# 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 September 30, 2022

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 November 1, 2022, the registrant had outstanding 15,990,857 voting ordinary shares and 1,597,712 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 September 30, 2022
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## GLOSSARY OF KEY TERMS

| | |
|---|---|
| A&E | Asbestos and environmental |
| Acquisition costs | Costs that are directly related to the successful efforts of acquiring new insurance contracts or renewing existing insurance contracts, and which principally consist of incremental costs such as: commissions, brokerage expenses, premium taxes and other fees incurred at the time that a contract or policy is issued. |
| ADC | Adverse development cover – A retrospective reinsurance arrangement that will insure losses in excess of an established reserve and provide protection up to a contractually agreed amount. |
| Adjusted BVPS | Adjusted book value per ordinary share - Non-GAAP financial measure calculated by dividing Enstar ordinary shareholders' equity, adjusted to add the proceeds from assumed exercise of warrants, by the number of ordinary shares outstanding, adjusted for the exercise of warrants and equity awards granted and not yet vested. See "Non-GAAP Financial Measures" in Part I, Item 2 for reconciliation. |
| Adjusted RLE | Adjusted run-off liability earnings - Non-GAAP financial measure calculated by dividing adjusted prior period development by average adjusted net loss reserves. See "Non-GAAP Financial Measures" in Part I, Item 2 for reconciliation. |
| Adjusted ROE | Adjusted return on equity - Non-GAAP financial measure calculated by dividing adjusted operating income (loss) attributable to Enstar ordinary shareholders by adjusted opening Enstar ordinary shareholders' equity. See "Non-GAAP Financial Measures" in Part I, Item 2 for reconciliation. |
| Adjusted TIR | Adjusted total investment return - Non-GAAP financial measure calculated by dividing adjusted total investment return by average adjusted total investable assets. See "Non-GAAP Financial Measures" in Part I, Item 2 for reconciliation. |
| AFS | Available-for-sale |
| AmTrust | AmTrust Financial Services, Inc. |
| Annualized | Calculation of the quarterly result or year-to-date result multiplied by four and then divided by the number of quarters elapsed within the applicable year-to-date period. |
| AOCI | Accumulated other comprehensive income |
| Arden | Arden Reinsurance Company Ltd. |
| Atrium | Atrium Underwriting Group Limited |
| BMA | Bermuda Monetary Authority |
| BSCR | Bermuda Solvency Capital Requirement |
| BVPS | Book value per ordinary share - GAAP financial measure calculated by dividing Enstar ordinary shareholders' equity by the number of ordinary shares outstanding. |
| Cavello | Cavello Bay Reinsurance Limited, a wholly-owned subsidiary |
| Citco | Citco III Limited |
| CLO | Collateralized loan obligation |
| Core Specialty | Core Specialty Insurance Holdings, Inc. |
| DCo | DCo LLC |
| Defendant A&E liabilities | Defendant asbestos and environmental liabilities - Non-insurance liabilities relating to amounts for indemnity and defense costs for pending and future claims, as well as amounts for environmental liabilities associated with properties. |
| DCA | Deferred charge asset - The amount by which estimated ultimate losses payable exceed the premium consideration received at the inception of a retroactive reinsurance agreement and that are subsequently amortized over the estimated loss settlement period. |
| Dowling Funds | Dowling Capital Partners I, L.P. and Capital City Partners LLC |
| EB Trust | Enstar Group Limited Employee Benefit Trust |
| Enhanzed Re | Enhanzed Reinsurance Ltd. |
| Enstar | Enstar Group Limited and its consolidated subsidiaries |
| Enstar Finance | Enstar Finance LLC |

| | |
|---|---|
| Exchange Transaction | The exchange of a portion of our indirect interest in Northshore for all of the Trident V Funds' indirect interest in StarStone U.S. |
| FAL | Funds at Lloyd's - A deposit in the form of cash, securities, letters of credit or other approved capital instrument that satisfies the capital requirement to support the Lloyd's syndicate underwriting capacity. |
| Funds held | The account created with premium due to the reinsurer pursuant to the reinsurance agreement, the balance of which is credited with investment income and losses paid are deducted. |
| Funds held by reinsured companies | Funds held, as described above, where we receive a fixed crediting rate of return or other contractually agreed return on the assets held. |
| Funds held - directly managed | Funds held, as described above, where we receive the actual investment portfolio return on the assets held. |
| Future policyholder benefits | The liability relating to life reinsurance contracts, which are based on the present value of anticipated future cash flows and mortality rates. |
| Gate or side-pocket | 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. |
| Hillhouse Group | Hillhouse Capital Management, Ltd. and Hillhouse Capital Advisors, Ltd. |
| IBNR | Incurred but not reported - The estimated liability for unreported claims that have been incurred, as well as estimates for the possibility that reported claims may settle for amounts that differ from the established case reserves as well as the potential for closed claims to re-open. |
| InRe Fund | InRe Fund, L.P. |
| Investable assets | The sum of total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held |
| JSOP | Joint Share Ownership Plan |
| LAE | Loss adjustment expenses |
| Lloyd's | This term may refer to either the society of individual and corporate underwriting members that pool and spread risks as members of one or more syndicates, or the Corporation of Lloyd's, which regulates and provides support services to the Lloyd's market |
| LPT | Loss Portfolio Transfer - Retroactive reinsurance transaction in which loss obligations that are already incurred are ceded to a reinsurer, subject to any stipulated limits |
| Monument Re | Monument Insurance Group Limited |
| Morse TEC | Morse TEC LLC |
| NAV | Net asset value |
| NCI | Noncontrolling interests |
| New business | Material transactions, other than business acquisitions, which generally take the form of reinsurance or direct business transfers. |
| Northshore | Northshore Holdings Limited |
| OLR | Outstanding loss reserves - Provisions for claims that have been reported and accrued but are unpaid at the balance sheet date. |
| Parent Company | Enstar Group Limited, excluding its consolidated subsidiaries |
| Policy buy-back | Similar to a commutation, for direct insurance contracts |
| pp | Percentage point(s) |
| PPD | Prior period development - Changes to loss estimates recognized in the current calendar year that relate to loss reserves established in previous calendar years. |
| Private equity funds | Investments in limited partnerships and limited liability companies |
| QTD | Quarter-to-date |
| Reinsurance to close (RITC) | A business transaction to transfer estimated future liabilities attached to a given year of account of a Lloyd's syndicate into a later year of account of either the same or different Lloyd's syndicate in return for a premium. |
| Reserves for losses and LAE | Management's best estimate of the ultimate cost of settling losses as of the balance sheet date. This includes OLR and IBNR. |
| Retroactive reinsurance | Contracts that provide indemnification for losses and LAE with respect to past loss events. |

| | |
|---|---|
| RLE | Run-off liability earnings – GAAP-based financial measure calculated by dividing prior period development by average net loss reserves. |
| RNCI | Redeemable noncontrolling interests |
| ROE | Return on equity - GAAP-based financial measure calculated by dividing net earnings (loss) attributable to Enstar ordinary shareholders by opening Enstar ordinary shareholders' equity |
| Run-off | A line of business that has been classified as discontinued by the insurer that initially underwrote the given risk |
| Run-off portfolio | A group of insurance policies classified as run-off. |
| SEC | U.S. Securities and Exchange Commission |
| SGL No. 1 | SGL No. 1 Limited |
| SSHL | StarStone Specialty Holdings Limited |
| StarStone International | StarStone's non-U.S. operations |
| StarStone U.S. | StarStone U.S. Holdings, Inc. and its subsidiaries |
| Step Acquisition | The purchase of the entire equity interest in Enhanzed Re held by an affiliate of Hillhouse Capital Management Ltd and Hillhouse Capital Advisors, Ltd. |
| Stone Point | Stone Point Capital LLC |
| SUL | StarStone Underwriting Limited |
| TIR | Total investment return - GAAP financial measure calculated by dividing total investment return recognized in earnings for the applicable period by average total investable assets |
| Trident V Funds | Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. |
| U.S. GAAP | Accounting principles generally accepted in the United States of America |
| ULAE | Unallocated loss adjustment expenses - Loss adjustment expenses relating to run-off costs for the estimated payout of the run-off, such as internal claim management or associated operational support costs. |
| Unearned premium | The unexpired portion of policy premiums that will be earned over the remaining term of the insurance contract. |
| VIE | Variable interest entities |
| YTD | Year-to-date |
| 2021 Repurchase Program | An ordinary share repurchase program adopted by our Board of Directors on November 29, 2021, for the purpose of repurchasing a limited number of our ordinary shares, not to exceed $100 million in aggregate. This plan was fully utilized in April 2022. |
| 2022 Repurchase Program | An ordinary share repurchase program authorized by our Board of Directors on May 5, 2022, which is effective through May 5, 2023. Under this program, we may repurchase a limited number of our ordinary shares, not to exceed $200 million in aggregate. |

## 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 this report and in our Annual Report on Form 10-K for the year ended December 31, 2021, which could cause actual results to differ materially from those suggested by the forward-looking statements. These factors include:

- the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time, including due to the impact of emerging claim and coverage issues and disputes that could impact reserve adequacy;
- our acquisitions, including our ability to evaluate opportunities, successfully price acquisitions, address operational challenges, support our planned growth and assimilate acquired portfolios and companies into our internal control system in order to maintain effective internal controls, provide reliable financial reports and prevent fraud;
- increased competitive pressures, including increased competition in the market for run-off business;
- 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;
- Enhanzed Re’s life and annuity business, including the performance of assets to support the liabilities, the risk of mismatch in asset/liability duration and assumptions used to estimate reserves for future policy benefits proving to be inaccurate;
- 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;
- 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;
- the availability and collectability of our ceded 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;
- climate change and its potential impact on the returns from our run-off business and our investments;
- 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 equity prices;
- the effects of inflation, including its impact on our loss cost trends and operating expenses, and the effects of global economic policy responses to inflation, such as increasing interest rates and their impact on our investment portfolio;
- our ability to structure our investments in a manner that recognizes our liquidity needs;
- our strategic investments in alternative asset classes and joint ventures, which are illiquid and may be volatile;

- our ability to accurately value our investments, which requires methodologies, estimates and assumptions that can be highly subjective, and the inaccuracy of which could adversely affect our financial condition;
- 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;
- 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;
- 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; and
- 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 not be 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, 2021. 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.

# PART I — FINANCIAL INFORMATION

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

Unless the context indicates otherwise, the terms "Enstar," "we," "us" or "our" mean Enstar Group Limited and its consolidated subsidiaries.

The following discussion and analysis of our financial condition as of September 30, 2022 and our results of operations for the three and nine months ended September 30, 2022 and 2021 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, 2021.

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 Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.

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## Operational Highlights

Our consolidated results reflect our continued progress on providing capital release solutions to our clients by acquiring and managing their run-off portfolios.

Operational highlights for the nine months ended September 30, 2022 include:

### Assumed $3.2 billion of Loss Reserves from Run-off Transactions, including $3.1 billion from Aspen

- On May 20, 2022 we completed a loss portfolio transfer ("LPT") transaction with Aspen Insurance Holdings Limited ("Aspen") with respect to $3.1 billion of net loss reserves, subject to a limit of $3.6 billion. An existing ADC between Aspen and us that closed in June 2020 was absorbed into this LPT.
- As a result of this LPT transaction, we assumed an incremental $1.9 billion of net loss reserves with a diverse mix of property, liability and specialty lines of business, in exchange for incremental premium of $1.9 billion,[1] and assumed claims control.
- On August 31, 2022, we closed a LPT transaction with Probitas Managing Agency Limited ("Probitas") and assumed $61 million of net loss reserves with respect to the 2018 and prior year of account exposures of Probitas' managed Syndicate 1492 which cover general liability and financial risks underwritten worldwide. The LPT will convert into a reinsurance to close ("RITC") effective January 1, 2023, subject to regulatory approvals.

### Commenced Unwind of Enhanzed Re's Reinsurance Transactions

- On June 29, 2022, Enhanzed Re paid a $200 million dividend, of which $150 million was retained by the Company, and $50 million was paid to Allianz SE ("Allianz") in respect of its ownership interest in Enhanzed Re. As a result of the one quarter reporting lag, the impact was reflected in our third quarter results.
- Following the completion of our strategic review of Enhanzed Re earlier this year, on August 18, 2022, we entered into a Master Agreement with Allianz through which we agreed to a series of transactions[2] that will allow us to unwind Enhanzed Re in an orderly manner.
- Enhanzed Re completed the following transactions in the third quarter of 2022, the impact of which will be reflected in our fourth quarter results as a result of the one quarter reporting lag:
    - Commuted the catastrophe reinsurance business with Allianz, resulting in the recognition of a favorable commutation gain of $59 million; and
    - Repaid the $70 million of subordinated notes issued by Enhanzed Re to an affiliate of Allianz.
- Following receipt of regulatory approval on October 31, 2022, Enhanzed Re is expected to complete a novation of the reinsurance closed block of life annuity policies to Monument Re Limited ("Monument Re") on or about November 7, 2022. We will settle the life liabilities and the related assets at carrying value in return for cash consideration as of the closing date. As at June 30, 2022, the carrying value of these items was $1.3 billion and $1.1 billion, respectively, which we would record as $270 million of other income if measured as of this date.
    - Activity for the period from July 1, 2022 to the closing date will impact the amount of other income recorded.
    - A portion of our other income recorded will be subject to deferral to account for our 20% ownership interest in Monument Re and our net earnings attributable to Enstar will be reduced by the amount attributable to Allianz's noncontrolling interest in Enhanzed Re. The final impact of the novation will be reflected in our first quarter 2023 results as a result of the one quarter reporting lag.

### Executed Capital Transactions

- We completed a $500 million junior subordinated notes offering in January 2022, the net proceeds of which were primarily used to fund the payment at maturity of the outstanding $280 million aggregate principal amount of our senior notes, which matured in March 2022.

[1] Refer to "New Business" section for further details.

[2] Refer to "Note 17" to our condensed consolidated financial statements for further details.

- We repurchased 697,580 voting ordinary shares during the nine months ended September 30, 2022 for an aggregate $163 million, representing an average price per share of $233.92. During the nine months ended September 30, 2022, we utilized $105 million of the $200 million authorized under the 2022 Repurchase Program and the remaining $59 million authorized under the 2021 Repurchase Program to repurchase our ordinary shares. There were no share repurchases during the three months ended September 30, 2022.

## Consolidated Results of Operations - For the Three and Nine Months Ended September 30, 2022 and 2021

### Primary GAAP Financial Measures

We use the following GAAP measures to manage the company and monitor our performance:

- Net earnings and Net earnings attributable to Enstar ordinary shareholders, which collectively provide a measure of our performance focusing on underwriting, investment and expense results;
- Comprehensive income attributable to Enstar, which provides a measure of the total return, including unrealized investment gains and losses on investments, as well as other elements of other comprehensive income;
- Book value per share ("BVPS"), which we use to measure the value of our company over time;
- Return on equity ("ROE"), which measures our profitability by dividing our earnings attributable to the company by our shareholders' equity;
- Total investment return ("TIR"), which measures the rate of return we obtain, earned and both realized and unrealized, on our investments; and
- Run-off liability earnings ("RLE"), which measures the rate of return we obtain on managing our run-off liabilities by dividing our prior period net incurred losses and LAE by our average net loss reserves.

