfere in any way with any right the Company or any Related Corporation would otherwise have to terminate or modify the terms of such Grantee's employment or other service at any time.

16. Notices. Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by email or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later the date of actual receipt. Notices shall be directed, if to the Grantee, at the Grantee's email address or physical address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

17. Amendment. This Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended by written agreement of the Grantee and the Company without the consent of any other person.

18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

19. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Company and the Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns, subject to the transfer restrictions set forth in this Agreement and the Plan.

20. Applicable Law. This Agreement shall be construed in accordance with the laws of Bermuda (without reference to principles of conflict of laws).

21. Clawback Policy. Notwithstanding any other provision of this Agreement, this Award will be subject to any compensation recovery or clawback policy the Company adopts, including any policy required to comply with applicable law or listing standards, as such policy may be amended from time to time in the Company's sole discretion.

22. Electronic Administration. Grantee hereby consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of this award agreement and any other documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

23. Additional Provisions.

(a) In addition, the Grantee acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the PSUs does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when PSUs shall be granted and the number of shares subject to each PSU will be at the sole discretion of the Company without the need to supply reasons for the exercise or non-exercise of that discretion; and (v) that the PSU is not part of normal or expected compensation for purposes of calculating any severance or other payments paid for any reason whatsoever and whether such termination is subsequently held to be wrongful or unfair.

(b) The Grantee has been informed by the Company about the processing of relevant data under the Plan and the PSUs and in particular this paragraph. By entering into this Agreement, the Grantee: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate or third party administering the Plan, to collect, use, process and disclose and transfer to and retention by the Company or any of its or their persons such information and data (including personal data) as the Company or any such person (including any situated outside the European Economic Area) shall request or need in order to facilitate the grant of PSUs and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each Affiliate to store and transmit such information in electronic form.

(c) The Grantee acknowledges that any income, other taxes or social security contributions (including to the extent provided herein any employers' social security contributions) due from him or her with respect to the grant, vesting, deferral or delivery of this Award and Common Shares transferable hereunder ("Tax Liability") shall be the Grantee's responsibility and the Grantee agrees to indemnify the Company and his or her employer or former employer in respect of all such Tax Liability provided that the Grantee understands and agrees that, unless (a) his or her employer or former employer is able to withhold the amount of the Tax Liability from payment of his or her remuneration within the period of 30 days from the date on which any Tax Liability arises or (b) the Grantee indicates in writing to his or her employer or former employer in a manner agreed with the Company that the Grantee will make a payment to the Company of an amount equal to the Tax Liability and does in fact make such a payment, within 14 days of being notified by the Company of the amount of the Tax Liability, the Company shall be entitled to sell sufficient of the Common Shares acquired or to be acquired by the Grantee necessary to satisfy the indemnity and to procure payment to the Grantee's employer of an amount sufficient to satisfy the indemnity out of the net proceeds of sale of the Shares.

(d) Any deferral election made in a jurisdiction where such election would be ineffective for tax purposes according to the law of such jurisdiction shall be null and void and the PSUs will be settled as if no deferral election had been made.

**[Signature Page Follows]**

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Performance Stock Unit Award Agreement on ____________________, ____.

ENSTAR GROUP LIMITED

By:_________________________________
Name:
Title:

______________________________________
Grantee

Address:

## EXHIBIT A

**Performance Measure**

The number of PSUs earned shall be determined by reference to the [Insert Performance Goal(s)] for the Performance Period.

**[Insert Definitions Applicable to Performance Goals and performance Period]**

Determining PSUs Earned and Award Range

Except as otherwise provided in the Plan or the Agreement, the number of PSUs earned with respect to the Performance Period shall be determined as follows: **[Insert Description]**

**THIRD AMENDMENT TO REVOLVING CREDIT AGREEMENT, WAIVER & CONSENT**

This Third Amendment to Revolving Credit Agreement, Waiver & Consent (this "Amendment") is entered into as of March 31, 2021 by and among ENSTAR GROUP LIMITED ("Enstar"), KENMARE HOLDINGS LTD., ENSTAR (US ASIA-PAC) HOLDINGS LIMITED and ENSTAR HOLDINGS (US) LLC as Borrowers and as Guarantors, the LENDERS party hereto, and NATIONAL AUSTRALIA BANK LIMITED, as Administrative Agent.

**RECITALS**

A. The Borrowers, the Guarantors, the Lenders and the Administrative Agent are parties to that certain Revolving Credit Agreement, dated as of August 16, 2018 (as amended by the First Amendment to Revolving Credit Agreement, dated as of December 19, 2018, the Second Amendment to Revolving Credit Agreement, dated as of November 25, 2020, the "Existing Credit Agreement" and as amended by this Amendment, the "Credit Agreement"), pursuant to which the Lenders have extended a revolving credit facility to the Borrowers. Each capitalized term used herein, that is not defined herein, shall have the meaning ascribed thereto in the Credit Agreement.

B. The Loan Parties have notified the Administrative Agent of the completed and to be completed transactions set forth on Schedule I hereto (collectively, the "InRe Transaction").

C. The consummation of certain components of the InRe Transaction might violate Sections 6.03, 6.04, 6.06, 6.07 and 6.10 of the Existing Credit Agreement and the Credit Agreement (such sections being referred to herein as the "Specified Sections").

D. The Loan Parties hereby request that the Administrative Agent and the Lenders (i) waive any breach, Default or Event of Default under the Existing Credit Agreement and the Credit Agreement that is existing or would directly result or arise under the Specified Sections from the entering into or consummation of the InRe Transaction or any component thereof that occurs on or prior to July 31, 2021, and (ii) agree that the InRe Transaction and all parts thereof that are completed by July 31, 2021 are hereby permitted under the Existing Credit Agreement and the Credit Agreement without reference to or utilization of any basket or bucket otherwise available for transactions in the Specified Sections (clauses (i) and (ii) collectively, the "Requested Waiver and Consent").

E. The consummation of certain components of the InRe Transaction, either individually or collectively, might result in the consolidation of InRe Fund (as defined on Schedule I) with Enstar and its consolidated subsidiaries for purposes of GAAP.

F. To address matters arising from the potential consolidation referred to in the immediately preceding Recital and to address other requests from Enstar, the Loan Parties have notified the Administrative Agent and the Lenders of their request to amend the Existing Credit Agreement as set forth below, but otherwise have the Existing Credit Agreement remain in full force and effect.

G. In accordance with Section 10.02(b) of the Existing Credit Agreement, the Administrative Agent and the Required Lenders have agreed to grant the Requested Waiver and Consent and the Administrative Agent, the Required Lenders and the Loan Parties have agreed to amend the Existing Credit Agreement, in each case, in accordance with the terms, and subject to the conditions, set forth herein.