The following table sets forth certain condensed consolidated financial information:

| | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | $ / pp Change | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 | $ / pp Change |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars, except per share data) | | | | | |
| **Underwriting Results** | | | | | | |
| Net premiums earned | $ 4 | $ 52 | $ (48) | $ 52 | $ 204 | $ (152) |
| Net incurred losses and LAE | | | | | | |
| Current period | (13) | (42) | 29 | (39) | (146) | 107 |
| Prior period | 109 | 69 | 40 | 331 | 189 | 142 |
| Total net incurred losses and LAE | 96 | 27 | 69 | 292 | 43 | 249 |
| Policyholder benefit expenses | (7) | — | (7) | (25) | — | (25) |
| Acquisition costs | — | (11) | 11 | (20) | (50) | 30 |
| **Investment Results** | | | | | | |
| Net investment income | 116 | 93 | 23 | 302 | 231 | 71 |
| Net realized (losses) gains | (36) | 6 | (42) | (111) | 1 | (112) |
| Net unrealized (losses) gains | (546) | (280) | (266) | (1,518) | 110 | (1,628) |
| Earnings (losses) from equity method investments | (20) | (14) | (6) | 12 | 101 | (89) |
| **General and administrative expenses** | (67) | (93) | 26 | (235) | (269) | 34 |
| **NET (LOSS) EARNINGS** | (478) | (188) | (290) | (1,266) | 405 | (1,671) |
| **NET (LOSS) EARNINGS ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS** | $ (444) | $ (196) | $ (248) | $ (1,219) | $ 365 | $ (1,584) |
| **COMPREHENSIVE LOSS (INCOME) ATTRIBUTABLE TO ENSTAR** | $ (612) | $ (217) | $ (395) | $ (1,843) | $ 315 | $ (2,158) |
| **GAAP measures:** | | | | | | |
| ROE | (10.6)% | (2.9)% | (7.7) pp | (21.8)% | 5.9 % | (27.7) pp |
| Annualized ROE | | | | (29.1)% | 7.9 % | (37.0) pp |
| Annualized RLE | | | | 3.8 % | 2.5 % | 1.3 pp |
| Annualized TIR | | | | (8.7)% | 2.8 % | (11.5) pp |
| **Non-GAAP measures:** | | | | | | |
| Adjusted ROE* | (2.9)% | (2.8)% | (0.1) pp | (7.0)% | 7.7 % | (14.7) pp |
| Annualized Adjusted ROE* | | | | (9.4)% | 10.2 % | (19.6) pp |
| Annualized Adjusted RLE * | | | | 0.5 % | 1.4 % | (0.9) pp |
| Annualized Adjusted TIR* | | | | (1.0)% | 4.1 % | (5.1) pp |

| | As of September 30, 2022 | As of December 31, 2021 | $ Change |
|---|---|---|---|
| **GAAP measure:** | | | |
| BVPS | $ 208.60 | $ 316.34 | $ (107.74) |
| **Non-GAAP measure:** | | | |
| Adjusted BVPS* | $ 206.25 | $ 310.80 | $ (104.55) |

*pp - Percentage point(s)*

*Non-GAAP measure; refer to "Non-GAAP Financial Measures" section for reconciliation to the applicable GAAP financial measure.

## Overall Results

### Three Months Ended September 30, 2022 versus 2021:

Net loss attributable to Enstar ordinary shareholders for the three months ended September 30, 2022 was $444 million, an increase from the comparative quarter of $248 million as a result of:

- An increase in our negative total investment return of $291 million, consisting of the aggregate net investment income, net realized and unrealized losses and losses from equity method investments, primarily driven by an increase in net realized and unrealized losses on our fixed maturity securities of $331 million as a result of rising interest rates and widening credit spreads. This was partially offset by a decrease in net realized and unrealized losses on our other investments, including equities, of $23 million, and an increase in net investment income of $23 million primarily due to an increase in average aggregate fixed income assets and reinvestment at higher yields.
- Absence of the comparative quarter net gain on purchase and sales of subsidiaries of $47 million, driven by the bargain purchase gain recognized on the step acquisition of Enhanzed Re.
- Lower net premiums earned of $48 million, partially due to placing our Starstone International business into run-off in mid-2020.

This was partially offset by:

Reduced total expenses of $109 million as a result of the combination of:

- Reductions of $29 million in current period net incurred losses and LAE and $11 million in acquisition costs as a result of largely exiting or placing into run-off our active underwriting platforms, including StarStone International;
    - An increase in favorable prior period development in net incurred losses and LAE of $40 million driven by a reduction in the fair value of liabilities for which we have elected the fair value option; in addition to
    - A reduction of $26 million in general and administrative expenses primarily driven by reductions to long-term incentive plan costs.

The above resulted in a $290 million increase in our net loss to $478 million for the three months ended September 30, 2022.

Comprehensive loss attributable to Enstar increased by $395 million due to the $290 million increase in net loss and a $153 million increase in other comprehensive loss, which was primarily due to an increase in unrealized losses on our fixed income available-for-sale investments as a result of rising interest rates.

As a result of the current quarter net loss and comprehensive loss attributable to Enstar as noted above, our ROE decreased by 7.7 pp.

### Nine Months Ended September 30, 2022 versus 2021:

Net loss attributable to Enstar ordinary shareholders was $1.2 billion for the nine months ended September 30, 2022, an unfavorable movement of $1.6 billion from the comparative period, as a result of:

- Total negative investment return of $1.3 billion compared to total investment return of $443 million, primarily driven by an increase in net realized and unrealized losses on our fixed maturity securities of $978 million, and net realized and unrealized losses on our other investments, including equities, of $468 million for the nine months ended September 30, 2022, compared to net gains of $294 million for the comparative period. A decrease of $89 million in earnings from equity method investments further contributed to the decrease in our TIR, as a result of consolidating Enhanzed Re effective September 1, 2021. This was partially offset by an increase in net investment income of $71 million due to higher yielding investments.
- Rising interest rates and widening credit spreads led to the net losses on our fixed income securities, and global equity market declines and widening high yield credit spreads led to the net losses on our other investments, including equities. These factors contributed to an annualized TIR of (8.7)% for the nine months ended September 30, 2022, in comparison to an annualized TIR of 2.8% for the comparative period.
- An absence of the prior period net gain on purchase and sales of subsidiaries of $62 million, primarily driven by the bargain purchase gain recognized on the step acquisition of Enhanzed Re and a net gain on sales of subsidiaries of $15 million.

- Lower net earned premiums of $152 million, partially due to placing our Starstone International business into run-off in mid-2020.

This was partially offset by:

Reduced total expenses of $286 million as a result of the combination of:

- Reductions of $107 million in current period net incurred losses and LAE and $30 million in acquisition costs as a result of largely exiting or placing into run-off our active underwriting platforms, including StarStone International;
- An increase in favorable development in net incurred losses and LAE of $142 million, which improved our annualized RLE to 3.8% for the nine months ended September 30, 2022 in comparison to annualized RLE of 2.5% for the comparative period; in addition to
- A reduction of $34 million in general and administrative expenses primarily driven by reductions to long-term incentive plan costs and a decrease in IT costs as a result of reduced project activity, partially offset by the absence of a proportional reduction in accrued performance-based costs which were recorded in the comparative period.

The above resulted in the $1.7 billion variance in our current year-to-date net loss of $1.3 billion compared to prior period net earnings of $405 million.

Comprehensive loss attributable to Enstar moved unfavorably by $2.2 billion, from income of $315 million for the nine months ended September 30, 2021 to a loss of $1.8 billion for the nine months ended September 30, 2022, primarily due to the $1.7 billion year-over-year net loss as compared to net earnings variance and a $591 million increase in other comprehensive loss, which was primarily due to an increase in unrealized losses on our fixed income available-for-sale investments as a result of rising interest rates.

BVPS decreased by 34.1% primarily as a result of comprehensive loss attributable to Enstar of $1.8 billion.

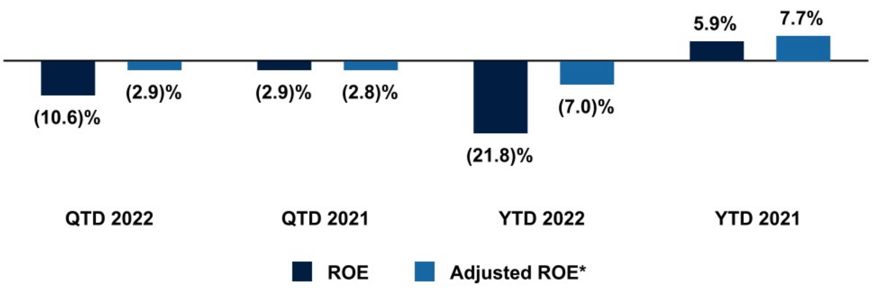
As a result of the current period net loss and comprehensive loss attributable to Enstar as noted above, our ROE decreased by 27.7 pp.

## Overall Measures of Performance

### BVPS and Adjusted BVPS*


BVPS and Adjusted BVPS* decreased by 34.1% and 33.6%, respectively, from December 31, 2021 to September 30, 2022, primarily due to recognized and unrecognized investment losses of $2.0 billion for the nine months ended September 30, 2022.

### ROE and Adjusted ROE*




**Three and Nine Months Ended September 30, 2022 versus 2021:** ROE decreased by 7.7 and 27.7 pp for the three and nine months ended September 30, 2022, respectively, primarily due to:

i. an increase in net realized and unrealized losses on fixed maturity securities, which contributed 8.7 and 17.8 pp to the total reduction in ROE for the three and nine months ended September 30, 2022, respectively;

ii. net realized and unrealized losses on other investments, including equities, for the three and nine months ended September 30, 2022 compared to net losses and net gains for the equivalent periods ended September 30, 2021, respectively. This contributed 1.1 and 13.1 pp to the total reduction in ROE for the three and nine months ended September 30, 2022, respectively; and

iii. a reduction in earnings from equity method investments, which contributed 1.4 pp to the total reduction in ROE for the nine months ended September 30, 2022.

These negative factors were partially offset by:

iv. higher favorable PPD, which offset the reduction in ROE by 1.6 and 2.9 pp for the three and nine months ended September 30, 2022, respectively; and

v. higher net investment income, which offset the reduction in ROE by 1.4 and 1.7 pp for the three and nine months ended September 30, 2022, respectively.

Adjusted ROE* decreased by 0.1 and 14.7 pp for the three and nine months ended September 30, 2022, respectively, as it excludes the impact of net realized and unrealized losses on fixed maturity securities.

*Non-GAAP measure; refer to “Non-GAAP Financial Measures” section for reconciliation to the applicable GAAP financial measure.

We discuss the results of our operations by aggregating certain captions from our condensed consolidated statements of earnings, as we believe it provides a more meaningful view of our results and eliminates repetition that would arise if captions were discussed on an individual basis.

In order to facilitate discussion, we have grouped the following captions:

- **Underwriting results**: includes net premiums earned, net incurred losses and LAE, policyholder benefit expenses and acquisition costs.
- **Investment results**: includes net investment income, net realized (losses) gains, net unrealized (losses) gains and (losses) earnings from equity method investments.
- **General and administrative results**: includes general and administrative expenses.

## Underwriting Results

Our strategy is focused on effectively managing portfolios and businesses in run-off. Although we have largely exited our active underwriting platforms, we still record net premiums earned and the associated current period net incurred losses and LAE and acquisition costs as a result of the run-off of unearned premiums from transactions completed in recent years.

Premiums earned in the Run-off segment are generally offset by the related current period net incurred losses and LAE and acquisition costs.

The components of underwriting results are as follows:

| | Three Months Ended September 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | | 2021 | | | |
| | Run-off | Assumed Life[3] | Legacy Underwriting | Corporate and other | Total | Run-off | Legacy Underwriting | Corporate and other | Total |
| | (in millions of U.S. dollars) | | | | | | | | |
| Net premiums earned | $ 1 | $ 2 | $ 1 | $ — | $ 4 | $ 39 | $ 13 | $ — | $ 52 |
| Net incurred losses and LAE: | | | | | | | | | |
| Current period | 10 | — | 3 | — | 13 | 35 | 7 | — | 42 |
| Prior periods | (61) | — | (2) | (46) | (109) | (86) | (2) | 19 | (69) |
| Total net incurred losses and LAE | (51) | — | 1 | (46) | (96) | (51) | 5 | 19 | (27) |
| Policyholder benefit expenses | — | 7 | — | — | 7 | — | — | — | — |
| Acquisition costs | 1 | — | (1) | — | — | 8 | 3 | — | 11 |
| Underwriting results | $ 51 | $ (5) | $ 1 | $ 46 | $ 93 | $ 82 | $ 5 | $ (19) | $ 68 |

| | Nine Months Ended September 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | | 2021 | | | |
| | Run-off | Assumed Life | Legacy Underwriting | Corporate and other | Total | Run-off | Legacy Underwriting | Corporate and other | Total |
| | (in millions of U.S. dollars) | | | | | | | | |
| Net premiums earned | $ 27 | $ 17 | $ 8 | $ — | $ 52 | $ 154 | $ 50 | $ — | $ 204 |
| Net incurred losses and LAE: | | | | | | | | | |
| Current period | 35 | — | 4 | — | 39 | 121 | 25 | — | 146 |
| Prior periods | (232) | (29) | 2 | (72) | (331) | (184) | (5) | — | (189) |
| Total net incurred losses and LAE | (197) | (29) | 6 | (72) | (292) | (63) | 20 | — | (43) |
| Policyholder benefit expenses | — | 25 | — | — | 25 | — | — | — | — |
| Acquisition costs | 18 | — | 2 | — | 20 | 37 | 13 | — | 50 |
| Underwriting results | $ 206 | $ 21 | $ — | $ 72 | $ 299 | $ 180 | $ 17 | $ — | $ 197 |

[3] During the third quarter of 2022, we changed the segment name from “Enhanzed Re” to “Assumed Life”. Refer to the “Assumed Life Segment” section for further details.

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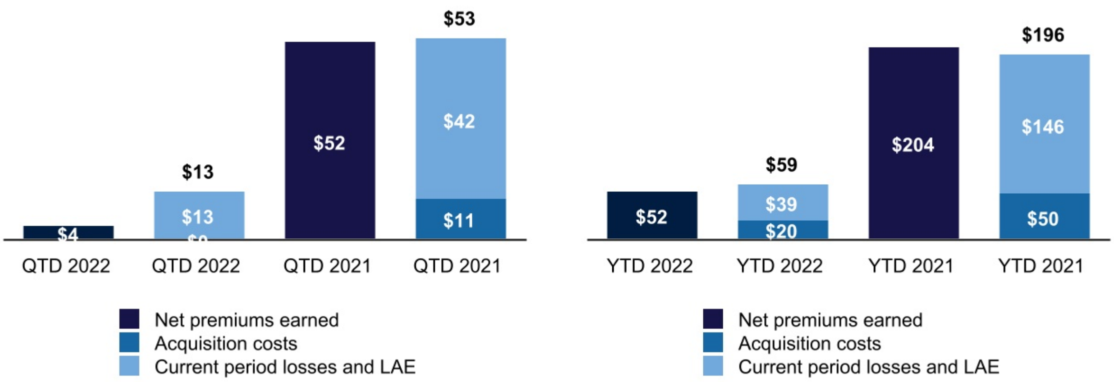
## Current Period - Three and Nine Months Ended September 30, 2022 and 2021

The current period underwriting results from our (re)insurance operations include net earned premiums that have been declining as we transition away from active underwriting activities.

*The below charts are in millions of U.S. dollars.*




The reductions in net premiums earned and current period net incurred losses and LAE were driven by reduced levels of activity arising from our exit of our active underwriting platforms beginning in 2020.

We continue to earn premium from our StarStone International business and from our Assumed Life segment. In comparison, our 2021 earned premium was primarily driven by StarStone International and AmTrust RITC business, which was entered into in 2019.

## Prior Periods - RLE - Three Months Ended September 30, 2022 and 2021

The following tables summarize RLE % and Adjusted RLE %* by acquisition year, which management believes is useful in measuring and monitoring performance of our claims management activity on the portfolios that we have acquired. This permits comparability between acquisition years of different loss reserve volumes.

| | Three Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | RLE | | | Adjusted RLE* | | |
| Acquisition Year | PPD | Average net loss reserves | Annualized RLE % | Adjusted PPD* | Average adjusted net loss reserves* | Annualized Adj RLE %* |
| | (in millions of U.S. dollars) | | | | | |
| 2012 and prior | $ 2 | $ 554 | | $ 7 | $ 583 | |
| 2013 | 4 | 178 | | 1 | 36 | |
| 2014 | 17 | 711 | | 1 | 52 | |
| 2015 | 6 | 275 | | 5 | 261 | |
| 2016 | 3 | 704 | | 2 | 744 | |
| 2017 | 71 | 592 | | 3 | 745 | |
| 2018 | 5 | 835 | | (9) | 888 | |
| 2019 | 8 | 1,015 | | 7 | 1,493 | |
| 2020 [(1)] | (11) | 600 | | (13) | 577 | |
| 2021 | 10 | 3,857 | | 21 | 4,223 | |
| 2022 [(1)] | (6) | 2,580 | | (11) | 2,437 | |
| Total | $ 109 | $ 11,901 | 3.7 % | $ 14 | $ 12,039 | 0.5 % |

[(1)] We have reclassified $784 million of average net loss reserves and $772 million of average adjusted net loss reserves* recorded in acquisition year 2020 arising from an ADC between Aspen and us to acquisition year 2022 to reflect the absorption of the ADC into the 2022 Aspen LPT transaction. There was no recorded PPD or Adjusted PPD* relating to the Aspen ADC during the three months ended September 30, 2022.

*Non-GAAP measure; refer to “Non-GAAP Financial Measures” section for reconciliation to the applicable GAAP financial measure.

**Three Months Ended September 30, 2022:**

Our Annualized RLE % was positively impacted by a reduction of $82 million in the fair value of liabilities for which we have elected the fair value option and a net reduction in estimates of net ultimate losses of $48 million, partially offset by $32 million of amortization of DCAs.

Favorable PPD in the 2017 and 2018 acquisition years was driven predominantly by a reduction in the fair value of liabilities for which we have elected the fair value option.

Favorable development as a result of lower claim activity on our marine, aviation, and transit line of business and favorable claim settlements on our workers' compensation line of business had a favorable impact on PPD in acquisition year 2019.

Whilst acquisition year 2018 also benefited from the favorable development on our marine, aviation and transit and workers' compensation lines of business, there was an increase in estimates of net ultimate losses as a result of worse than expected claims experience and adverse development on claims in relation to our general casualty and motor lines of business, which also impacted acquisition year 2020.

Acquisition year 2021 PPD benefited from favorable claim settlements on our workers' compensation line of business but was adversely impacted by worse than expected claims experience on our general casualty line of business and accelerated amortization of DCAs (offsetting favorable development pursuant to our accounting policies).

Our Annualized Adjusted RLE %*, which excludes fair value adjustments, the reduction in provisions for ULAE and the changes in the loss liabilities of the Assumed Life and Legacy Underwriting segments, was positively impacted by the net reduction in estimates of net ultimate losses relating to the Run-off segment, partially offset by amortization of DCAs, as described above.

| | Three Months Ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | RLE | | | Adjusted RLE* | | |
| Acquisition Year | PPD | Average net loss reserves | Annualized RLE % | Adjusted PPD* | Average adjusted net loss reserves* | Annualized Adj RLE %* |
| | (in millions of U.S. dollars) | | | | | |
| 2012 and prior | $ 12 | $ 552 | | $ 8 | $ 586 | |
| 2013 | 2 | 215 | | — | 49 | |
| 2014 | 23 | 937 | | 6 | 73 | |
| 2015 | 11 | 335 | | 10 | 318 | |
| 2016 | (1) | 813 | | 1 | 857 | |
| 2017 | 13 | 976 | | 2 | 988 | |
| 2018 | 2 | 1,147 | | 2 | 1,136 | |
| 2019 | 9 | 1,155 | | 17 | 1,636 | |
| 2020 | 2 | 1,749 | | (1) | 1,701 | |
| 2021 | (4) | 3,520 | | 8 | 4,086 | |
| Total | $ 69 | $ 11,399 | 2.4 % | $ 53 | $ 11,430 | 1.9 % |

**Three Months Ended September 30, 2021:**

Our Annualized RLE % was positively impacted by a net reduction in estimates of net ultimate losses of $74 million, partially offset by $24 million of amortization of DCAs.

Acquisition years 2011, 2015 and 2021 benefited from better than expected claims experience and favorable results from actuarial loss reserve reviews relating to our workers' compensation line of business.

Favorable results from actuarial loss reserve studies with respect to our property line of business had a favorable impact on acquisition years 2014 and 2019.

Acquisition years 2015 and 2019 also benefited from better than expected claims experience on our construction defect line of business.

Acquisition year 2018 benefited from the favorable development on our workers' compensation and property lines of business, in addition to better than expected claims experience on our marine, aviation and transit line of business, but was adversely impacted by worse than expected claims experience across multiple lines of business.

*Non-GAAP measure; refer to "Non-GAAP Financial Measures" section for reconciliation to the applicable GAAP financial measure.

The favorable movements were partially offset by accelerated amortization of DCAs relating to the 2021 acquisition year.

Our Annualized Adjusted RLE %* was positively impacted by the net reduction in estimates of net ultimate losses relating to the Run-off segment, partially offset by amortization of DCAs, as described above.

## Prior Periods - RLE - Nine Months Ended September 30, 2022 and 2021

The following tables summarize RLE % and Adjusted RLE %* by acquisition year:

| | Nine Months Ended September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | RLE | | | Adjusted RLE* | | |
| Acquisition Year | PPD | Average net loss reserves | Annualized RLE % | Adjusted PPD* | Average adjusted net loss reserves* | Annualized Adj RLE %* |
| | (in millions of U.S. dollars) | | | | | |
| 2012 and prior | $ 3 | $ 581 | | $ 12 | $ 611 | |
| 2013 | — | 187 | | 1 | 39 | |
| 2014 | 35 | 766 | | 1 | 48 | |
| 2015 | 7 | 284 | | 5 | 270 | |
| 2016 | 7 | 730 | | 14 | 774 | |
| 2017 | 189 | 724 | | 6 | 823 | |
| 2018 | 47 | 925 | | (1) | 960 | |
| 2019 | — | 1,052 | | (7) | 1,524 | |
| 2020 [(1)] | (10) | 701 | | (19) | 675 | |
| 2021 | 59 | 3,972 | | 41 | 4,382 | |
| 2022 [(1)] | (6) | 1,638 | | (11) | 1,562 | |
| Total | $ 331 | $ 11,560 | 3.8 % | $ 42 | $ 11,668 | 0.5 % |

(1) We have reclassified $2 million of PPD, $2 million of Adjusted PPD*, $784 million of average net loss reserves and $772 million of average adjusted net loss reserves* recorded in acquisition year 2020 arising from an ADC between Aspen and us to acquisition year 2022 to reflect the absorption of the ADC into the 2022 Aspen LPT transaction.

**Nine Months Ended September 30, 2022:**

Our Annualized RLE % was positively impacted by a reduction of $228 million in the fair value of liabilities for which we have elected the fair value option and a net reduction in estimates of net ultimate losses of $209 million, partially offset by $145 million of amortization of DCAs.

Favorable PPD in the 2017 and 2018 acquisition years was driven predominantly by a reduction in the fair value of liabilities for which we have elected the fair value option.

Acquisition year 2020 was adversely impacted by worse than expected claims experience and adverse development on claims in relation to our general casualty and motor lines of business.

Acquisition year 2021 PPD benefited from favorable claim settlements on our workers' compensation and professional indemnity/directors and officers lines of business and favorable claim activity on the catastrophe book in the Assumed Life segment, which more than offset the adverse impact of worse than expected claims experience on our general casualty line of business and accelerated amortization of DCAs (offsetting favorable development pursuant to our accounting policies).

Our Annualized Adjusted RLE %* was positively impacted by the net reduction in estimates of net ultimate losses relating to the Run-off segment, partially offset by amortization of DCA, as described above.

*Non-GAAP measure; refer to "Non-GAAP Financial Measures" section for reconciliation to the applicable GAAP financial measure.

| | Nine Months Ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | RLE | | | Adjusted RLE* | | |
| Acquisition Year | PPD | Average net loss reserves | Annualized RLE % | Adjusted PPD* | Average adjusted net loss reserves* | Annualized Adj RLE %* |
| | (in millions of U.S. dollars) | | | | | |
| 2012 and prior | $ 21 | $ 569 | | $ 17 | $ 603 | |
| 2013 | 5 | 141 | | — | 56 | |
| 2014 | 36 | 971 | | 23 | 83 | |
| 2015 | 11 | 346 | | 10 | 329 | |
| 2016 | 4 | 831 | | 5 | 876 | |
| 2017 | 66 | 1,023 | | 4 | 1,008 | |
| 2018 | 29 | 1,232 | | 20 | 1,208 | |
| 2019 | 6 | 1,188 | | 25 | 1,684 | |
| 2020 | 25 | 1,858 | | 13 | 1,806 | |
| 2021 | (14) | 2,095 | | (14) | 2,306 | |
| Total | $ 189 | $ 10,254 | 2.5 % | $ 103 | $ 9,959 | 1.4 % |

**Nine Months Ended September 30, 2021:**

Our Annualized RLE % was positively impacted by a net reduction in estimates of net ultimate losses of $143 million and a reduction of $68 million in the fair value of liabilities for which we have elected the fair value option, partially offset by $55 million of amortization of DCAs.

Favorable PPD in the 2017 and 2018 acquisition years was driven predominantly by a reduction in the fair value of liabilities for which we have elected the fair value option as a result of increases in interest rates.

Acquisition years 2014, 2018 and 2019 benefited from favorable development on our property and marine, transit and aviation lines of business as a result of favorable results from actuarial loss reserve studies.

Acquisition years 2015, 2017, 2020 and 2021 benefited from better than expected claims experience.

The favorable movements were partially offset by accelerated amortization of DCA relating to the 2021 acquisition year and regular amortization across multiple acquisition years.

Annualized Adjusted RLE %* was positively impacted by the net reduction in estimates of net ultimate losses relating to the Run-off segment, partially offset by amortization of DCA, as described above. Annualized Adjusted RLE %* further benefited from a $19 million favorable impact as a result of lower than expected asbestos related claim frequency related to our defendant A&E liabilities attributable primarily to the 2019 acquisition year.

*Non-GAAP measure; refer to “Non-GAAP Financial Measures” section for reconciliation to the applicable GAAP financial measure.

## Investment Results

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 and future policyholder benefit expenses.

The components of our investment results split between our fixed income assets (which includes our short-term and fixed maturity investments classified as trading and AFS, fixed maturity investments included within funds held-directly managed, cash and cash equivalents, including restricted cash and cash equivalents, and funds held by reinsured companies, collectively our “Fixed Income” assets) and other investments ("Other Investments") (which includes equities, the remainder of funds held-directly managed and equity method investments) are as follows:

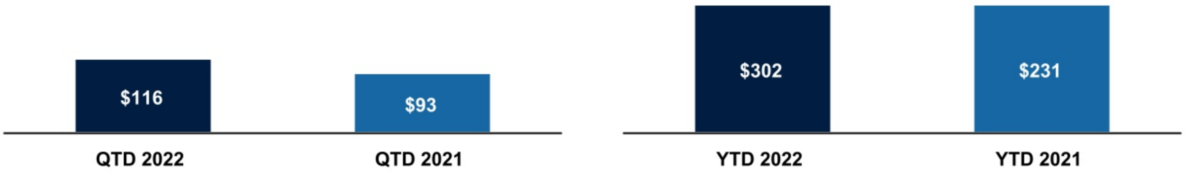
| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Fixed Income | Other Investments | Total | Fixed Income | Other Investments | Total |
| | (in millions of U.S. dollars) | | | | | |
| Net investment income | $ 94 | $ 22 | $ 116 | $ 81 | $ 12 | $ 93 |
| Net realized (losses) gains | (23) | (13) | (36) | 6 | — | 6 |
| Net unrealized losses | (395) | (151) | (546) | (93) | (187) | (280) |
| Losses from equity method investments | — | (20) | (20) | — | (14) | (14) |
| **TIR ($)** | $ (324) | $ (162) | $ (486) | $ (6) | $ (189) | $ (195) |
| Annualized TIR % | (8.6)% | (12.6)% | (9.7)% | (0.1)% | (13.9)% | (3.6)% |
| Annualized Adjusted TIR %* | 2.3 % | (12.6)% | (1.3)% | 2.0 % | (13.9)% | (2.0)% |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Fixed Income | Other Investments | Total | Fixed Income | Other Investments | Total |
| | (in millions of U.S. dollars) | | | | | |
| Net investment income | $ 239 | $ 63 | $ 302 | $ 190 | $ 41 | $ 231 |
| Net realized (losses) gains | (88) | (23) | (111) | (1) | 2 | 1 |
| Net unrealized (losses) gains | (1,073) | (445) | (1,518) | (182) | 292 | 110 |
| Earnings from equity method investments | — | 12 | 12 | — | 101 | 101 |
| **TIR ($)** | $ (922) | $ (393) | $ (1,315) | $ 7 | $ 436 | $ 443 |
| Annualized TIR % | (8.2)% | (10.0)% | (8.7)% | 0.1 % | 9.9 % | 2.8 % |
| Annualized Adjusted TIR %* | 2.0 % | (10.0)% | (1.0)% | 1.7 % | 9.9 % | 4.1 % |

*Non-GAAP measure; refer to “Non-GAAP Financial Measures” section for reconciliation to the applicable GAAP financial measure.

## Net Investment Income

*The below charts are in millions of U.S. dollars.*

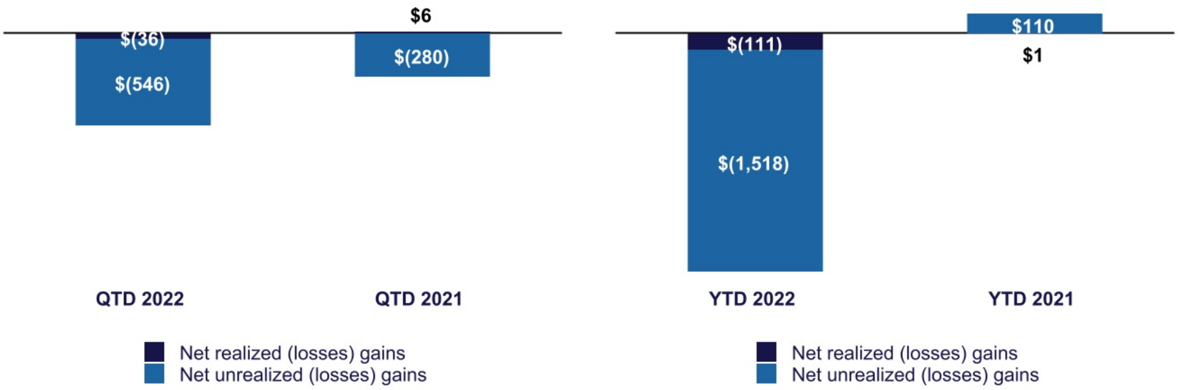



**Three and Nine Months Ended September 30, 2022 versus 2021:** Net investment income increased primarily due to:

- an increase in our average aggregate fixed income assets of $0.7 billion and $1.4 billion, respectively, due to new business during the past year; and
- an increase in our annualized book yield by 59 and 24 basis points, respectively, due to a combination of investment of new premium and reinvestment of fixed maturities at higher yields and the impact of rising interest rates on the $2.7 billion of our fixed maturity investments that are subject to floating interest rates. Our floating rate investments generated increased net investment income of $16 million and $39 million, respectively, which equates to an increase of 257 basis points and 165 basis points, respectively, on those investments in comparison to the prior period.

## Net Realized and Unrealized (Losses) Gains

*The below charts are in millions of U.S. dollars.*




**Three Months Ended September 30, 2022 versus 2021:** Net realized and unrealized losses increased by $308 million as a result of:

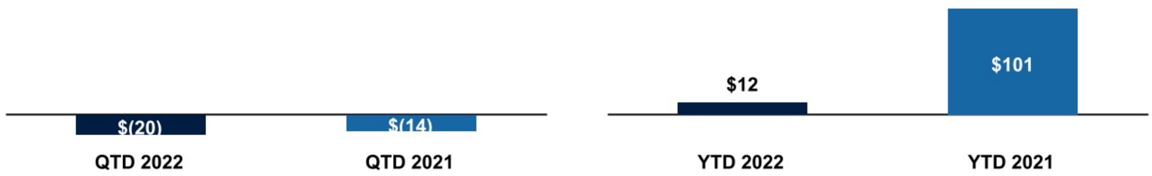
- an increase in net realized and unrealized losses on fixed income securities of $331 million, primarily driven by rising interest rates across U.S., U.K. and European markets, in addition to widening credit spreads in the current period; partially offset by
- a decrease in net realized and unrealized losses on other investments, including equities, of $23 million. Net losses for the three months ended September 30, 2022 were primarily driven by losses from our public equities, private equity funds and hedge funds, largely as a result of global equity market declines and the widening of high yield credit spreads. Net losses for the three months ended September 30, 2021 were driven by net unrealized losses in the InRe Fund, principally a result of volatility in Chinese and other global equity markets.