## AGREEMENT

The parties to this Amendment, intending to be legally bound, hereby agree as follows:

1. Amendments to Existing Credit Agreement. Subject to satisfaction of the conditions precedent set forth in Section 5 below:

a. The following definitions are added to Section 1.01 of the Existing Credit Agreement in their respective correct alphabetical orders:

"“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Controlled Investment Entity” means each Investment Entity that is Controlled by the Parent or any of its Subsidiaries, from time to time.

“Investment Entity” means any Investment Fund, Investment Fund GP, or Investment Fund Manager.

“Investment Fund” means InRe Fund, L.P. (“InRe Fund”) and any replacement or successor investment funds to InRe Fund that, in the reasonable discretion of the Parent, are necessary or desirable to consummate a transaction or series of transactions that cause InRe Fund (and its replacement or successor investment funds) to not be required to be consolidated with Parent pursuant to GAAP provided, that (i) at least 95% of the limited partnership interests in such consolidated investment funds that are held directly or indirectly by the Parent or Subsidiaries of the Parent are held by Cavello Bay Reinsurance Limited, (ii) no entity which was Controlled by the Parent prior to the completion of the InRe Transaction (as defined in the Third Amendment) shall be an Investment Fund and (iii) each Investment Fund shall have an Investment Fund GP. For the avoidance of doubt, clause (ii) of the proviso to the preceding sentence shall not exclude InRe Fund or any replacement or successor investment fund from the definition of Investment Fund. For the avoidance of doubt, any investment fund for which clauses (i), (ii) and (iii) of the proviso above are not satisfied, shall not be an “Investment Fund”.

“Investment Fund GP” means any limited liability entity that is a general partner of any Investment Fund whose assets are limited to interests in an Investment Fund or Investment Funds and other amounts received and receivable in respect of Contractual Obligations with an Investment Fund or Investment Funds.

“Investment Fund Manager” means any Person that provides fund management services to an Investment Fund, including AnglePoint Asset Management Limited; provided that if such Person is Controlled by the Parent or any of its Subsidiaries, such Person’s activities and assets shall be limited to providing such fund management services.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Third Amendment” means that certain Third Amendment to Revolving Credit Agreement, Waiver & Consent dated as of March 31, 2021.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.”

b. The following definitions appearing in Section 1.01 of the Existing Credit Agreement are hereby amended and restated in their entireties to read as follows:

““Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“Guarantor” means each of the Borrowers and any Person who has executed a Guarantor Joinder Agreement or comparable guaranty documentation, as the case may be, reasonably satisfactory to the Administrative Agent, pursuant to Section 5.15 of this Agreement.

“Shareholders’ Equity” means, as of any date of determination, consolidated shareholders’ equity of the Parent as of such date determined in accordance with GAAP.

“Subsidiary” of a Person means, subject to the last sentence of this definition, a corporation, partnership, limited liability company, association or joint venture or other business entity of which a majority of the Equity Interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned or the management of which is controlled, directly, or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, subject to the last sentence of this definition, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Loan Party. For all purposes of this Agreement and the other Loan Documents, the term "Subsidiary" or "Subsidiaries" shall not include any Investment Fund, Investment Fund Manager or Investment Fund GP.

"TARGET Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system (or any successor settlement system as determined by the Administrative Agent) is open for the settlement of payments in Euro.

"Write-Down and Conversion Powers" means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers."

c. Section 3.13 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.13 Environmental Matters. Except with respect to any matters that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, neither the Parent nor any of its Subsidiaries nor any Controlled Investment Entity (a) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (b) knows of any basis for any permit, license or other approval required under any Environmental Law to be revoked, canceled, limited, terminated, modified, appealed or otherwise challenged, (c) has or could reasonably be expected to become subject to any Environmental Liability, (d) has received notice of any claim, complaint, proceeding, investigation or inquiry with respect to any Environmental Liability (and no such claim, complaint, proceeding, investigation or inquiry is pending or, to the knowledge of the Borrower, is threatened or contemplated) or (e) knows of any facts, events or circumstances that could give rise to any basis for any Environmental Liability of the Parent or any of its Subsidiaries or any Controlled Investment Entity."

d. Section 3.14 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.14 Margin Regulations. No Loan Party is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock and no part of the proceeds of any Credit Extension has been used, whether directly or indirectly, for the purchase or carry of Margin Stock (other than Margin Stock in Enstar Group Limited) and no part of the proceeds of any Credit Extension used, directly or indirectly, to purchase or carry Margin Stock in Enstar Group Limited has been used, whether directly or indirectly, for any purpose that entailed a violation of any of the regulations of the Board, including Regulation T, Regulation U and Regulation X. Following the application of the proceeds of each Borrowing, not more than 25% of the value of the assets (either of a Borrower only or of the Group on a consolidated basis) will be Margin Stock."

e. Section 3.18 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.18 Sanctions; Anti-Corruption.

(a) None of the Parent, any of its Subsidiaries or any Controlled Investment Entity or any director, officer, employee, agent, or affiliate of the Parent or any of its Subsidiaries or any Controlled Investment Entity is an individual or entity ("person") that is, or is owned or controlled by persons that are: (i) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, the Bermuda Monetary Authority or other relevant sanctions authority (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, Crimea, Cuba, Iran, North Korea and Syria)."

(b) The Parent, its Subsidiaries and each Controlled Investment Entity and their respective directors, officers and employees and, to the knowledge of the Parent, the agents of the Parent and its Subsidiaries and each Controlled Investment Entity, are in compliance with all applicable Sanctions and with the Bribery Act 2010 of the United Kingdom, the Foreign Corrupt Practices Act of 1977 and the PATRIOT Act, each as amended, and the rules and regulations thereunder (the "FCPA", the "Bribery Act" and the PATRIOT Act respectively) and any other applicable anti-corruption and anti-money laundering law. None of the Parent, its Subsidiaries, any Controlled Investment Entity and their respective directors, officers and employees and, to the knowledge of the Parent, the agents of the Parent and its Subsidiaries and each Controlled Investment Entity, are under investigation by any Governmental Authority for an alleged breach of Sanctions, the Bribery Act, the FCPA, the PATRIOT Act or any other applicable anti-corruption or anti-money laundering law. The Parent, its Subsidiaries and each Controlled Investment Entity have instituted and maintain policies and procedures designed to promote and achieve continued compliance with applicable Sanctions, the Bribery Act, the FCPA, the PATRIOT Act and any other applicable anti-corruption and anti-money laundering laws."

f. Section 3.21 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.21 Ownership. Each of the Loan Parties (other than the Parent) is a direct or indirect Wholly-Owned Subsidiary of the Parent."