**Nine Months Ended September 30, 2022 versus 2021:** The negative variance of $1.7 billion when comparing net realized and unrealized losses to net realized and unrealized gains was the result of:

- an increase in net realized and unrealized losses on fixed income securities of $978 million, primarily driven by rising interest rates across U.S., U.K. and European markets, in addition to widening credit spreads in the current period; and
- net realized and unrealized losses on other investments, including equities, of $468 million for the nine months ended September 30, 2022, compared to net gains of $294 million for the comparative period. The unfavorable movement of $762 million was primarily driven by:
  - Losses from our public equities, fixed income funds, CLO equities and hedge funds for the nine months ended September 30, 2022, largely as a result of global equity market declines and the widening of high yield credit spreads; in comparison to
  - Net realized and unrealized gains for the nine months ended September 30, 2021, which were led by gains in private equity funds, fixed income funds, private debt funds, equity and equity funds, CLO equities, hedge funds and real estate funds, principally driven by a rally in risk assets and global equity markets as economies continued to re-open following the shutdowns related to the COVID-19 pandemic.

## Earnings (losses) from equity method investments

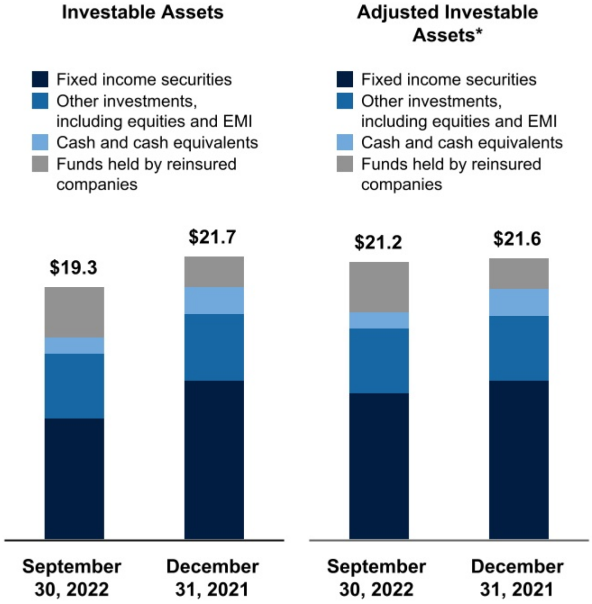
*The below charts are in millions of U.S. dollars.*




**Nine Months Ended September 30, 2022 versus 2021:** Earnings from equity method investments decreased, primarily due to our acquisition of the controlling interest in Enhanzed Re, which resulted in us consolidating Enhanzed Re effective September 1, 2021. Prior to that date, the results of Enhanzed Re were recorded in earnings from equity method investments. The consolidated net loss from Enhanzed Re was $231 million for the nine months ended September 30, 2022 driven by unrealized investment losses.

## Investable Assets

*The below charts are in billions of U.S. dollars*




- Investable assets decreased by 11.0% from December 31, 2021 to September 30, 2022, primarily due to a decline in the carrying value of our fixed income securities and other investments, including equities, and due to assets used to support net paid losses, partially offset by an increase in funds held by reinsured companies as a result of the Aspen transaction.
- Adjusted investable assets* decreased by 1.8% from December 31, 2021 to September 30, 2022, as a result of a decline in the carrying value of our other investments, including equities, and the impact of net paid losses, partially offset by an increase in funds held by reinsured companies as a result of the Aspen transaction.
- Cash and cash equivalents decreased by $735 million from December 31, 2021 to September 30, 2022, primarily as a result of the redeployment of a portion of the InRe Fund redemptions to other investments, including equities.

*Non-GAAP measure; refer to "Non-GAAP Financial Measures" section for reconciliation to the applicable GAAP financial measures.

### Duration and average credit rating on fixed income securities and cash and cash equivalents

The fair value, duration and average credit rating of investments by segment is as follows:

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| **Segment** | **Fair Value ($) [1]** | **Duration (in years) [2]** | **Average Credit Rating [3]** | **Fair Value ($) [1]** | **Duration (in years) [2]** | **Average Credit Rating [3]** |
| | **(in millions of U.S. dollars)** | | | **(in millions of U.S. dollars)** | | |
| Investments | | | | | | |
| Run-off | $ 9,421 | 4.03 | A+ | $ 12,680 | 4.54 | A+ |
| Assumed Life | 1,074 | 9.21 | A- | 1,454 | 14.62 | A- |
| Total - Investments | 10,495 | 4.57 | A+ | 14,134 | 5.69 | A+ |
| Legacy Underwriting | 172 | 2.30 | AA | 212 | 2.37 | AA- |
| **Total** | **$ 10,667** | **4.54** | **A+** | **$ 14,346** | **5.72** | **A+** |

(1) The fair value of our fixed income securities and cash and cash equivalents by segment does not include the carrying value of cash and cash equivalents within our funds held-directly managed portfolios.

(2) The duration calculation includes cash and cash equivalents, short-term investments and fixed maturity securities, as well as the fixed maturity securities and cash and cash equivalents within our funds held-directly managed portfolios.

(3) The average credit ratings calculation includes cash and cash equivalents, short-term investments, fixed maturity securities and the fixed maturity securities within our funds held - directly managed portfolios.

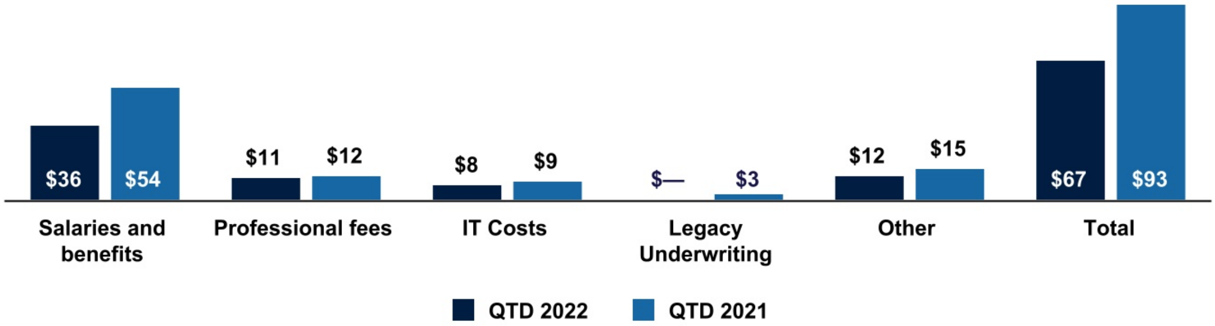
The overall decrease in the balance of our fixed income securities and cash and cash equivalents of $3.7 billion for the nine months ended September 30, 2022 was driven by the redeployment of a portion of the InRe Fund redemptions from cash and cash equivalents to other investments, including equities, the recognition of net unrealized losses on our fixed income securities as described above and the impact of net paid losses.

As of both September 30, 2022 and December 31, 2021, our fixed income securities and cash and cash equivalents had an average credit quality rating of A+.

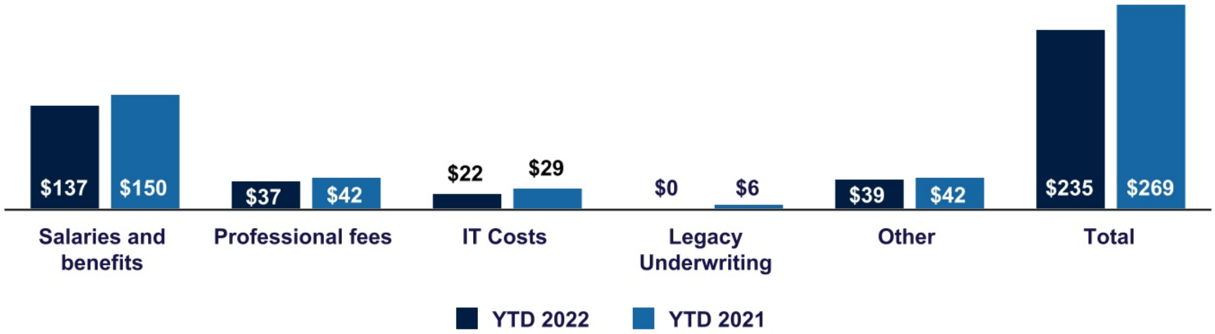
As of September 30, 2022 and December 31, 2021, our fixed income securities that were non-investment grade (i.e. rated lower than BBB- and non-rated securities) comprised 6.7% and 5.6% of our total fixed income securities portfolio, respectively. The increase in non-investment grade fixed income securities was driven by the redeployment of a portion of the InRe Fund redemptions to higher-yielding fixed income securities in the period.

## General and Administrative Expenses for the For the Three and Nine Months Ended September 30, 2022 and 2021

*The below charts are in millions of U.S. dollars.*




**Three Months Ended September 30, 2022 versus 2021:** The $26 million decrease in general and administrative expenses was primarily a result of reductions in salaries and benefits expenses, driven by a $20 million reduction to long-term incentive plan costs as a result of reducing performance share unit ("PSU") award values based on projected results.




**Nine Months Ended September 30, 2022 versus 2021:** The $34 million decrease in general and administrative expenses was primarily driven by reductions in salaries and benefits expenses, including a $20 million reduction to long-term incentive plan costs as a result of reducing PSU award values based on projected results, and further impacted by reduced head count. In addition, we incurred reductions in IT costs as a result of reduced project activity.

This was partially offset by a $12 million period over period increase in accrued short term incentives.

## New Business

We define new business as material transactions, which generally take the form of reinsurance or direct business transfers, or business acquisitions.

When we acquire new business through reinsurance or direct business transfers, the liabilities we assume typically exceed the fair value of the assets we receive. This is generally due to the future earnings expected on the assets, as well as negotiations if we believe the liabilities could potentially be reduced in the future through successful claims management.

The difference between the liabilities assumed and the assets acquired is recorded as a DCA or deferred gain, which is then amortized over the expected settlement period. As such, the performance of the new business is assessed over time by comparing the net of investment income, loss reserve development and amortization of the DCA or deferred gain.

The table below sets forth a summary of new business that we have completed between January 1, 2022 and September 30, 2022:

| Transaction | Total Assets Assumed | DCA [1] | Total Assets from Transactions | Total Liabilities from Transactions | Type of Transaction | Remaining Limit upon Acquisition | Line of Business | Jurisdiction |
|---|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | | | |
| Aspen [2] | $ 1,881 | $ 28 | $ 1,909 | $ 1,909 | LPT | 403 | Property, liability and specialty lines | U.S., U.K. and Europe |
| Probitas | 60 | 1 | 61 | 61 | LPT[3] | No limit | General casualty, financial and property lines | U.K. and international |
| Total 2022 | $ 1,941 | $ 29 | $ 1,970 | $ 1,970 | | | | |

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

(2) We agreed to assume $3.1 billion of net loss reserves, subject to a limit of $3.6 billion. Pursuant to terms of the contract, the amount of net loss reserves assumed, in addition to the premium consideration provided in the LPT agreement, were adjusted for the original ADC cash premium of $770 million as well as claims paid between October 1, 2021 and May 20, 2022 and other contractual obligations totaling $432 million.

(3) The LPT will convert into a RITC transaction as of January 1, 2023, subject to regulatory approval.

## Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

We have presented the results and GAAP reconciliations for these measures further below. The following tables present more information on each non-GAAP measure.

| Non-GAAP Measure | Definition | Purpose of Non-GAAP Measure over GAAP Measure |
|---|---|---|
| **Adjusted book value per ordinary share** | Total Enstar ordinary shareholders' equity<br><br>Divided by<br><br>Number of ordinary shares outstanding, adjusted for:<br>*-the ultimate effect of any dilutive securities on the number of ordinary shares outstanding* | Increases the number of ordinary shares to reflect the exercise of equity awards granted but not yet vested as, over the long term, this presents both management and investors with a more economically accurate measure of the realizable value of shareholder returns by factoring in the impact of share dilution.<br><br>We use this non-GAAP measure in our incentive compensation program. |

| | | |
|---|---|---|
| Adjusted return on equity (%) | Adjusted operating income (loss) attributable to Enstar ordinary shareholders divided by adjusted opening Enstar ordinary shareholder's equity | Calculating the operating income (loss) as a percentage of our adjusted opening Enstar ordinary shareholders' equity provides a more consistent measure of the performance of our business by enabling comparison between the financial periods presented. |
| **Adjusted operating income (loss) attributable to Enstar ordinary shareholders (*numerator*)** | Net earnings (loss) attributable to Enstar ordinary shareholders, adjusted for:<br>*-net realized and unrealized (gains) losses on fixed maturity investments and funds held-directly managed*<br>*-change in fair value of insurance contracts for which we have elected the fair value option* (1)<br>*-amortization of fair value adjustments*<br>*-net gain/loss on purchase and sales of subsidiaries (if any)*<br>*-net earnings from discontinued operations (if any)*<br>*-tax effects of adjustments*<br>*-adjustments attributable to noncontrolling interests* | We eliminate the impact of net realized and unrealized (gains) losses on fixed maturity investments and funds-held directly managed and the change in fair value of insurance contracts for which we have elected the fair value option, as:<br>• we typically hold most of our fixed maturity investments until the earlier of maturity or the time that they are used to fund any settlement of related liabilities which are generally recorded at cost; and<br>• removing the fair value option improves comparability since there are limited acquisition years for which we elected the fair value option.<br><br>Therefore, we believe that excluding their impact on our earnings improves comparability of our core operational performance across periods.<br><br>We include the amortization of fair value adjustments as a non-GAAP adjustment to the adjusted operating income (loss) attributable to Enstar ordinary shareholders as it is a non-cash charge that is not reflective of the impact of our claims management strategies on our loss portfolios. |
| **Adjusted opening Enstar ordinary shareholders' equity (*denominator*)** | Opening Enstar ordinary shareholders' equity, less:<br>*-net unrealized gains (losses) on fixed maturity investments and funds held-directly managed,*<br>*-fair value of insurance contracts for which we have elected the fair value option* (1)*,*<br>*-fair value adjustments, and*<br>*-net assets of held for sale or disposed subsidiaries classified as discontinued operations (if any)* | We eliminate the net gain (loss) on the purchase and sales of subsidiaries and net earnings from discontinued operations, as these items are not indicative of our ongoing operations.<br><br>We use this non-GAAP measure in our incentive compensation program. |

| | | |
|---|---|---|
| [Adjusted total investment return (%)](#) | Adjusted total investment return (dollars) recognized in earnings for the applicable period divided by period average adjusted total investable assets. | Provides a key measure of the return generated on the capital held in the business and is reflective of our investment strategy.<br><br>Provides a consistent measure of investment returns as a percentage of all assets generating investment returns.<br><br>We adjust our investment returns to eliminate the impact of the change in fair value of fixed maturity securities (both credit spreads and interest rates), as we typically hold most of these investments until the earlier of maturity or used to fund any settlement of related liabilities which are generally recorded at cost. |
| **Adjusted total investment return ($) (*numerator*)** | Total investment return (dollars), adjusted for:<br>*-net realized and unrealized (gains) losses on fixed maturity investments and funds held-directly managed* | |
| **Adjusted average aggregate total investable assets (*denominator*)** | Total average investable assets, adjusted for:<br>*-net unrealized (gains) losses on fixed maturities, AFS investments included within AOCI*<br>*-net unrealized (gains) losses on fixed maturities, trading instruments* | |
| [Adjusted run-off liability earnings (%)](#) | Adjusted PPD divided by average adjusted net loss reserves | Calculating the RLE as a percentage of our adjusted average net loss reserves provides a more meaningful and comparable measurement of the impact of our claims management strategies on our loss portfolios across acquisition years and also to our overall financial periods.<br><br>We use this measure to evaluate the impact of our claims management strategies because it provides visibility into our ability to settle our claims obligations for amounts less than our initial estimate at the point of acquiring the obligations. |
| ***Adjusted prior period development (numerator)*** | Prior period net incurred losses and LAE, adjusted to:<br>*Remove:*<br>-Legacy Underwriting *and* Assumed Life *operations*<br>*-the reduction/(increase) in provisions for unallocated LAE (ULAE)*<br>*-amortization of fair value adjustments,*<br>*-change in fair value of insurance contracts for which we have elected the fair value option [1],*<br>*and*<br>*Add:*<br>*-the reduction/(increase) in estimates of our defendant A&E ultimate net liabilities.* | In order to provide a complete and consistent picture of our claims management performance, we combine:<br>• the reduction (increase) in estimates of prior period net ultimate losses relating to our Run-off segment; with<br>• the amortization of deferred charge assets (as the amortization will increase or decrease as a result of the periodic development in accordance with our accounting policies).<br><br>Both adjustments are included in net incurred losses and LAE.<br><br>We also include our performance in managing claims on our defendant A&E liabilities, that do not form part of loss reserves.<br><br>The remaining components of periodic recurring net incurred losses and LAE and net loss reserves are not considered key components of our claims management performance for the following reasons:<br><br>• The results of our Legacy Underwriting segment have been economically transferred to a third party primarily through use of reinsurance and a Capacity Lease Agreement[2]; as such, the results are not a relevant contribution to Adjusted RLE, which is designed to analyze the impact of our claims management strategies;<br>• The results of our Assumed Life segment relate only to our exposure to active property catastrophe business; as this business is not in run-off, the results are not a relevant contribution to Adjusted RLE;<br>• The change in fair value of insurance contracts for which we have elected the fair value option[1] has been removed to support comparability between the two acquisition years for which we elected the fair value option in reserves assumed and the acquisition years for which we did not make this election (specifically, this election was only made in the 2017 and 2018 acquisition years and the election of such option is irrevocable);<br>• The reduction/(increase) in provisions for ULAE are not considered directly related to the reserves and their exclusion provides alignment with our insurance contract disclosures, which is a key measure of our comparability between the acquisition years over time; and<br>• The amortization of fair value adjustments are non-cash charges that obscure our trends on a consistent basis.<br><br>We use this measure to assess the performance of our claim strategies and part of the performance assessment of our past acquisitions. |
| ***Adjusted net loss reserves (denominator)*** | Net losses and LAE, adjusted to:<br>*Remove:*<br>-Legacy Underwriting *and* Assumed Life *net loss reserves*<br>*-current period net loss reserves*<br>*-the net ULAE provision*<br>*-net fair value adjustments associated with the acquisition of companies,*<br>*-the fair value adjustments for contracts for which we have elected the fair value option [1] and*<br>*Add:*<br>*-net nominal defendant asbestos and environmental exposures.* | |

[1] Comprises the discount rate and risk margin components.