g. A new proviso is hereby added to the end of Section 5.01(a) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent that any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Loan Party under GAAP for any fiscal year (or any truncated period of any fiscal year), any consolidated financial statements delivered pursuant to this Section 5.01(a) for such fiscal year may include the component parts contributed by such Investment Fund, Investment Fund Manager or Investment Fund GP as a consolidated subsidiary for such period despite that it is not a "Subsidiary" for purposes of this Agreement."

h. A new proviso is hereby added to the end of Section 5.01(b) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent that any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Loan Party under GAAP for any fiscal quarter (or any truncated period of any fiscal quarter), any consolidated financial statements delivered pursuant to this Section 5.01(b) for such fiscal quarter may include the component parts contributed by such Investment Fund, Investment Fund Manager or Investment Fund GP as a consolidated subsidiary for such period despite that it is not a "Subsidiary" for purposes of this Agreement."

i. A new proviso is hereby added to the end of Section 5.01(c) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Loan Party under GAAP for any fiscal year (or any truncated period of such fiscal year), such Investment Fund, Investment Fund Manager or Investment Fund GP may be included in such report despite that it is not a "Subsidiary" and not part of the "Group" for purposes of this Agreement."

j. Clause (d) of Section 5.03 of the Existing Credit Agreement is hereby amended by adding after the word "Subsidiary" the following: "or any Controlled Investment Entity".

k. Section 5.09 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"5.09 Environmental Matters. Except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect, each Loan Party will, and will cause each of its Subsidiaries and each Controlled Investment Entity to, (a) comply with all Environmental Laws, (b) obtain, maintain in full force and effect and comply with any permits, licenses or approvals required for the facilities or operations of such Loan Party or any of its Subsidiaries or any Controlled Investment Entity, and (c) conduct and complete any investigation, study, sampling or testing, and undertake any corrective, cleanup, removal, response, remedial or other action necessary to identify, report, remove and clean up all Hazardous Materials present or released at, on, in, under or from any of the facilities or real properties of such Loan Party or any of its Subsidiaries or any Controlled Investment Entity."

l. Section 5.13 of the Existing Credit Agreement is hereby amended by adding after the word “Subsidiaries” the following: “, each Controlled Investment Entity,”.

m. Section 5.15 of the Existing Credit Agreement is hereby amended by adding a new sentence to the end of such section to read as follows:

> “At any time that any Investment Fund is included in the calculation of Consolidated Net Worth of the Parent but is not included in the calculation of Net Worth of any Guarantor (other than the Parent), if the Parent is not in compliance with the covenant set forth in the first sentence of this Section 5.15 but would be in compliance with such covenant if the Net Worth contributed by such Investment Fund or Investment Funds were excluded from the calculation of Consolidated Net Worth of the Parent, then the covenant in the first sentence of Section 5.15 shall be deemed to be satisfied and the Parent shall not be required to take any action with respect to the second, third and fourth sentences of this Section 5.15.”

n. Subclauses (iii) and (iv) of clause (c) of Section 6.01 of the Existing Credit Agreement are hereby amended and restated in their entireties to read as follows:

> “(iii) given by the Parent in the ordinary course of its insurance business excluding, for the avoidance of doubt, (x) any Guarantee of Indebtedness which Indebtedness is not otherwise permitted under this Section 6.01 and (y) any Guarantee of Indebtedness incurred by any Investment Entity;”
>
> (iv) not otherwise permitted hereunder made in the ordinary course of business in an aggregate amount not exceeding $100,000,000 (but in no event shall this subclause (iv) permit any Guarantees in respect of which the "primary obligor" is an Investment Entity);”

o. Clause (h) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word “outstanding” the following: “(provided that no such Acquisition SPV Indebtedness shall be utilized in respect of or for the benefit of any Investment Entity)”.

p. Clause (j) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word “outstanding” the following: “(provided that this basket shall not be utilized to Guarantee Indebtedness of an Investment Entity)”.

q. Clause (k) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word “Documents” the following: “(provided that this basket shall not be utilized to Guarantee Indebtedness of an Investment Entity)”.

r. Section 6.02(i) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

> “(i) Liens (i) of a collecting bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (ii) in favor of a banking institution encumbering deposits (including the right of setoff) that are customary in the banking industry, and (iii) in favor of a custodian bank on assets subject to the custodial

arrangement with such custodian bank which arrangements are entered into in the ordinary course of business."

s. Clause (q) of Section 6.02 of the Existing Credit Agreement is hereby amended by adding after the word "obligations" the following: "(other than Indebtedness and other obligations of an Investment Entity)".

t. In Section 6.07 of the Existing Credit Agreement, the phrase "and (c) Investments permitted by Section 6.06(b), (c) or (d)" is hereby replaced with the phrase ", (c) Investments permitted by Section 6.06(b), (c) or (d) and (d) transactions in the ordinary course of business with Investment Funds, Investment Fund Managers and Investment Fund GPs."

u. A new sentence is hereby added to the end of Section 6.08 of the Existing Credit Agreement to read as follows:

"The limitations and restrictions of this Section 6.08 shall not apply to the Organizational Documents of any Investment Fund, Investment Fund Manager or Investment Fund GP or to the Contractual Obligations of any of the foregoing.

v. Section 6.11 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Section 6.11 <u>Restrictions on Use of Proceeds</u>. No part of the proceeds of any Credit Extension will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry Margin Stock (other than Margin Stock in Enstar Group Limited) and no part of the proceeds of any Credit Extension used, directly or indirectly, to purchase or carry Margin Stock in Enstar Group Limited will be used for any purpose that entails a violation of or is inconsistent with any of the regulations of the Board, including Regulation T, Regulation U and Regulation X. If requested by any Lender, the Borrowers will furnish to such Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U 1 referred to in Regulation U."

w. A new clause (d) shall be added to Section 6.12 of the Existing Credit Agreement to read as follows:

"(d) Notwithstanding anything set forth in this Agreement, for purposes of calculating the financial covenant set forth in Section 6.12(b), no Investment Entity shall be consolidated with the Parent, but rather shall be accounted for on a non-consolidated basis with its carrying value contributing to the various components of the financial covenant set forth in Section 6.12(b), in each case in a manner that is consistent with the treatment of InRe Fund in the Parent's consolidated financial statements for the fiscal year ended December 31, 2020."

x. Section 7.01(n) of the Existing Credit Agreement is hereby amended by adding after the word "Group" the following: "or any Controlled Investment Entity".

y. Clause (i) of Section 10.01(a) is hereby amended by replacing the phrase “Douglas Anthony (Telephone No. +1 (441) 278-1466; Email: doug.anthony@enstargroup.com)” with “Matthew Kirk (Telephone No. +1 (201) 743-7734; Email: matthew.kirk@enstargroup.com)”.

z. Clause (iii) of Section 10.03(b) of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

aa. “(iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Loan Party or any of its Subsidiaries or any Controlled Investment Entity, or any Environmental Liability related in any way to any Loan Party or any of its Subsidiaries or any Controlled Investment Entity.”

ab. Section 10.17 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

“10.17 Acknowledgment and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.”

2. Waiver and Consent to InRe Transaction. Subject to satisfaction of the conditions precedent set forth in Section 5 below, the Administrative Agent and the Required Lenders hereby grant the Requested Waiver and Consent. For the avoidance of doubt, the Requested Waiver and Consent is specific and limited to the matters expressly stated herein and shall not constitute a waiver of any rights or obligations in connection with any other transaction to which the Specified Sections apply. To the extent that the InRe Transaction or any component thereof has not closed on or prior to July 31, 2021, the consents and waivers set forth in this letter shall automatically terminate solely with respect to the InRe Transaction or any component thereof that has not closed on or prior to such date. None of the

Administrative Agent or the Lenders shall be obligated in the future to waive any provision of the Credit Agreement or other the other Loan Documents as a result of having provided the waiver contained herein.

3. Representations and Warranties. Each Loan Party hereby represents and warrants, as of the date of this Amendment, that:

a. The representations and warranties in each Loan Document to which it is a party are true and correct in all material respects with the same effect as though made on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date; provided that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality or Material Adverse Effect in the text thereof;

b. The execution and delivery of this Amendment has been duly authorized by all necessary organizational action of such Loan Party; this Amendment has been duly executed and delivered by such Loan Party and is a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity;

c. The transactions contemplated by this Amendment (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any Law applicable to such Loan Party, (c) will not violate or result in a default under any other material Contractual Obligation binding upon such Loan Party or affecting its assets, and (d) will not result in the creation or imposition of any Lien on any asset of such Loan Party; and

d. No Default has occurred and is continuing or would result after giving effect to this Amendment.

4. Ratification and Confirmation of Loan Documents.

a. Except as expressly set forth herein, the execution, delivery and performance of this Amendment shall not alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, guarantees or agreements contained in the Existing Credit Agreement or any other Loan Document, all of which shall remain in full force and effect and shall not be impaired or affected, and shall not operate as a waiver of any right, power, or remedy of the Administrative Agent or any Lender under the Existing Credit Agreement or any other Loan Document.

b. Each Loan Party hereby acknowledges that it has read this Amendment and consents to the terms hereof, and hereby confirms and agrees that notwithstanding the effectiveness of this Amendment, the obligations of such Loan Party under the Loan Documents to which it is a party, including all guarantees thereunder, shall not be impaired or affected and such Loan Documents, including all guarantees thereunder and all promissory notes and all other instruments, documents and agreements entered into by such Loan Party in connection with such Loan Documents are, and shall continue to be, in full force and effect and are hereby confirmed and ratified in all respects.

c. Each Loan Party further agrees that nothing in the Existing Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Loan Party to any future amendment to the Credit Agreement, except to the extent that the consent of such Loan Party to such amendment is expressly required under the Credit Agreement.

d. Upon the effectiveness of this Amendment, each Lender shall continue to be a party to the Credit Agreement as a Lender.

5. Effectiveness. This Amendment shall become effective on the date first written above only upon satisfaction of the following conditions precedent on or prior to such date unless otherwise waived in writing by the Required Lenders and the Administrative Agent:

a. The Administrative Agent shall have acknowledged receipt of a counterpart of this Amendment signed on behalf of each Loan Party and the Required Lenders.

b. The Parent shall have provided evidence that all reasonable and documented costs and expenses of the Administrative Agent (including the legal fees and expenses of Ashurst LLP) in connection with the preparation, execution, delivery and administration of this Amendment have been paid or will be paid reasonably promptly after the date hereof.

6. Miscellaneous.

a. The Loan Parties acknowledge and agree that the representations and warranties set forth herein are material inducements to the Administrative Agent and the Lenders to deliver this Amendment.

b. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective permitted successors and assigns.

c. This Amendment is a Loan Document. Henceforth, this Amendment and the Existing Credit Agreement shall be read together as one document and the Existing Credit Agreement shall be modified accordingly. No course of dealing on the part of the Administrative Agent, the Lenders or any of their respective officers, nor any failure or delay in the exercise of any right by the Administrative Agent or the Lenders, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. The failure at any time to require strict performance by the Loan Parties of any provision of the Loan Documents shall not affect any right of the Administrative Agent or the Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of the Administrative Agent and/or the Lenders, as applicable, pursuant to and in accordance with the Loan Documents, including, without limitation, Section 10.02 of the Credit Agreement. No other person or entity, other than the Administrative Agent and the Lenders, shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third party beneficiary hereunder.

d. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without reference to conflicts of law rules. The provisions of Section 10.09 and Section 10.10 of the Credit Agreement apply to this Amendment *mutatis mutandis* as if they were incorporated herein.

e. If any provision of this Amendment or any of the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed therefrom, and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been a part thereof.

f. This Amendment may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Loan Parties, the Administrative Agent and the Required Lenders have caused this Amendment to be executed as of the date first written above.

ENSTAR GROUP LIMITED
as a Borrower and as a Guarantor

By /s/ Paul O'Shea
Name: Paul O'Shea
Title: President

KENMARE HOLDINGS LTD.
as a Borrower and as a Guarantor

By /s/ Duncan Scott
Name: Duncan Scott
Title: Director

ENSTAR (US ASIA-PAC) HOLDINGS LIMITED
as a Borrower and as a Guarantor

By /s/ Siobhan M. Hextall
Name: Siobhan M. Hextall
Title: Director

ENSTAR HOLDINGS (US) LLC
as a Borrower and as a Guarantor

By /s/ Richard Seelinger
Name: Richard Seelinger
Title: CEO

NATIONAL AUSTRALIA BANK LIMITED
(ABN 12 004 044 937),
as a Lender

By /s/ James Swann
Name: James Swann
Title: Associate Director

BARCLAYS BANK PLC,
as a Lender

By /s/ Eoin Naughton
Name: Eoin Naughton
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By /s/ William R. Goley
Name: William R. Goley
Title: Managing Director

TRUIST BANK,
as a Lender

By /s/ Andrew Johnson
Name: Andrew Johnson
Title: Managing Director

JPMORGAN CHASE BANK, N.A.,
as a Lender

By /s/ Hector J. Varona
Name: Hector J. Varona
Title: Executive Director

HSBC BANK USA, NATIONAL ASSOCIATION,
as a Lender

By /s/ Teresa Pereya
Name: Teresa Pereya
Title: Vice President, Financial Institutions Group