[2] As described in Note 5 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

## Reconciliation of GAAP to Non-GAAP Measures

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

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Equity [1] | Ordinary Shares | Per Share Amount | Equity [1] | Ordinary Shares | Per Share Amount |
| | (in millions of U.S. dollars, except share and per share data) | | | | | |
| **Book value per ordinary share** | $ 3,550 | 17,018,571 | $ 208.60 | $ 5,586 | 17,657,944 | $ 316.34 |
| Non-GAAP adjustments: | | | | | | |
| Share-based compensation plans | | 193,951 | | | 315,205 | |
| **Adjusted book value per ordinary share*** | $ 3,550 | 17,212,522 | $ 206.25 | $ 5,586 | 17,973,149 | $ 310.80 |

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

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

| | Three Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2022 | | | | September 30, 2021 | | | |
| | Net (loss) earnings [1] | Opening equity [1] | (Adj) ROE | Annualized (Adj) ROE | Net (loss) earnings [1] | Opening equity [1] | (Adj) ROE | Annualized (Adj) ROE |
| | (in millions of U.S. dollars) | | | | | | | |
| **Net loss/Opening equity/ROE/Annualized ROE [1]** | $ (444) | $ 4,183 | (10.6)% | (42.5)% | $ (196) | $ 6,677 | (2.9)% | (11.7)% |
| Non-GAAP adjustments: | | | | | | | | |
| *Remove:* | | | | | | | | |
| Net realized and unrealized losses (gains) on fixed maturity investments and funds held - directly managed / Net unrealized losses (gains) on fixed maturity investments and funds held - directly managed [2] | 418 | 1,245 | | | 87 | (339) | | |
| Change in fair value of insurance contracts for which we have elected the fair value option / Fair value of insurance contracts for which we have elected the fair value option [3] | (82) | (239) | | | (10) | (91) | | |
| Amortization of fair value adjustments / Fair value adjustments | 4 | (99) | | | 5 | (120) | | |
| Net gain on purchase and sales of subsidiaries | — | — | | | (47) | — | | |
| Tax effects of adjustments [4] | (2) | — | | | (5) | — | | |
| Adjustments attributable to noncontrolling interests [5] | (42) | — | | | (8) | — | | |
| **Adjusted operating loss/Adjusted opening equity/Adjusted ROE/Annualized adjusted ROE*** | $ (148) | $ 5,090 | (2.9)% | (11.6)% | $ (174) | $ 6,127 | (2.8)% | (11.4)% |

[1] Net (loss) earnings comprises net (loss) earnings attributable to Enstar ordinary shareholders, prior to any non-GAAP adjustments. Opening equity comprises Enstar ordinary shareholders' equity, which is calculated as opening Enstar shareholders' equity less preferred shares ($510 million), prior to any non-GAAP adjustments.

[2] Represents the net realized and unrealized losses (gains) related to fixed maturity securities. Our fixed maturity securities are held directly on our balance sheet and also within the "Funds held - directly managed" balance.

[3] Comprises the discount rate and risk margin components.

[4] Represents an aggregation of the tax expense or benefit associated with the specific country to which the pre-tax adjustment relates, calculated at the applicable jurisdictional tax rate.

[5] Represents the impact of the adjustments on the net earnings (loss) attributable to noncontrolling interests associated with the specific subsidiaries to which the adjustments relate.

*Non-GAAP measure.

| | Nine Months Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2022 | | | | September 30, 2021 | | | |
| | Net (loss) earnings [(1)] | Opening equity [(1)] | (Adj) ROE | Annualized (Adj) ROE | Net (loss) earnings [(1)] | Opening equity [(1)] | (Adj) ROE | Annualized (Adj) ROE |
| | (in millions of U.S. dollars) | | | | | | | |
| **Net (loss) earnings/Opening equity/ROE/Annualized ROE [(1)]** | $ (1,219) | $ 5,586 | (21.8)% | (29.1)% | $ 365 | $ 6,164 | 5.9 % | 7.9 % |
| Non-GAAP adjustments: | | | | | | | | |
| Net realized and unrealized losses on fixed maturity investments and funds held - directly managed / Net unrealized gains on fixed maturity investments and funds held - directly managed [(2)] | 1,161 | (89) | | | 183 | (560) | | |
| Change in fair value of insurance contracts for which we have elected the fair value option / Fair value of insurance contracts for which we have elected the fair value option [(3)] | (228) | (107) | | | (68) | (33) | | |
| Amortization of fair value adjustments / Fair value adjustments | 11 | (106) | | | 13 | (128) | | |
| Net gain on purchase and sales of subsidiaries | — | — | | | (62) | — | | |
| Tax effects of adjustments [(4)] | (6) | — | | | (18) | — | | |
| Adjustments attributable to noncontrolling interests [(5)] | (90) | — | | | 4 | — | | |
| **Adjusted operating (loss) income/Adjusted opening equity/Adjusted ROE/Annualized adjusted ROE*** | $ (371) | $ 5,284 | (7.0)% | (9.4)% | $ 417 | $ 5,443 | 7.7 % | 10.2 % |

(1) Net (loss) earnings comprises net (loss) earnings attributable to Enstar ordinary shareholders, prior to any non-GAAP adjustments. Opening equity comprises Enstar ordinary shareholders' equity, which is calculated as opening Enstar shareholders' equity less preferred shares ($510 million), prior to any non-GAAP adjustments.

(2) Represents the net realized and unrealized losses related to fixed maturity securities. Our fixed maturity securities are held directly on our balance sheet and also within the "Funds held - directly managed" balance.

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

(4) Represents an aggregation of the tax expense or benefit associated with the specific country to which the pre-tax adjustment relates, calculated at the applicable jurisdictional tax rate.

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

*Non-GAAP measure.

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

| | Three Months Ended | As of | | | Three Months Ended |
|---|---|---|---|---|---|
| | September 30, 2022 | September 30, 2022 | June 30, 2022 | September 30, 2022 | September 30, 2022 |
| | PPD | Net loss reserves | Net loss reserves | Average net loss reserves | Annualized RLE % |
| | (in millions of U.S. dollars) | | | | |
| **PPD/net loss reserves/Annualized RLE** | $ 109 | $ 11,564 | $ 12,238 | $ 11,901 | 3.7 % |
| Non-GAAP Adjustments: | | | | | |
| Assumed Life | — | (139) | (147) | (143) | |
| Legacy Underwriting | (2) | (136) | (140) | (138) | |
| Net loss reserves - current period | — | (36) | (26) | (31) | |
| Reduction in provisions for ULAE / Net ULAE provisions | (15) | (480) | (504) | (492) | |
| Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies | 4 | 95 | 99 | 97 | |
| Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option [1] | (82) | 305 | 239 | 272 | |
| Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities | — | 571 | 574 | 573 | |
| **Adjusted PPD/Adjusted net loss reserves/Annualized Adjusted RLE*** | $ 14 | $ 11,744 | $ 12,333 | $ 12,039 | 0.5 % |

[1] Comprises the discount rate and risk margin components.

*Non-GAAP measure.

| | Three Months Ended | As of | | | Three Months Ended |
|---|---|---|---|---|---|
| | September 30, 2021 | September 30, 2021 | June 30, 2021 | September 30, 2021 | September 30, 2021 |
| | PPD | Net loss reserves | Net loss reserves | Average net loss reserves | Annualized RLE % |
| | (in millions of U.S. dollars) | | | | |
| **PPD/net loss reserves/Annualized RLE** | $ 69 | $ 11,963 | $ 10,835 | $ 11,399 | 2.4 % |
| Non-GAAP Adjustments: | | | | | |
| Assumed Life | — | (177) | — | (89) | |
| Legacy Underwriting | (2) | (147) | (156) | (152) | |
| Net loss reserves - current period | — | (130) | (91) | (111) | |
| Reduction in provisions for ULAE / Net ULAE provisions | (14) | (432) | (410) | (421) | |
| Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies | 5 | 109 | 120 | 115 | |
| Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option [1] | (10) | 100 | 91 | 96 | |
| Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities | 5 | 601 | 584 | 593 | |
| **Adjusted PPD/Adjusted net loss reserves/Annualized Adjusted RLE*** | $ 53 | $ 11,887 | $ 10,973 | $ 11,430 | 1.9 % |

[1] Comprises the discount rate and risk margin components.

*Non-GAAP measure.

| | Nine Months Ended | As of | | | Nine Months Ended |
|---|---|---|---|---|---|
| | September 30, 2022 | September 30, 2022 | December 31, 2021 | September 30, 2022 | September 30, 2022 |
| | PPD | Net loss reserves | Net loss reserves | Average net loss reserves | Annualized RLE % |
| | (in millions of U.S. dollars) | | | | |
| **PPD/net loss reserves/Annualized RLE** | $ 331 | $ 11,564 | $ 11,555 | $ 11,560 | 3.8 % |
| Non-GAAP Adjustments: | | | | | |
| Assumed Life | (29) | (139) | (181) | (160) | |
| Legacy Underwriting | 3 | (136) | (153) | (145) | |
| Net loss reserves - current period | — | (36) | — | (18) | |
| Reduction in provisions for ULAE / Net ULAE provisions | (50) | (480) | (416) | (448) | |
| Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies | 11 | 95 | 106 | 101 | |
| Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option [(1)] | (228) | 305 | 107 | 206 | |
| Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities | 4 | 571 | 574 | 572 | |
| **Adjusted PPD/Adjusted net loss reserves/Annualized Adjusted RLE*** | $ 42 | $ 11,744 | $ 11,592 | $ 11,668 | 0.5 % |

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

*Non-GAAP measure.

| | Nine Months Ended | As of | | | Nine Months Ended |
|---|---|---|---|---|---|
| | September 30, 2021 | September 30, 2021 | December 31, 2020 | September 30, 2021 | September 30, 2021 |
| | PPD | Net loss reserves | Net loss reserves | Average net loss reserves | Annualized RLE % |
| | (in millions of U.S. dollars) | | | | |
| **PPD/net loss reserves/Annualized RLE** | $ 189 | $ 11,963 | $ 8,544 | $ 10,254 | 2.5 % |
| Non-GAAP Adjustments: | | | | | |
| Assumed Life | — | (177) | — | (89) | |
| Legacy Underwriting | (4) | (147) | (955) | (552) | |
| Net loss reserves - current period | — | (130) | — | (65) | |
| Reduction in provisions for ULAE / Net ULAE provisions | (46) | (432) | (334) | (383) | |
| Amortization of fair value adjustments / Net fair value adjustments associated with the acquisition of companies | 13 | 109 | 128 | 119 | |
| Changes in fair value - fair value option / Net fair value adjustments for contracts for which we have elected the fair value option [(1)] | (68) | 100 | 33 | 67 | |
| Change in estimate of net ultimate liabilities - defendant A&E / Net nominal defendant A&E liabilities | 19 | 601 | 615 | 608 | |
| **Adjusted PPD/Adjusted net loss reserves/Annualized Adjusted RLE*** | $ 103 | $ 11,887 | $ 8,031 | $ 9,959 | 1.4 % |

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

*Non-GAAP measure.

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

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Fixed Income | Other Investments | Total | Fixed Income | Other Investments | Total |
| | (in millions of U.S. dollars) | | | | | |
| Net investment income | $ 94 | $ 22 | $ 116 | $ 81 | $ 12 | $ 93 |
| Net realized (losses) gains | (23) | (13) | (36) | 6 | — | 6 |
| Net unrealized (losses) gains | (395) | (151) | (546) | (93) | (187) | (280) |
| (Losses) from equity method investments | — | (20) | (20) | — | (14) | (14) |
| **TIR ($)** | $ (324) | $ (162) | $ (486) | $ (6) | $ (189) | $ (195) |
| **Non-GAAP adjustment:** | | | | | | |
| Net realized and unrealized losses (gains) on fixed maturity investments and funds held-directly managed | 418 | — | 418 | 87 | — | 87 |
| **Adjusted TIR ($)*** | $ 94 | $ (162) | $ (68) | $ 81 | $ (189) | $ (108) |
| **Total investments** | $ 9,356 | $ 4,870 | $ 14,226 | $ 12,453 | $ 4,509 | $ 16,962 |
| Cash and cash equivalents, including restricted cash and cash equivalents | 1,357 | — | 1,357 | 2,035 | — | 2,035 |
| Funds held by reinsured companies | 3,727 | — | 3,727 | 2,410 | — | 2,410 |
| Net variable interest entity assets | — | — | — | 178 | 270 | 448 |
| **Total investable assets** | $ 14,440 | $ 4,870 | $ 19,310 | $ 17,076 | $ 4,779 | $ 21,855 |
| Average aggregate invested assets, at fair value (1) | 15,002 | 5,138 | 20,140 | 16,435 | 5,454 | 21,889 |
| **Annualized TIR % (2)** | (8.6)% | (12.6)% | (9.7)% | (0.1)% | (13.9)% | (3.6)% |
| **Non-GAAP adjustment:** | | | | | | |
| Net unrealized losses (gains) on fixed maturities, AFS investments included within AOCI and net unrealized losses (gains) on fixed maturities, trading instruments | 1,928 | — | 1,928 | (326) | — | (326) |
| **Adjusted investable assets*** | $ 16,368 | $ 4,870 | $ 21,238 | $ 16,750 | $ 4,779 | $ 21,529 |
| Adjusted average aggregate invested assets, at fair value* (3) | $ 16,590 | $ 5,138 | $ 21,728 | $ 16,158 | $ 5,452 | $ 21,610 |
| **Annualized adjusted TIR %* (4)** | 2.3 % | (12.6)% | (1.3)% | 2.0 % | (13.9)% | (2.0)% |

(1) This amount is a two period average of the total investable assets, as presented above, and is comprised of amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

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

(3) This amount is a two period average of the adjusted investable assets*, as presented above.

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

*Non-GAAP measure.