ING BANK N.V., London Branch
as a Lender

By /s/ Mike Sharman
Name: Mike Sharman
Title: Managing Director

By /s/ Mariette Groen
Name: Mariette Groen
Title: Director

THE BANK OF NOVA SCOTIA,
as a Lender

By /s/ Shanshan Yang
Name: Shanshan (Sunny) Yang
Title: Director

NATIONAL AUSTRALIA BANK LIMITED
(ABN 12 004 044 937),
as Administrative Agent

By /s/ Melisha Hughes
Name: Melisha Hughes
Title: Head of Agency Services, Northern Hemisphere

**FOURTH AMENDMENT TO LETTER OF CREDIT FACILITY AGREEMENT, WAIVER & CONSENT**

This Fourth Amendment to Letter of Credit Facility Agreement, Waiver & Consent (this "Amendment") is entered into as of March 31, 2021 by and among CAVELLO BAY REINSURANCE LIMITED as Borrower, ENSTAR GROUP LIMITED ("Enstar"), KENMARE HOLDINGS LTD., ENSTAR (US ASIA-PAC) HOLDINGS LIMITED and ENSTAR HOLDINGS (US) LLC as Guarantors, the LENDERS party hereto, NATIONAL AUSTRALIA BANK LIMITED, LONDON BRANCH as Administrative Agent, and NATIONAL AUSTRALIA BANK LIMITED as Several L/C Issuing Bank.

**RECITALS**

A. The Borrowers, the Guarantors, the Lenders, the Administrative Agent and the Several L/C Issuing Bank are parties to that certain Letter of Credit Facility Agreement, dated as of August 5, 2019 (as amended by the First Amendment to Letter of Credit Facility Agreement, dated as of December 9, 2019, the Second Amendment to Letter of Credit Facility Agreement, dated as of June 3, 2020, and the Third Amendment to Letter of Credit Facility Agreement, dated as of November 25, 2020, the "Existing Credit Agreement" and further amended by this Amendment, the "Credit Agreement"), pursuant to which the Lenders have agreed to issue syndicated Letters of Credit through the Several L/C Issuing Bank at the request of the Borrower. Each capitalized term used herein, that is not defined herein, shall have the meaning ascribed thereto in the Credit Agreement.

B. The Credit Parties have notified the Several L/C Issuing Bank, the Administrative Agent and the Lenders of the completed and to be completed transactions set forth on Schedule I hereto (collectively, the "InRe Transaction").

C. The consummation of certain components of the InRe Transaction might violate Sections 6.03, 6.04, 6.06, 6.07 and 6.10 of the Existing Credit Agreement and the Credit Agreement (such sections being referred to herein as the "Specified Sections").

D. The Credit Parties hereby request that the Administrative Agent, the Several L/C Issuing Bank and the Lenders (i) waive any breach, Default or Event of Default under the Existing Credit Agreement and the Credit Agreement that is existing or would directly result or arise under the Specified Sections from the entering into or consummation of the InRe Transaction or any component thereof that occurs on or prior to July 31, 2021, and (ii) agree that the InRe Transaction and all parts thereof that are completed by July 31, 2021 are hereby permitted under the Existing Credit Agreement and the Credit Agreement without reference to or utilization of any basket or bucket otherwise available for transactions in the Specified Sections (clauses (i) and (ii) collectively, the "Requested Waiver and Consent").

E. The consummation of certain components of the InRe Transaction, either individually or collectively, might result in the consolidation of InRe Fund (as defined on Schedule I) with Enstar and its consolidated subsidiaries for purposes of GAAP.

F. To address matters arising from the potential consolidation referred to in the immediately preceding Recital, and to address other requests from Enstar, the Credit Parties have notified the Administrative Agent, the Several L/C Issuing Bank and the Lenders of their request to amend the Existing Credit Agreement as set forth below, but otherwise have the Existing Credit Agreement remain in full force and effect.

G. In accordance with Section 10.02(b) of the Existing Credit Agreement, the Administrative Agent, the Several L/C Issuing Bank and the Required Lenders have agreed to grant the Requested Waiver and Consent and the Administrative Agent, the Several L/C Issuing Bank, the Required Lenders and the Credit Parties have agreed to amend the Existing Credit Agreement, in each case, in accordance with the terms, and subject to the conditions, set forth herein.

**AGREEMENT**

The parties to this Amendment, intending to be legally bound, hereby agree as follows:

1. Amendments to Existing Credit Agreement. Subject to satisfaction of the conditions precedent set forth in Section 5 below:

a. The following definitions are added to Section 1.01 of the Existing Credit Agreement in their respective correct alphabetical orders:

"“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Controlled Investment Entity” means each Investment Entity that is Controlled by the Parent or any of its Subsidiaries, from time to time.

“Fourth Amendment” means that certain Fourth Amendment to Letter of Credit Facility Agreement, Waiver & Consent, dated as of March 31, 2021.

“Investment Entity” means any Investment Fund, Investment Fund GP, or Investment Fund Manager.

“Investment Fund” means InRe Fund, L.P. (“InRe Fund”) and any replacement or successor investment funds to InRe Fund that, in the reasonable discretion of the Parent, are necessary or desirable to consummate a transaction or series of transactions that cause InRe Fund (and its replacement or successor investment funds) to not be required to be consolidated with Parent pursuant to GAAP provided, that (i) at least 95% of the limited partnership interests in such consolidated investment funds that are held directly or indirectly by the Parent or Subsidiaries of the Parent are held by Cavello Bay Reinsurance Limited, (ii) no entity which was Controlled by the Parent prior to the completion of the InRe Transaction (as defined in the Fourth Amendment) shall be an Investment Fund and (iii) each Investment Fund shall have an Investment Fund GP. For the avoidance of doubt, clause (ii) of the proviso to the preceding sentence shall not exclude InRe Fund or any replacement or successor investment fund from the definition of Investment Fund. For the avoidance of doubt, any investment fund for which clauses (i), (ii) and (iii) of the proviso above are not satisfied, shall not be an “Investment Fund”.

“Investment Fund GP” means any limited liability entity that is a general partner of any Investment Fund whose assets are limited to interests in an Investment Fund or Investment Funds and other amounts received and receivable in respect of Contractual Obligations with an Investment Fund or Investment Funds.

“Investment Fund Manager” means any Person that provides fund management services to an Investment Fund, including AnglePoint Asset Management Limited; provided that if such Person is Controlled by the Parent or any of its Subsidiaries, such Person’s activities and assets shall be limited to providing such fund management services.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"UK Resolution Authority" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution."

b. The following definitions appearing in Section 1.01 of the Existing Credit Agreement are hereby amended and restated in their entireties to read as follows:

""Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"Bail-In Legislation" means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation, rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"Shareholders' Equity" means, as of any date of determination, consolidated shareholders' equity of the Parent as of such date determined in accordance with GAAP.

"Subsidiary" of a Person means, subject to the last sentence of this definition, a corporation, partnership, limited liability company, association or joint venture or other business entity of which a majority of the Equity Interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time owned or the management of which is controlled, directly, or indirectly through one or more intermediaries, by such Person. Unless otherwise specified, subject to the last sentence of this definition, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Credit Party. For all purposes of this Agreement and the other Credit Documents, the term "Subsidiary" or "Subsidiaries" shall not include any Investment Fund, Investment Fund Manager or Investment Fund GP.

"Write-Down and Conversion Powers" means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers."

c. Section 3.13 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.13 Environmental Matters. Except with respect to any matters that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, neither the Parent nor any of its Subsidiaries nor any Controlled Investment Entity (a) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (b) knows of any basis for any permit, license or other approval required under any Environmental Law to be revoked, canceled, limited, terminated, modified, appealed or otherwise challenged, (c) has or could reasonably be expected to become subject to any Environmental Liability, (d) has received notice of any claim, complaint, proceeding, investigation or inquiry with respect to any Environmental Liability (and no such claim, complaint, proceeding, investigation or inquiry is pending or, to the knowledge of the Borrower, is threatened or contemplated) or (e) knows of any facts, events or circumstances that could give rise to any basis for any Environmental Liability of the Parent or any of its Subsidiaries or any other member of the Group or any Controlled Investment Entity."

d. Section 3.14 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.14 Margin Regulations. No Credit Party is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending credit for the purpose of purchasing or carrying Margin Stock; provided that for the avoidance of doubt, any purchase of Margin Stock in Enstar Group Limited that does not constitute a violation of or is not inconsistent with any of the regulations of the Board, including Regulation T, Regulation U and Regulation X and is used to purchase or carry Margin Stock in Enstar Group Limited shall not be considered an important activity of any Credit Party. No issuance of a Letter of Credit will violate or be inconsistent with the provisions of Regulation T, Regulation U or Regulation X of the Board."

e. Section 3.18 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"3.18 Sanctions; Anti-Corruption. (a) None of the Parent, any of its Subsidiaries or any Controlled Investment Entity or any director, officer, employee, agent, or affiliate of the Parent or any of its Subsidiaries or any Controlled Investment Entity is an individual or entity ("person") that is, or is owned or controlled by persons that are: (i) the subject of any sanctions administered or enforced by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury, the Bermuda Monetary Authority, Australia (including the Australian Department of Foreign Affairs and Trade), Canada (including the Canadian Ministry for Foreign Affairs and Global Affairs Canada) or other relevant sanctions authority (collectively, "Sanctions"), or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (including, Crimea, Cuba, Iran, North Korea and Syria).

(b) The Parent, its Subsidiaries and each Controlled Investment Entity and their respective directors, officers and employees and, to the knowledge of the Parent, the agents of the Parent and its Subsidiaries and each Controlled Investment Entity, are in compliance with all applicable Sanctions and with the Bribery Act 2010 of the United Kingdom, the Foreign Corrupt Practices Act of 1977 and the PATRIOT Act, each as amended, and the rules and regulations thereunder (the "FCPA", the "Bribery Act" and the PATRIOT Act respectively) and any other applicable anti-corruption and anti-money laundering law. None of the Parent, its Subsidiaries, any Controlled Investment Entity and their respective directors, officers and employees and, to the knowledge of the Parent, the agents of the Parent, its Subsidiaries and each Controlled Investment Entity, are under investigation by any Governmental Authority for an alleged breach of Sanctions, the Bribery Act, the FCPA, the PATRIOT Act or any other applicable anti-corruption or anti-money laundering law. The Parent, its Subsidiaries and each Controlled Investment Entity have instituted and maintain policies and procedures designed to promote and achieve continued compliance with applicable Sanctions, the Bribery Act, the FCPA, the PATRIOT Act and any other applicable anti-corruption and anti-money laundering laws."

f. A new proviso is hereby added to the end of Section 5.01(a) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent that any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Credit Party under GAAP for any fiscal year (or any truncated period of any fiscal year), any consolidated financial statements delivered pursuant to this Section 5.01(a) for such fiscal year may include the component parts contributed by such Investment Fund, Investment Fund Manager or Investment Fund GP as a consolidated subsidiary for such period despite that it is not a "Subsidiary" for purposes of this Agreement."

g. A new proviso is hereby added to the end of Section 5.01(b) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent that any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Credit Party under GAAP for any fiscal quarter (or any truncated period of any fiscal quarter), any consolidated financial statements delivered pursuant to this Section 5.01(b) for such fiscal quarter may include the component parts contributed by such Investment Fund, Investment Fund Manager or Investment Fund GP as a consolidated subsidiary for such period despite that it is not a "Subsidiary" for purposes of this Agreement."

h. A new proviso is hereby added to the end of Section 5.01(c) of the Existing Credit Agreement to read as follows:

"provided, however, that to the extent any Investment Fund, Investment Fund Manager or Investment Fund GP is consolidated with the Parent or any other Credit Party under GAAP for any fiscal year (or any truncated period of such fiscal year), such Investment Fund, Investment Fund Manager or Investment Fund GP may be included in such report despite that it is not a "Subsidiary" and not part of the "Group" for purposes of this Agreement."

i. Clause (d) of Section 5.03 of the Existing Credit Agreement is hereby amended by adding after the word "Subsidiary" the following: "or any Controlled Investment Entity".

j. Section 5.09 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"5.09 Environmental Matters. Except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect, each Credit Party will, and will cause each of its Subsidiaries and each Controlled Investment Entity to, (a) comply with all Environmental Laws, (b) obtain, maintain in full force and effect and comply with any permits, licenses or approvals required for the facilities or operations of such Credit Party or any of its Subsidiaries or any Controlled Investment Entity, and (c) conduct and complete any investigation, study, sampling or testing, and undertake any corrective, cleanup, removal, response, remedial or other action necessary to identify, report, remove and clean up all Hazardous Materials present or released at, on, in, under or from any of the facilities or real properties of such Credit Party or any of its Subsidiaries or any Controlled Investment Entity."

k. Section 5.13 of the Existing Credit Agreement is hereby amended by adding after the word "Subsidiaries" the following: ", each Controlled Investment Entity,".

l. Section 5.15 of the Existing Credit Agreement is hereby amended by adding a new sentence to the end of such section to read as follows:

"At any time that any Investment Fund is included in the calculation of Consolidated Net Worth of the Parent but is not included in the calculation of Net Worth of any Guarantor (other than the Parent) or the Borrower, if the Parent is not in compliance with the covenant set forth in the first sentence of this Section 5.15 but would be in compliance with such covenant if the Net Worth contributed by such Investment Fund or Investment Funds were excluded from the calculation of Consolidated Net Worth of the Parent, then the covenant in the first sentence of Section 5.15 shall be deemed to be satisfied and the Parent shall not be required to take any action with respect to the second, third and fourth sentences of this Section 5.15."

m. Subclauses (iii) and (iv) of clause (c) of Section 6.01 of the Existing Credit Agreement are hereby amended and restated in their entireties to read as follows:

"(iii) given by the Parent in the ordinary course of its insurance business excluding, for the avoidance of doubt, (x) any Guarantee of Indebtedness which Indebtedness is not otherwise permitted under this Section 6.01 and (y) any Guarantee of Indebtedness incurred by any Investment Entity;

(iv) not otherwise permitted hereunder made in the ordinary course of business in an aggregate amount not exceeding $100,000,000 (but in no event shall this subclause (iv) permit any Guarantees in respect of which the "primary obligor" is an Investment Entity);"

n. Clause (h) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word "outstanding" the following: "(provided that no such Acquisition SPV Indebtedness shall be utilized in respect of or for the benefit of any Investment Entity)".

o. Clause (j) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word "outstanding" the following: "(provided that this basket shall not be utilized to Guarantee Indebtedness of an Investment Entity)".

p. Clause (m) of Section 6.01 of the Existing Credit Agreement is hereby amended by adding after the word "Documents" the following: "(provided that this basket shall not be utilized to Guarantee Indebtedness of an Investment Entity)".

q. Clause (i) of Section 6.02 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(i) Liens (i) of a collecting bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (ii) in favor of a banking institution encumbering deposits (including the right of setoff) that are customary in the banking industry, and (iii) in favor of a custodian bank on assets subject to the custodial arrangement with such custodian bank which arrangements are entered into in the ordinary course of business."

r. Clause (s) of Section 6.02 of the Existing Credit Agreement is hereby amended by adding after the word "obligations" the following: "(other than Indebtedness and other obligations of an Investment Entity)".

s. Clause (g) of Section 6.06 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(g) any acquisition (A) by a member of the Group other than a Credit Party of a company, entity, business or undertaking (or in each case, any interest in any of them) or (B) by any Credit Party of a company or entity (or in each case any interest in any of them), in each case:

i. which either (y) holds (or after giving effect to the transaction or series of transactions contemplated therewith, will hold) more than 50 percent of its assets in or generates more than 50 percent of its revenues from the insurance, reinsurance, asset management or insurance broking sectors or (z) for which the majority of the liabilities of the company, entity, business or undertaking consists of direct exposure from legacy operations to claims in lines of business in the Group's portfolio of existing non-life run-off liabilities; and

ii. whose gross assets would represent in aggregate less than 25 percent of the pro forma consolidated total assets (in each case determined in accordance with GAAP) of the Group immediately following such acquisition,

provided, that, (1) for any such acquisition by a member of the Group other than a Credit Party, such acquisition may be effected by (x) acquisition of all or a portion of the Equity Interests (y) subject to compliance with Section 6.03, by way of a merger or (z) an acquisition of new business effected through a portfolio transfer or reinsurance transaction, and (2) for any such acquisition by a Credit Party, such acquisition may be effected by acquisition of all or a portion of the Equity Interests of such company or entity."

t. In Section 6.07 of the Existing Credit Agreement, the phrase "and (c) Investments permitted by Section 6.06(b), (c) or (d)" is hereby replaced with the phrase ", (c) Investments permitted by Section 6.06(b), (c) or (d) and (d) transactions in the ordinary course of business with Investment Funds, Investment Fund Managers and Investment Fund GPs."

u. A new clause (d) shall be added to Section 6.12 of the Existing Credit Agreement to read as follows:

"(d) Notwithstanding anything set forth in this Agreement, for purposes of calculating the financial covenant set forth in Section 6.12(b), no Investment Entity shall be consolidated with the Parent, but rather shall be accounted for on a non-consolidated basis with its carrying value contributing to the various components of the financial covenant set forth in Section 6.12(b), in each case in a manner that is consistent with the treatment of InRe Fund in the Parent's consolidated financial statements for the fiscal year ended December 31, 2020."

v. Clause (n) of Section 7.01 of the Existing Credit Agreement is hereby amended by adding after the word "Group" the following: "or any Controlled Investment Entity".

w. Clause (i) of Section 10.01(a) is hereby amended by replacing the phrase "Douglas Anthony (Telephone No. +1 (441) 278-1466; Email: doug.anthony@enstargroup.com)" with "Matthew Kirk (Telephone No. +1 (201) 743-7734; Email: matthew.kirk@enstargroup.com)".

x. Clause (iii) of Section 10.03 of the Exiting Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Credit Party or any of its Subsidiaries or any Controlled Investment Entity, or any Environmental Liability related in any way to any Credit Party or any of its Subsidiaries or any Controlled Investment Entity, or"

y. Section 10.17 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

"10.17 Acknowledgment and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Credit Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Credit Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Credit Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority."

2. Waiver and Consent to InRe Transaction. Subject to satisfaction of the conditions precedent set forth in Section 5 below, the Administrative Agent, the Several L/C Issuing Bank and the Required Lenders hereby grant the Requested Waiver and Consent. For the avoidance of doubt, the Requested Waiver and Consent is specific and limited to the matters expressly stated herein and shall not constitute a waiver of any rights or obligations in connection with any other transaction to which the Specified Sections apply. To the extent that the InRe Transaction or any component thereof has not closed on or prior to July 31, 2021, the consents and waivers set forth in this letter shall automatically terminate solely with respect to the InRe Transaction or any component thereof that has not closed on or prior to such date. None of the Administrative Agent, the Several L/C Issuing Bank or the Lenders shall

be obligated in the future to waive any provision of the Credit Agreement or other the other Credit Documents as a result of having provided the waiver contained herein.

3. Representations and Warranties. Each Credit Party hereby represents and warrants, as of the date of this Amendment, that:

a. The representations and warranties in each Credit Document to which it is a party are true and correct in all material respects with the same effect as though made on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects on and as of such earlier date; provided that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality or Material Adverse Effect in the text thereof;

b. The execution and delivery of this Amendment has been duly authorized by all necessary organizational action of such Credit Party; this Amendment has been duly executed and delivered by such Credit Party and is a legal, valid and binding obligation of such Credit Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity;

c. The transactions contemplated by this Amendment (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any Law applicable to such Credit Party, (c) will not violate or result in a default under any other material Contractual Obligation binding upon such Credit Party or affecting its assets, and (d) will not result in the creation or imposition of any Lien on any asset of such Credit Party; and

d. No Default has occurred and is continuing or would result after giving effect to this Amendment.