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Fixed Income | Other Investments | Total | Fixed Income | Other Investments | Total |
| | (in millions of U.S. dollars) | | | | | |
| Net investment income | $ 239 | $ 63 | $ 302 | $ 190 | $ 41 | $ 231 |
| Net realized (losses) gains | (88) | (23) | (111) | (1) | 2 | 1 |
| Net unrealized (losses) gains | (1,073) | (445) | (1,518) | (182) | 292 | 110 |
| Earnings from equity method investments | — | 12 | 12 | — | 101 | 101 |
| **TIR ($)** | $ (922) | $ (393) | $ (1,315) | $ 7 | $ 436 | $ 443 |
| **Non-GAAP adjustment:** | | | | | | |
| Net realized and unrealized losses on fixed maturity investments and funds held-directly managed | 1,161 | — | 1,161 | 183 | — | 183 |
| **Adjusted TIR ($)*** | $ 239 | $ (393) | $ (154) | $ 190 | $ 436 | $ 626 |
| **Total investments** | $ 9,356 | $ 4,870 | $ 14,226 | $ 12,453 | $ 4,509 | $ 16,962 |
| Cash and cash equivalents, including restricted cash and cash equivalents | 1,357 | — | 1,357 | 2,035 | — | 2,035 |
| Funds held by reinsured companies | 3,727 | — | 3,727 | 2,410 | — | 2,410 |
| Net variable interest entity assets | — | — | — | 178 | 270 | 448 |
| **Total investable assets** | $ 14,440 | $ 4,870 | $ 19,310 | $ 17,076 | $ 4,779 | $ 21,855 |
| Average aggregate invested assets, at fair value [(1)] | 14,960 | 5,232 | 20,192 | 14,887 | 5,850 | 20,737 |
| **Annualized TIR %** [(2)] | (8.2)% | (10.0)% | (8.7)% | 0.1 % | 9.9 % | 2.8 % |
| **Non-GAAP adjustment:** | | | | | | |
| Net unrealized losses (gains) on fixed maturities, AFS investments included within AOCI and net unrealized losses (gains) on fixed maturities, trading instruments | 1,928 | — | 1,928 | (326) | — | (326) |
| **Adjusted investable assets*** | $ 16,368 | $ 4,870 | $ 21,238 | $ 16,750 | $ 4,779 | $ 21,529 |
| Adjusted average aggregate invested assets, at fair value* [(3)] | $ 15,861 | $ 5,232 | $ 21,093 | $ 14,561 | $ 5,850 | $ 20,411 |
| **Annualized adjusted TIR %*** [(4)] | 2.0 % | (10.0)% | (1.0)% | 1.7 % | 9.9 % | 4.1 % |

[(1)] This amount is a four period average of the total investable assets, as presented above, and is comprised of amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

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

[(3)] This amount is a four period average of the adjusted investable assets*, as presented above.

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

*Non-GAAP measure.

## Other Financial Measures

In addition to our non-GAAP financial measures presented above, we refer to TIR, which provides a key measure of the return generated on the capital held in the business. It is reflective of our investment strategy and it provides a consistent measure of investment returns as a percentage of all assets generating investment returns.

The following tables provide the calculation of our Annualized TIR by segment:

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Investments | Legacy Underwriting | Total | Investments | Legacy Underwriting | Total |
| | (in millions of U.S. dollars) | | | | | |
| **Net investment income:** | | | | | | |
| Fixed income securities | $ 94 | $ 2 | $ 96 | $ 70 | $ 1 | $ 71 |
| Cash and restricted cash | 2 | — | 2 | (1) | — | (1) |
| Other investments, including equities | 22 | — | 22 | 12 | — | 12 |
| Less: Investment expenses | (4) | — | (4) | 11 | — | 11 |
| Net investment income | $ 114 | $ 2 | $ 116 | $ 92 | $ 1 | $ 93 |
| **Net realized losses:** | | | | | | |
| Fixed income securities | $ (23) | $ — | $ (23) | $ 5 | $ 1 | $ 6 |
| Other investments, including equities | (13) | — | (13) | — | — | — |
| Net realized losses | $ (36) | $ — | $ (36) | $ 5 | $ 1 | $ 6 |
| **Net unrealized losses:** | | | | | | |
| Fixed income securities, trading | (391) | (4) | (395) | (91) | (2) | (93) |
| Other investments, including equities | (151) | — | (151) | (187) | — | (187) |
| Net unrealized losses | $ (542) | $ (4) | $ (546) | $ (278) | $ (2) | $ (280) |
| Earnings (losses) from equity method investments | (20) | — | (20) | (14) | — | (14) |
| **TIR ($)** | $ (484) | $ (2) | $ (486) | $ (195) | $ — | $ (195) |
| Fixed maturity and short-term investments, trading and AFS and funds held - directly managed | $ 9,155 | $ 155 | $ 9,310 | $ 12,045 | $ 188 | $ 12,233 |
| Other assets included within funds held - directly managed | 46 | — | 46 | 220 | — | 220 |
| Equities | 1,199 | — | 1,199 | 1,952 | — | 1,952 |
| Other investments | 3,191 | 12 | 3,203 | 2,038 | 14 | 2,052 |
| Equity method investments | 468 | — | 468 | 505 | — | 505 |
| **Total investments** | $ 14,059 | $ 167 | $ 14,226 | $ 16,760 | $ 202 | $ 16,962 |
| Cash and cash equivalents, including restricted cash and cash equivalents | 1,340 | 17 | 1,357 | 2,005 | 30 | 2,035 |
| Funds held by reinsured companies | 3,704 | 23 | 3,727 | 2,373 | 37 | 2,410 |
| Net variable interest entity assets | — | — | — | 448 | — | 448 |
| **Total investable assets** | $ 19,103 | $ 207 | $ 19,310 | $ 21,586 | $ 269 | $ 21,855 |
| Average aggregate invested assets, at fair value [(1)] | $ 19,931 | $ 209 | $ 20,140 | $ 21,642 | $ 247 | $ 21,889 |
| **Annualized TIR % [(2)]** | (9.7)% | (3.8)% | (9.7)% | (3.6)% | — % | (3.6)% |
| Annualized income from fixed income assets [(3)] | 384 | 8 | 392 | 276 | 4 | 280 |
| Average aggregate fixed income assets, at cost [(3)(4)] | 16,666 | 210 | 16,876 | 15,943 | 231 | 16,174 |
| **Annualized Investment book yield [(5)]** | 2.30 % | 3.81 % | 2.32 % | 1.73 % | 1.73 % | 1.73 % |

[(1)] This amount is a two period average of the total investable assets, as presented above, and is comprised of amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

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

[(3)] Fixed income assets include fixed income securities and cash and restricted cash, and funds held by reinsured companies.

[(4)] These amounts are a two period average of the amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

[(5)] Annualized investment book yield % is calculated by dividing the annualized income from fixed income assets by average aggregate fixed income assets, at cost.

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2022 | | | September 30, 2021 | | |
| | Investments | Legacy Underwriting | Total | Investments | Legacy Underwriting | Total |
| | (in millions of U.S. dollars) | | | | | |
| **Net investment income:** | | | | | | |
| Fixed income securities | $ 247 | $ 7 | $ 254 | $ 208 | $ 2 | $ 210 |
| Cash and restricted cash | 3 | 1 | 4 | (1) | — | (1) |
| Other investments, including equities | 63 | — | 63 | 41 | — | 41 |
| Less: Investment expenses | (19) | — | (19) | (19) | — | (19) |
| Net investment income | $ 294 | $ 8 | $ 302 | $ 229 | $ 2 | $ 231 |
| **Net realized losses:** | | | | | | |
| Fixed income securities | $ (88) | $ — | $ (88) | $ (1) | $ — | $ (1) |
| Other investments, including equities | (23) | — | (23) | 2 | — | 2 |
| Net realized losses | $ (111) | $ — | $ (111) | $ 1 | $ — | $ 1 |
| **Net unrealized losses:** | | | | | | |
| Fixed income securities, trading | (1,061) | (12) | (1,073) | (180) | (2) | (182) |
| Other investments, including equities | (445) | — | (445) | 292 | — | 292 |
| Net unrealized losses | $ (1,506) | $ (12) | $ (1,518) | $ 112 | $ (2) | $ 110 |
| Earnings from equity method investments | 12 | — | 12 | 101 | — | 101 |
| **TIR ($)** | $ (1,311) | $ (4) | $ (1,315) | $ 443 | $ — | $ 443 |
| Fixed maturity and short-term investments, trading and AFS and funds held - directly managed | $ 9,155 | $ 155 | $ 9,310 | $ 12,045 | $ 188 | $ 12,233 |
| Other assets included within funds held - directly managed | 46 | — | 46 | 220 | — | 220 |
| Equities | 1,199 | — | 1,199 | 1,952 | — | 1,952 |
| Other investments | 3,191 | 12 | 3,203 | 2,038 | 14 | 2,052 |
| Equity method investments | 468 | — | 468 | 505 | — | 505 |
| **Total investments** | $ 14,059 | $ 167 | $ 14,226 | $ 16,760 | $ 202 | $ 16,962 |
| Cash and cash equivalents, including restricted cash and cash equivalents | 1,340 | 17 | 1,357 | 2,005 | 30 | 2,035 |
| Funds held by reinsured companies | 3,704 | 23 | 3,727 | 2,373 | 37 | 2,410 |
| Net variable interest entity assets | — | — | — | 448 | — | 448 |
| **Total investable assets** | $ 19,103 | $ 207 | $ 19,310 | $ 21,586 | $ 269 | $ 21,855 |
| Average aggregate invested assets, at fair value (1) | $ 19,972 | $ 220 | $ 20,192 | $ 20,493 | $ 244 | $ 20,737 |
| **Annualized TIR % (2)** | (8.8)% | (2.4)% | (8.7)% | 2.9 % | — % | 2.8 % |
| Annualized income from fixed income assets (3) | 333 | 11 | 344 | 276 | 3 | 279 |
| Average aggregate fixed income assets, at cost (3)(4) | 15,758 | 215 | 15,973 | 14,324 | 228 | 14,552 |
| **Annualized Investment book yield (5)** | 2.11 % | 5.12 % | 2.15 % | 1.92 % | 1.31 % | 1.91 % |

(1) This amount is a four period average of the total investable assets, as presented above, and is comprised of amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

(2) Annualized total investment return % is calculated by dividing the annualized total investment return ($) by average aggregate invested assets, at fair value.

(3) Fixed income assets include fixed income securities and cash and restricted cash, and funds held by reinsured companies.

(4) These amounts are a four period average of the amounts disclosed in our quarterly and annual U.S. GAAP consolidated financial statements.

(5) Annualized investment book yield % is calculated by dividing the annualized income from fixed income assets by average aggregate fixed income assets, at cost.

## Results of Operations by Segment - For the Three and Nine Months Ended September 30, 2022 and 2021

Our business is organized into four reportable segments: (i) Run-off; (ii) Assumed Life; (iii) Investments; and (iv) Legacy Underwriting. In addition, our corporate and other activities, which do not qualify as an operating segment, include income and expense items that are not directly attributable to our reportable segments.

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

## Run-off Segment

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

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | $ Change | 2022 | 2021 | $ Change |
| INCOME | (in millions of U.S. dollars) | | | | | |
| Net premiums earned | $ 1 | $ 39 | $ (38) | $ 27 | $ 154 | $ (127) |
| Other income: | | | | | | |
| Reduction in estimates of net ultimate defendant A&E liabilities - prior periods | — | 5 | (5) | 4 | 19 | (15) |
| Reduction in estimated future defendant A&E expenses | — | 1 | (1) | 1 | 4 | (3) |
| All other income | 2 | 6 | (4) | 14 | 25 | (11) |
| Total other income | 2 | 12 | (10) | 19 | 48 | (29) |
| Total income | 3 | 51 | (48) | 46 | 202 | (156) |
| | | | | | | |
| EXPENSES | | | | | | |
| Net incurred losses and LAE: | | | | | | |
| Current period | 10 | 35 | (25) | 35 | 121 | (86) |
| Prior periods: | | | | | | |
| Reduction in estimates of net ultimate losses | (46) | (72) | 26 | (183) | (139) | (44) |
| Reduction in provisions for ULAE | (15) | (14) | (1) | (49) | (45) | (4) |
| Total prior periods | (61) | (86) | 25 | (232) | (184) | (48) |
| Total net incurred losses and LAE | (51) | (51) | — | (197) | (63) | (134) |
| Acquisition costs | 1 | 8 | (7) | 18 | 37 | (19) |
| General and administrative expenses | 34 | 47 | (13) | 109 | 139 | (30) |
| Total expenses | (16) | 4 | (20) | (70) | 113 | (183) |
| | | | | | | |
| SEGMENT NET EARNINGS | $ 19 | $ 47 | $ (28) | $ 116 | $ 89 | $ 27 |

### Overall Results

**Three Months Ended September 30, 2022 versus 2021:** Net earnings from our Run-off segment decreased by $28 million, primarily due to:

- A $25 million decrease in favorable PPD, driven by a $26 million decrease in the reduction in estimates of net ultimate losses.
    - Results for the three months ended September 30, 2022 were driven by $54 million of favorable development on our workers' compensation line of business as a result of favorable claim settlements, most notably in the 2018 and 2019 acquisition years, and $28 million of favorable development on our marine, aviation and transit line of business as a result of lower claim activity, relating to the 2014, 2018 and 2019 acquisition years; partially offset by

    - Adverse development in the 2018, 2020 and 2021 acquisition years on our general casualty and motor lines of business of $21 million and $19 million, respectively, primarily due to worse than expected claims experience and adverse development on claims.
    - Results for the three months ended September 30, 2021 were primarily driven by favorable development on our workers' compensation, property, construction defect and marine, aviation and transit lines as a result of better than expected claims experience and favorable results from actuarial reviews.
- A reduction in other income of $10 million, primarily driven by lower favorable prior period development related to our defendant A&E liabilities in comparison to the prior period; and
- Reductions in net premiums earned that were greater than the reductions in current period net incurred losses and LAE and acquisition costs, following our exit of our StarStone International business beginning in 2020; partially offset by
- A decrease in general and administrative expenses of $13 million, primarily driven by a continued decrease in salaries and benefits and other costs following our exit of our StarStone business beginning in 2020 and a reduction in IT costs as a result of reduced project activity.

**Nine Months Ended September 30, 2022 versus 2021:** Net earnings from our Run-off segment increased by $27 million, primarily due to:

- A $48 million increase in favorable PPD, driven by a $44 million increase in the reduction in estimates of net ultimate losses.
    - Results for the nine months ended September 30, 2022 were driven by favorable development of $104 million on our workers' compensation line of business as a result of favorable claim settlements, most notably in the 2018 and 2021 acquisition years. We also had favorable development of $85 million on our professional indemnity/directors and officers line of business relating to the 2018 and 2021 acquisition years and favorable development of $38 million on our marine, aviation and transit lines of business relating to the 2014, 2018 and 2019 acquisition years as a result of lower claims activity; partially offset by
    - Adverse development on our general casualty and motor lines of business of $31 million and $20 million, respectively, most notably impacting the 2018, 2020 and 2021 acquisition years, as a result of worse than expected claims experience and adverse development on claims.
    - Results for the nine months ended September 30, 2021 were primarily related to favorable development on our workers' compensation, property and marine, aviation and transit lines of business as a result of better than expected claims experience and favorable results from actuarial reviews.
- A decrease in general and administrative expenses of $30 million, primarily driven by a continued decrease in salaries and benefits and other costs following our exit of our StarStone business beginning in 2020 and a reduction in IT costs as a result of reduced project activity; partially offset by
- A reduction in other income of $29 million, primarily driven by lower favorable prior period development related to our defendant A&E liabilities; and
- Reductions in net premiums earned that were greater than the reductions in current period net incurred losses and LAE and acquisition costs, following our exit of our StarStone International business beginning in 2020.

## Assumed Life Segment

On September 1, 2021 we purchased an additional 27.7% in Enhanzed Re, a company that was previously accounted for as an equity method investment. We now own 75.1% of this company and have consolidated it as of September 1, 2021.

The Assumed Life segment consists of life and property aggregate excess of loss (catastrophe) business. The catastrophe business was not renewed for 2022. During the third quarter of 2022, we entered into a Master Agreement with Allianz through which we agreed to a series of transactions that will allow us to unwind Enhanzed Re in an orderly manner. As the transactions relate to our Assumed Life segment and our Enhanzed Re reinsurance business, we have:

- Commuted the catastrophe reinsurance business with Allianz, which was completed in the third quarter; and
- Entered into an agreement to novate our reinsurance closed block of life annuity policies to Monument Re, which is expected to close on or about November 7, 2022.

We report the Enhanzed Re component results of this segment on a one quarter lag and expect to record the results of the commutation of the catastrophe business in the fourth quarter of 2022 and the novation of the life business in the first quarter of 2023, respectively.

Given our planned rationalization of the Enhanzed Re reinsurance business, we have renamed the segment from Enhanzed Re to Assumed Life effective this quarterly reporting period. We may leverage this segment for any future potential assumed life business transactions if and when they occur.

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

| | Three Months Ended | Nine Months Ended |
|---|---|---|
| | September 30, 2022 | |
| INCOME | (in millions of U.S. dollars) | |
| Net premiums earned | $ 2 | $ 17 |
| Total income | 2 | 17 |
| EXPENSES | | |
| Net incurred losses and LAE: | | |
| Prior periods: | | |
| Reduction in estimates of net ultimate losses | — | (29) |
| Total prior periods | — | (29) |
| Total net incurred losses and LAE | — | (29) |
| Policyholder benefit expenses | 7 | 25 |
| General and administrative expenses | 2 | 6 |
| Total expenses | 9 | 2 |
| SEGMENT NET (LOSS) EARNINGS | $ (7) | $ 15 |

### Overall Results

**Three Months Ended September 30, 2022:** Net loss from our Assumed Life segment was primarily driven by policyholder benefit expenses.

**Nine Months Ended September 30, 2022:** Net earnings from our Assumed Life segment was primarily driven by:

- Favorable PPD of $29 million, primarily due to favorable claim activity on catastrophe business; partially offset by
- Policyholder benefit expenses that were only partially offset by net premiums earned on the life reinsurance business and in-force catastrophe reinsurance treaties.

## Investments Segment

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

| | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | $ Change | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 | $ Change |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | |
| INCOME | | | | | | |
| Net investment income: | | | | | | |
| Fixed income securities | $ 94 | $ 70 | $ 24 | $ 247 | $ 208 | $ 39 |
| Cash and restricted cash | 2 | (1) | 3 | 3 | (1) | 4 |
| Other investments, including equities | 22 | 12 | 10 | 63 | 41 | 22 |
| Less: Investment expenses | (4) | 11 | (15) | (19) | (19) | — |
| Total net investment income | 114 | 92 | 22 | 294 | 229 | 65 |
| Net realized (losses) gains: | | | | | | |
| Fixed income securities | (23) | 5 | (28) | (88) | (1) | (87) |
| Other investments, including equities | (13) | — | (13) | (23) | 2 | (25) |
| Net realized (losses) gains: | (36) | 5 | (41) | (111) | 1 | (112) |
| Net unrealized (losses) gains: | | | | | | |
| Fixed income securities | (391) | (91) | (300) | (1,061) | (180) | (881) |
| Other investments, including equities | (151) | (187) | 36 | (445) | 292 | (737) |
| Total net unrealized (losses) gains: | (542) | (278) | (264) | (1,506) | 112 | (1,618) |
| Total income | (464) | (181) | (283) | (1,323) | 342 | (1,665) |
| EXPENSES | | | | | | |
| General and administrative expenses | 9 | 8 | 1 | 28 | 24 | 4 |
| Total expenses | 9 | 8 | 1 | 28 | 24 | 4 |
| Earnings (losses) from equity method investments | (20) | (14) | (6) | 12 | 101 | (89) |
| SEGMENT NET (LOSS) EARNINGS | $ (493) | $ (203) | $ (290) | $ (1,339) | $ 419 | $ (1,758) |

### Overall Results

**Three and Nine Months Ended September 30, 2022 versus 2021:** Net loss from our Investments segment was $493 million and $1.3 billion for the three and nine months ended September 30, 2022, respectively, compared to net losses of $203 million and net earnings of $419 million for the three and nine months ended September 30, 2021, respectively. The unfavorable movements of $290 million and $1.8 billion, respectively, were primarily due to:

- An increase in net realized and unrealized losses on our fixed income securities of $328 million and $968 million, respectively, driven by rising interest rates and widening credit spreads;
- Net realized and unrealized losses on our other investments, including equities, of $164 million and $468 million, respectively, in comparison to net losses of $187 million and net gains of $294 million, respectively, in the comparative periods, primarily driven by negative performance from our public equities, CLO equities and hedge funds as a result of significant volatility in global equity markets and widening high yield credit spreads; and
- An $89 million decrease in earnings from equity method investments for the nine months ended September 30, 2022, largely due to our acquisition of the controlling interest in Enhanzed Re, effective September 1, 2021 (consolidated net loss from Enhanzed Re was $231 million for the nine months ended September 30, 2022). Prior to that date, the results of Enhanzed Re were recorded in earnings from equity method investments within the Investments segment; partially offset by:

- Increases in our net investment income of $22 million and $65 million, respectively, which is primarily due to an increase in our average aggregate fixed income assets due to new business during the past year, in addition to the investment of new premium and reinvestment of fixed maturities at higher yields and the impact of rising interest rates on the $2.7 billion of our fixed maturity investments that are subject to floating interest rates. Our floating rate investments generated increased net investment income of $16 million and $39 million, respectively, which equates to an increase of 257 and 165 basis points, respectively, on those investments in comparison to the prior period.

Total investment losses on the fixed income securities that support our Enhanzed Re life reinsurance business for the three and nine months ended September 30, 2022 were $141 million and $269 million, respectively.

## Total Investments

### Fixed income securities

Refer to the below tables for the fair value, duration, and credit rating of our fixed income securities by business:

| | September 30, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Run-off | | | | Assumed Life [1] | | | | | |
| | Fair Value | % | Duration (years) [2] | Credit Rating [2] | Fair Value | % | Duration (years) [2] | Credit Rating [2] | Total | Total % |
| | (in millions of U.S. dollars, except percentages) | | | | | | | | | |
| **Fixed maturity and short-term investments, trading and AFS and funds held - directly managed** | | | | | | | | | | |
| U.S. government & agency | $ 540 | 5.9 % | 5.7 | AAA | $ — | — % | n/a | n/a | $ 540 | 5.9 % |
| U.K. government | 95 | 1.0 % | 8.7 | AA- | — | — % | n/a | n/a | 95 | 1.0 % |
| Other government | 297 | 3.2 % | 5.5 | AA- | 154 | 1.7 % | 10.7 | BBB+ | 451 | 4.9 % |
| Corporate | 4,797 | 52.5 % | 5.4 | BBB+ | 214 | 2.3 % | 7.0 | BBB+ | 5,011 | 54.8 % |
| Municipal | 202 | 2.2 % | 8.1 | AA- | — | — % | n/a | n/a | 202 | 2.2 % |
| Residential mortgage-backed | 480 | 5.2 % | 4.7 | AA+ | — | — % | n/a | n/a | 480 | 5.2 % |
| Commercial mortgage-backed | 911 | 10.0 % | 2.5 | AA | — | — % | n/a | n/a | 911 | 10.0 % |
| Asset-backed | 759 | 8.3 % | 0.5 | A+ | — | — % | n/a | n/a | 759 | 8.3 % |
| Structured products | — | — % | n/a | n/a | 706 | 7.7 % | 10.0 | A | 706 | 7.7 % |
| | $ 8,081 | 88.3 % | 4.7 | A | $ 1,074 | 11.7 % | 9.5 | A- | $ 9,155 | 100.0 % |

[1] Investments under the Assumed Life caption comprise those that support our life reinsurance business.

[2] The duration and the average credit ratings calculation includes short-term investments, fixed maturities and the fixed maturities within our funds held-directly managed portfolios.

| | December 31, 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Run-off | | | | Assumed Life [1] | | | | | |
| | Fair Value | % | Duration (years) [2] | Credit Rating [2] | Fair Value | % | Duration (years) [2] | Credit Rating [2] | Total | Total % |
| | (in millions of U.S. dollars, except percentages) | | | | | | | | | |
| **Fixed maturity and short-term investments, trading and AFS and funds held - directly managed** | | | | | | | | | | |
| U.S. government & agency | $ 737 | 6.1 % | 6.4 | AAA | $ — | — % | n/a | n/a | $ 737 | 6.1 % |
| U.K. government | 82 | 0.7 % | 9.8 | AA- | — | — % | n/a | n/a | 82 | 0.7 % |
| Other government | 387 | 3.2 % | 6.8 | AA | 228 | 1.9 % | 12.1 | BBB | 615 | 5.1 % |
| Corporate | 6,532 | 54.1 % | 6.4 | A- | 193 | 1.6 % | 6.7 | A- | 6,725 | 55.7 % |
| Municipal | 272 | 2.3 % | 9.2 | AA- | — | — % | n/a | n/a | 272 | 2.3 % |
| Residential mortgage-backed | 597 | 4.9 % | 2.8 | AA+ | — | — % | n/a | n/a | 597 | 4.9 % |
| Commercial mortgage-backed | 1,074 | 8.9 % | 3.1 | AA+ | — | — % | n/a | n/a | 1,074 | 8.9 % |
| Asset-backed | 937 | 7.8 % | 0.3 | AA- | — | — % | n/a | n/a | 937 | 7.8 % |
| Structured products | — | — % | n/a | n/a | 1,033 | 8.5 % | 19.2 | A- | 1,033 | 8.5 % |
| Total | $ 10,618 | 88.0 % | 5.4 | A | 1,454 | 12.0 % | 16.4 | A- | $ 12,072 | 100.0 % |

(1) Investments under the Assumed Life caption comprise those that support our life reinsurance business.

(2) The duration and the average credit ratings calculation includes short-term investments, fixed maturities and the fixed maturities within our funds held-directly managed portfolios.

The overall decrease in the balance of our fixed income securities of $2.9 billion for the nine months ended September 30, 2022 was primarily driven by the recognition of net unrealized losses on our fixed income securities and assets used to support net paid losses during the period.

The change in the corporate average credit rating for the Run-off portfolio from A- as of December 31, 2021 to BBB+ as of September 30, 2022 was driven by the redeployment of a portion of the InRe Fund redemptions to higher-yielding fixed income securities in the period.

### Other investments, including equities

Refer to the below table for the composition of our other investments, including equities:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| **Equities** | | |
| Publicly traded equities | $ 360 | $ 281 |
| Exchange-traded funds | 475 | 1,342 |
| Privately held equities | 364 | 372 |
| Total | 1,199 | 1,995 |
| **Other investments** | | |
| Hedge funds | 476 | 291 |
| Fixed income funds | 583 | 559 |
| Equity funds | 3 | 5 |
| Private equity funds | 1,247 | 752 |
| CLO equities | 144 | 161 |
| CLO equity funds | 208 | 207 |
| Private credit funds | 345 | 275 |
| Real estate debt fund | 185 | 69 |
| Total | $ 3,191 | $ 2,319 |

Our equities decreased by $796 million and other investments increased by $872 million from December 31, 2021 to September 30, 2022, primarily due to the redeployment from exchange-traded funds into various non-core asset strategies, in line with our strategic asset allocation. The balances of both equities and other investments were negatively impacted by the recognition of net unrealized losses during the period.

### Equity Method Investments

Refer to the below table for a summary of our equity method investments, which does not include those investments we have elected to measure under the fair value option:

| | September 30, 2022 | | Three Months Ended | Nine Months Ended | December 31, 2021 | | Three Months Ended | Nine Months Ended |
|---|---|---|---|---|---|---|---|---|
| | | | September 30, 2022 | | | | September 30, 2021 | |
| | Ownership % | Carrying Value | Earnings from equity method investments | | Ownership % | Carrying Value | Earnings (losses) from Equity Method Investments | |
| | | | (in millions of U.S. dollars) | | | | | |
| Enhanzed Re | — % | $ — | $ — | $ — | — % | $ — | $ (22) | $ 82 |
| Citco [1] | 31.9 % | 58 | — | 2 | 31.9 % | 56 | 1 | 2 |
| Monument Re [2] | 20.0 % | 174 | (16) | 15 | 20.0 % | 194 | 2 | 19 |
| Core Specialty | 19.9 % | 220 | (4) | (5) | 24.7 % | 225 | 5 | (2) |
| Other | 27.0 % | 16 | — | — | 27.0 % | 18 | — | — |
| | | $ 468 | $ (20) | $ 12 | | $ 493 | $ (14) | $ 101 |

(1) We own 31.9% of the common shares in HH CITCO 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 III Limited ("Citco").

(2) We own 20.0% of the common shares in Monument Re as well as preferred shares which have a fixed dividend yield and whose balance is included in the Investment amount.

The carrying value of our equity method investments decreased from December 31, 2021 as a result of recognizing unfavorable cumulative translation adjustments of $30 million due to the strengthening of the US dollar against the Euro, which was primarily driven by our investment in Monument Re whose reporting currency is the Euro. This was partially offset by the recognition of $12 million in earnings from equity method investments for the nine months ended September 30, 2022.

Overall, the earnings from equity method investments decreased for the nine months ended September 30, 2022 in comparison to the comparative period largely due to our acquisition of the controlling interest in Enhanzed Re, effective September 1, 2021 (consolidated net loss from Enhanzed Re was $231 million for the nine months ended September 30, 2022).

## Legacy Underwriting Segment

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

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | $ Change | 2022 | 2021 | $ Change |
| | (in millions of U.S. dollars) | | | | | |
| INCOME | | | | | | |
| Net premiums earned | $ 1 | $ 13 | $ (12) | $ 8 | $ 50 | $ (42) |
| Net investment income | 2 | 1 | 1 | 8 | 2 | 6 |
| Net realized losses | — | 1 | (1) | — | — | — |
| Net unrealized losses | (4) | (2) | (2) | (12) | (2) | (10) |
| Other income (expense) | 1 | (2) | 3 | 4 | (11) | 15 |
| Total income | — | 11 | (11) | 8 | 39 | (31) |
| EXPENSES | | | | | | |
| Net incurred losses and LAE: | | | | | | |
| Current period | 3 | 7 | (4) | 4 | 25 | (21) |
| Prior periods | (2) | (2) | — | 2 | (5) | 7 |
| Total net incurred losses and LAE | 1 | 5 | (4) | 6 | 20 | (14) |
| Acquisition costs | (1) | 3 | (4) | 2 | 13 | (11) |
| General and administrative expenses | — | 3 | (3) | — | 6 | (6) |
| Total expenses | — | 11 | (11) | 8 | 39 | (31) |
| SEGMENT NET (LOSS) EARNINGS | $ — | $ — | $ — | $ — | $ — | $ — |

### Overall Results

**Three and Nine Months Ended September 30, 2022 versus 2021:**

The Legacy Underwriting segment results comprise SGL No.1 Limited's ("SGL No.1") 25% gross share of the 2020 and prior underwriting years of Atrium Underwriting Group Limited's (collectively, "Atrium") syndicate 609 at Lloyd's, less the impact of reinsurance agreements with Arden Reinsurance Company Ltd. ("Arden") and a Syndicate 609 Capacity Lease Agreement with Atrium 5 Limited.

Consequently, as of January 1, 2021, SGL No.1 settles its share of the 2020 and prior underwriting years for the economic benefit of Atrium, and there is no net retention by Enstar.

## Corporate and other

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

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | $ Change | 2022 | 2021 | $ Change |
| INCOME | (in millions of U.S. dollars) | | | | | |
| Other income (expense): | | | | | | |
| Amortization of fair value adjustments [(1)] | $ (1) | $ 1 | $ (2) | $ (6) | $ (9) | $ 3 |
| All other (expense) income | (6) | — | (6) | 16 | (1) | 17 |
| Total other (expense) income | (7) | 1 | (8) | 10 | (10) | 20 |
| Net gain on sales of subsidiaries | — | 47 | (47) | — | 62 | (62) |
| Total (expense) income | (7) | 48 | (55) | 10 | 52 | (42) |
| EXPENSES | | | | | | |
| Net incurred losses and LAE - prior periods: | | | | | | |
| Amortization of DCAs [(2)] | 32 | 24 | 8 | 145 | 55 | 90 |
| Amortization of fair value adjustments | 4 | 5 | (1) | 11 | 13 | (2) |
| Changes in fair value - fair value option [(3)] | (82) | (10) | (72) | (228) | (68) | (160) |
| Total net incurred losses and LAE - prior periods [(2)] | (46) | 19 | (65) | (72) | — | (72) |
| General and administrative expenses | 22 | 35 | (13) | 92 | 100 | (8) |
| Total expenses | (24) | 54 | (78) | 20 | 100 | (80) |
| Interest expense | (23) | (18) | (5) | (71) | (51) | (20) |
| Net foreign exchange gains | 17 | 2 | 15 | 27 | 9 | 18 |
| Income tax (expense) benefit | (8) | (10) | 2 | (4) | (13) | 9 |
| Net loss (earnings) attributable to noncontrolling interests | 43 | 1 | 42 | 74 | (13) | 87 |
| Dividends on preferred shares | (9) | (9) | — | (27) | (27) | — |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ 37 | $ (40) | $ 77 | $ (11) | $ (143) | $ 132 |

(1) Amortization of fair value adjustments relates to the acquisition of DCo LLC and Morse TEC LLC.