4. Ratification and Confirmation of Credit Documents.

a. Except as expressly set forth herein, the execution, delivery and performance of this Amendment shall not alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, guarantees or agreements contained in the Existing Credit Agreement or any other Credit Document, all of which shall remain in full force and effect and shall not impaired or affected, and shall not operate as a waiver of any right, power, or remedy of the Administrative Agent, the Several L/C Issuing Bank or any Lender under the Existing Credit Agreement or any other Credit Document.

b. Each Credit Party hereby acknowledges that it has read this Amendment and consents to the terms hereof, and hereby confirms and agrees that notwithstanding the effectiveness of this Amendment, the obligations of such Credit Party under the Credit Documents to which it is a party, including all guarantees thereunder, shall not be impaired or affected and such Credit Documents, including all guarantees thereunder, and all promissory notes and all other instruments, documents and agreements entered into by such Credit Party in connection with such Credit Documents are, and shall continue to be, in full force and effect and are hereby confirmed and ratified in all respects.

c. Each Credit Party further agrees that nothing in the Existing Credit Agreement, this Amendment or any other Credit Document shall be deemed to require the consent of such Credit Party to any future amendment to the Credit Agreement, except to the extent that the consent of such Credit Party to such amendment is expressly required under the Credit Agreement.

d. Upon the effectiveness of this Amendment, each Lender shall continue to be a party to the Credit Agreement as a Lender.

5. Effectiveness. This Amendment shall become effective on the date first written above only upon satisfaction of the following conditions precedent on or prior to such date unless otherwise waived in writing by the Required Lenders and the Administrative Agent:

a. Amendment. The Administrative Agent shall have acknowledged receipt of a counterpart of this Amendment signed on behalf of each Credit Party and the Required Lenders.

b. Other Fees and Expenses. The Parent shall have provided evidence that all reasonable and documented costs and expenses of the Administrative Agent and Several L/C Issuing Bank (including the legal fees and expenses of Ashurst LLP) in connection with the preparation, execution, delivery and administration of this Amendment have been paid or will be paid reasonably promptly after the date hereof.

6. Miscellaneous.

a. The Credit Parties acknowledge and agree that the representations and warranties set forth herein are material inducements to the Administrative Agent and the Lenders to deliver this Amendment.

b. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective permitted successors and assigns.

c. This Amendment is a Credit Document. Henceforth, this Amendment and the Existing Credit Agreement shall be read together as one document and the Existing Credit Agreement shall be modified accordingly. No course of dealing on the part of the Administrative Agent, the Lenders or any of their respective officers, nor any failure or delay in the exercise of any right by the Administrative Agent or the Lenders, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. The failure at any time to require strict performance by the Credit Parties of any provision of the Credit Documents shall not affect any right of the Administrative Agent or the Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of the Administrative Agent and/or the Lenders, as applicable, pursuant to and in accordance with the Credit Documents, including, without limitation, Section 10.02 of the Credit Agreement. No other person or entity, other than the Administrative Agent and the Lenders, shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third party beneficiary hereunder.

d. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without reference to conflicts of law rules. The provisions of Section 10.09 and Section 10.10 of the Credit Agreement apply to this Amendment mutatis mutandis as if they were incorporated herein.

e. If any provision of this Amendment or any of the other Credit Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed therefrom, and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been a part thereof.

f. This Amendment may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Credit Parties, the Administrative Agent, the Several L/C Issuing Bank and the Required Lenders have caused this Amendment to be executed as of the date first written above.

CAVELLO BAY REINSURANCE LIMITED
as Borrower

By /s/ Paul C. Bohus
Name: Paul C. Bohus
Title: Director

ENSTAR GROUP LIMITED
as a Guarantor

By /s/ Paul O'Shea
Name: Paul O'Shea
Title: President

KENMARE HOLDINGS LTD.
as a Guarantor

By /s/ Duncan Scott
Name: Duncan Scott
Title: Director

ENSTAR (US ASIA-PAC) HOLDINGS LIMITED
as a Guarantor

By /s/ Siobhan M. Hextall
Name: Siobhan M. Hextall
Title: Director

ENSTAR HOLDINGS (US) LLC
as a Guarantor

By /s/ Richard Seelinger
Name: Richard Seelinger
Title: CEO

NATIONAL AUSTRALIA BANK LIMITED, LONDON BRANCH (ABN 12 004 044 937),
as Administrative Agent

By /s/ Melisha Hughes
Name: Melisha Hughes
Title: Head of Agency Services, Northern Hemisphere

NATIONAL AUSTRALIA BANK LIMITED
(ABN 12 004 044 937),
as Several L/C Issuing Bank

By /s/ James Swann
Name: James Swann
Title: Associate Director

NATIONAL AUSTRALIA BANK LIMITED
(ABN 12 004 044 937),
as a Lender

By /s/ James Swann
Name: James Swann
Title: Associate Director

THE BANK OF NOVA SCOTIA,
as a Lender

By /s/ Shanshan Yang
Name: Shanshan (Sunny) Yang
Title: Director

COMMONWEALTH BANK OF AUSTRALIA
(ABN 48 123 123 124),
as a Lender

By /s/ Lynette Underwood
Name: Lynette Underwood
Title: Associate Director

BMO HARRIS BANK N.A.,
as a Lender

By /s/ Benjamin Mlot
Name: Benjamin Mlot
Title: Director

COMMERZBANK AG NEW YORK BRANCH,
as a Lender

By /s/ Michael McCarthy
Name: Michael McCarthy
Title: Managing Director

By /s/ Toan Chu
Name: Toan Chu
Title: Vice President

ING BANK N.V., LONDON BRANCH,
as a Lender

By /s/ Mike Sharman
Name: Mike Sharman
Title: Managing Director

By /s/ Mariette Groen
Name: Mariette Groen
Title: Director

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a),**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Dominic F. Silvester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Enstar Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2021

/S/ DOMINIC F. SILVESTER
Dominic F. Silvester
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a),**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Zachary Wolf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Enstar Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2021

/S/ ZACHARY WOLF
Zachary Wolf
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enstar Group Limited (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dominic F. Silvester, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2021

/S/ DOMINIC F. SILVESTER
Dominic F. Silvester
Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enstar Group Limited (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zachary Wolf, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2021

/S/ ZACHARY WOLF
Zachary Wolf
Chief Financial Officer