(2) The three and nine months ended September 30, 2022 included accelerated amortization of $19 million and $115 million, respectively, corresponding to increased favorable PPD on net ultimate liabilities recorded in our Run-off segment. The three and nine months ended September 30, 2021 included accelerated amortization of $11 million and $22 million, respectively, corresponding to increased favorable PPD on net ultimate liabilities recorded in our Run-off segment.

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

### Overall Results

**Three Months Ended September 30, 2022 versus 2021:** Net earnings from our Corporate and other activities were $37 million for the three months ended September 30, 2022, compared to a net loss of $40 million for the three months ended September 30, 2021. The favorable movement of $77 million was primarily due to:

- Favorable PPD of $46 million in the current quarter in comparison to adverse PPD of $19 million in the comparative quarter, a favorable change of $65 million, primarily driven by:
    - A $72 million favorable change in the fair value of liabilities relating to our assumed retroactive reinsurance agreements for which we have elected the fair value option due to increases in interest rates; partially offset by
    - An $8 million increase in the amortization of DCAs due to favorable PPD on recent acquisition years.
- An increase in net losses attributable to noncontrolling interests of $42 million, as a result of net losses sustained in 2022 for those companies where there are noncontrolling interests;

- An increase in net foreign exchange gains of $15 million, primarily as a result of strengthening of the U.S. dollar against the U.K. pound and Euro; and
- A decrease in general and administrative expenses of $13 million, primarily driven by a reduction in long-term incentive plan costs as a result of reducing the certain PSU award values based on projected performance; partially offset by
- Absence of the prior year net gain on purchase and sales of subsidiaries of $47 million, driven by the gain recognized on the step acquisition of Enhanzed Re.

**Nine Months Ended September 30, 2022 versus 2021:** Net loss from our Corporate and other activities decreased by $132 million, primarily due to:

- The attribution of net losses to noncontrolling interests of $74 million in the current period in comparison to the attribution of net earnings of $13 million in the comparative quarter, as a result of net losses sustained in 2022 for those companies where there are noncontrolling interests;
- An increase in favorable PPD of $72 million in the current period primarily driven by:
  - A $160 million favorable change in the fair value of liabilities relating to our assumed retroactive reinsurance agreements for which we have elected the fair value option due to increases in interest rates; partially offset by
  - A $90 million increase in the amortization of DCAs due to favorable PPD on recent acquisition years.
- Other income of $10 million in the current period in comparison to other expense of $10 million in the comparative period, a favorable change of $20 million; and
- An increase in net foreign exchange gains of $18 million, primarily as a result of strengthening of the U.S. dollar against the U.K. pound and Euro; partially offset by
- Absence of the prior year net gain on purchase and sales of subsidiaries of $62 million, primarily driven by the following two components, both of which were recognized in the comparative period: i) a $47 million gain recognized on the step acquisition of Enhanzed Re and ii) a net gain on sales of subsidiaries of $15 million; and
- An increase in interest expense of $20 million, primarily due to the issuance of the 2031 Senior Notes in August 2021 and the 2042 Junior Subordinated Notes in January 2022.

## Current Outlook

### Run-off Outlook

**Transactions**

In August 2022, we executed an LPT agreement with a wholly owned subsidiary of Argo Group International Holdings, Ltd. (“Argo”) covering a number of its U.S. casualty insurance portfolios, with a policy limit of $1.1 billion. The closing of the transaction is subject to regulatory approval and other closing conditions which we expect to be completed in the fourth quarter of 2022.

We continue to evaluate transactions in our active pipeline including LPTs, ADCs, and other transaction types including acquisitions, and seek opportunities to execute on creative and accretive transactions by offering innovative capital release solutions that enable our clients to meet their capital and risk management objectives. Should we execute additional transactions, our mix of loss reserves by line of business, asset mix and both rate and timing of earnings may be impacted in the medium term.

We expect we will invest a significant portion of premium on new transactions in fixed maturity securities which will deliver book yields at the current elevated rates.

We are also continuing to evaluate the feasibility of initiatives to optimize our future return and capital position, including restructuring initiatives for some of the older loss portfolios that we have carried for a number of years.

**Seasonality**

We complete most of our annual loss reserve studies in the fourth quarter of each year and, as a result, tend to record the largest movements, both favorable and adverse, to net incurred losses and LAE in this period.

In the interim periods where a reserve study has not been completed, we perform quarterly reviews to ascertain whether changes to claims paid or case reserves have varied from our expectations developed during the last annual reserve review. In this event, we consider the timing and magnitude of the actual versus expected development, and we may record an interim adjustment to our recorded reserves if, and when, warranted.

Following the completion of annual loss reserve studies on approximately 20% of our portfolios in the third quarter, we observed the following trends:

- Favorable development on our workers’ compensation line of business, where our claims settlement experience continues to drive positive outcomes; partially offset by
- Adverse development on our general casualty line of business, where we have observed additional claims settlements on larger claims, and our motor line of business, where we continue to experience higher-than expected development; and
- Increased claim cost severity on our construction defect line of business, primarily attributable to inflationary pressures on labor and materials.

We expect our fourth quarter annual loss reserve studies to deliver results consistent with previous years.

**Enhanzed Re**

Following the completion of a strategic review of Enhanzed Re, we took into consideration the existing strategic position of Enhanzed Re, current marketplace offerings and the ability of Enhanzed Re to take advantage of future opportunities, and concluded that the available options did not align with our long-term strategy. As such, we entered into the Master Agreement in August 2022 and commenced an orderly unwind of the reinsurance operations of the entity.

In addition to the transactions completed to date, and as noted in Operational Highlights, we completed the commutation of the catastrophe reinsurance business with Allianz, and expect to complete our novation of the reinsurance of the closed block of life annuity policies to Monument Re, the impacts of these two transactions will be recorded in our fourth quarter 2022 and first quarter 2023 results respectively, in accordance with the one quarter reporting lag.

## Investment Outlook

We expect global financial markets to remain volatile for the remainder of 2022 and into 2023 as a result of inflationary pressures, tightening of financial conditions by global central banks, ongoing disruptions and decoupling of supply chains, geopolitical conflicts and tensions.

To date, we have recognized significant unrealized losses on our fixed income investments, a trend that may continue in the event of further interest rate increases and credit spread widening.

As we generally aim to maintain fixed income securities that are shorter or of equivalent duration to the timing of our estimated payments for losses and LAE, we expect that unrealized losses, on securities we continue to hold, to be recouped as our fixed maturity assets get closer to their maturity and the prices pull to par. We may undertake tactical repositioning of our portfolio as opportunities arise to achieve a better result than waiting for certain fixed maturity securities to pull to par value.

Elevated interest rates can represent an opportunity for us in the medium to long term, notably;

- We hold approximately 14% of our portfolio in individual fixed maturity securities that have floating interest rates which, should interest rates remain elevated, we expect to be accretive to future investment income book yields. In the nine months ended September 30, 2022, we have earned $106 million of net investment income from our floating rate investments which are generally indexed to LIBOR.
- Higher interest rates also provide us with the opportunity to reinvest at higher yields as our securities mature or as we invest premium received from new business.

Global equity markets are expected to remain turbulent in the remainder of 2022 and into 2023, and this, combined with our reporting lag on certain investments, will impact the valuation of our non-core risk investments. Anticipations of economic downturn will further negatively impact our non-core investments but may also impact expectations of future interest rates with the resulting impact to our fixed income securities.

The carrying value of our equity method investments and the fair value of other strategic investments that operate in the property catastrophe market could be adversely impacted as a result of varying levels of exposure to Hurricane Ian, a Category 4 hurricane that caused widespread damage at the end of September 2022. We do not have any significant direct exposure to this event.

However, we remain committed to our strategic asset allocation investment strategy and expect our other investments, including equities, to provide higher risk adjusted returns and diversification benefits over the medium to long term. In addition, we continue to seek investment opportunities that have inflationary pass-through components, including investments in private credit, real estate, and infrastructure asset classes.

## Inflation

We continue to monitor the inflationary impacts resulting from pandemic-related government stimulus, supply-demand imbalances, and labor force and supply chain disruptions, on our loss cost trends.

Our Run-off net loss reserves primarily consist of general casualty, workers’ compensation and asbestos lines of business which, as long tailed lines of business, have not, so far, been significantly impacted by ongoing inflationary pressures in comparison to other lines of business such as property and auto lines. The limited impact of inflation on our loss cost trends reflects a combination of the opportunity we have to re-price seasoned books of business and our claims management model that seeks to settle claims in an efficient and responsive manner to protect and mitigate the impact to us from adverse outcomes and social inflation. We continue to monitor claims in difficult legislative districts, seek to actively settle claims and monitor for reserving adequacy.

Global economic policy responses to inflation have led to increases in interest rates, which, in the short term, have had a significant impact on our investments, in particular our fixed maturity securities. Any further rise in interest rates will have further negative impacts on our fixed income investments. We continue to monitor liquidity, capital and potential earnings impact of these changes but remain focused on medium to long term asset allocation decisions.

Inflation will also result in increased wage pressures underlying our general and administrative expenses, as we remain focused on being a competitive employer in our market.

In August 2022, the U.S. government signed the Inflation Reduction Act (“IRA”) into law, which includes the implementation of a new alternative minimum tax and an excise tax on stock buybacks, among other provisions. While the provisions of the IRA will have no impact to our third quarter and foreseeable results given we do not meet the average annual adjusted income threshold and other relevant requirements, we will continue to closely monitor and assess the potential impact of the IRA as the regulations develop.

## Russian Invasion of Ukraine

The Russian invasion of Ukraine and the resulting impact on global commodity markets has increased commodity inflation rates, disrupted supply chains and generated significant insurance losses. In response, many countries have established comprehensive sanctions regimes and geopolitical tension between NATO and Russia has increased.

To quantify our exposure, we have performed an analysis of, and continue to monitor, our direct investment and underwriting risks, our acquisition pipeline and the potential for operational disruption (including disruption via our third party service providers). We have concluded that we have no significant direct impacts from this event. We continue to monitor for, and respond to, all changes in the global sanctions regime, updating our procedures accordingly.

## 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 new business, and develop relationships with lenders who provide borrowing capacity at competitive rates.

Our capital resources as of September 30, 2022 included ordinary shareholders' equity of $3.6 billion, preferred equity of $510 million, noncontrolling interests of $98 million, redeemable noncontrolling interests of $166 million, and debt obligations of $1.9 billion. Based on our current loss reserves[4] and investment positions, we believe we are well capitalized.

The following table details our capital position:

| | September 30, 2022 | December 31, 2021 | $ Change |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Ordinary shareholders' equity | $ 3,550 | $ 5,586 | $ (2,036) |
| Series D and E Preferred Shares | 510 | 510 | — |
| Total Enstar shareholders' equity | 4,060 | 6,096 | (2,036) |
| Noncontrolling interests | 98 | 230 | (132) |
| Total shareholders' equity | 4,158 | 6,326 | (2,168) |
| Debt obligations | 1,905 | 1,691 | 214 |
| Redeemable noncontrolling interests | 166 | 179 | (13) |
| Total capitalization | $ 6,229 | $ 8,196 | $ (1,967) |
| Total capitalization attributable to Enstar | $ 5,965 | $ 7,787 | $ (1,822) |
| Debt to total capitalization | 30.6 % | 20.6 % | |
| Debt and Series D and E Preferred Shares to total capitalization | 38.8 % | 26.9 % | |
| Debt to total capitalization attributable to Enstar | 31.9 % | 21.7 % | |
| Debt and Series D and E Preferred Shares to total capitalization attributable to Enstar | 40.5 % | 28.3 % | |

For purposes of the financial covenants in our credit facilities, total debt excludes hybrid capital (defined as our Subordinated Notes) not exceeding 15% of total capital attributable to Enstar. As of September 30, 2022, we were in compliance with the financial covenants in our credit facilities.

As of September 30, 2022, we had $923 million of cash and cash equivalents, excluding restricted cash, that supports (re)insurance operations, and included in this amount was $289 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 September 30, 2022 for any material withholding taxes on dividends or other distributions.

### Share Repurchases and Dividends

We believe that the best investment is in our business, by funding future transactions and meeting our financing obligations. We may choose to return value to shareholders in the form of share repurchases or dividends. To date, we have not declared any dividends on our ordinary shares. For details on our share repurchase programs, refer to Note 11 to our unaudited condensed consolidated financial statements. We may re-evaluate this strategy from time to time based on overall market conditions and other factors.

[4] Including gross loss reserves, future policyholder benefits and defendant A&E liabilities.

We have 16,000 Series D Preferred Shares with an aggregate liquidation value of $400 million and 4,400 Series E Preferred Shares with an aggregate liquidation value of $110 million. The dividends on both Series of Preferred Shares are non-cumulative and may be paid quarterly in arrears, only when, as and if declared.

Any payment of common or preferred dividends must be approved by our Board. Our ability to pay ordinary and preferred dividends is subject to certain restrictions.

## 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. We also utilize cash for our operating expenses associated with being a public company and to pay dividends on our preferred shares and interest and principal on loans from subsidiaries and debt obligations, including loans under our credit facilities, our Senior Notes, our Junior Subordinated Notes and Enhanzed Re’s 2031 Subordinated Notes (together with the Junior Subordinated Notes, the "Subordinated Notes").

Under the eligible capital rules of the Bermuda Monetary Authority (“BMA”), the Senior Notes qualify as Tier 3 capital and the Preferred Shares and Subordinated Notes qualify as Tier 2 capital when considering the Bermuda Solvency Capital Requirements (“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 in August 2020 with the 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 all 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 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.

As of September 30, 2022, all of our (re)insurance subsidiaries' capital requirement levels were in excess of the minimum levels required.

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 and collateral amounts required may also result in increased liquidity requirements for our subsidiaries.

Our sources of funds primarily consist of cash and investment portfolios acquired on the completion of acquisitions and new business, investment income earned, proceeds from sales and maturities of investments and collection of reinsurance recoverables.

Cash balances acquired upon the purchase of (re)insurance companies are classified as cash provided by investing activities, whereas cash from new business is classified as cash provided by operating activities.

We expect to use funds from cash and investment portfolios, collected premiums, collections from reinsurance debtors, 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.

Cash provided by operating activities for the nine months ended September 30, 2022 and 2021 was positive as our cash provided by sales and maturities of trading securities and cash received as a result of assuming new business exceeded cash used in the purchase of trading securities and net paid losses, with the net proceeds being used to purchase 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 and from new business, to be sufficient to meet cash requirements and to operate our business.

## Cash Flows

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

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2022 | 2021 | $ Change |
| | (in millions of U.S. dollars) | | |
| Cash provided by (used in): | | | |
| Operating activities | $ 340 | $ 3,858 | $ (3,518) |
| Investing activities | (1,064) | (2,051) | 987 |
| Financing activities | (31) | (676) | 645 |
| Effect of exchange rate changes on cash | 20 | 4 | 16 |
| Net (decrease) increase in cash and cash equivalents | (735) | 1,135 | (1,870) |
| Cash, cash equivalents and restricted cash, beginning of period | 2,092 | 1,373 | 719 |
| Net change in cash of businesses held-for-sale | — | 223 | (223) |
| Cash and cash equivalents and restricted cash, end of period | $ 1,357 | $ 2,731 | $ (1,374) |
| **Reconciliation to Condensed Consolidated Balance Sheets:** | | | |
| Cash and Cash equivalents | $ 923 | $ 1,587 | $ (664) |
| Restricted cash and cash equivalents | 434 | 448 | (14) |
| Cash and restricted cash and cash equivalents of the InRe Fund | — | 696 | (696) |
| Total cash, cash equivalents and restricted cash | $ 1,357 | $ 2,731 | $ (1,374) |

**Nine Months Ended September 30, 2022 versus 2021:** Cash and cash equivalents decreased by $735 million during the nine months ended September 30, 2022 compared to an increase of $1.1 billion during the nine months ended September 30, 2021.

Cash provided by operations of $340 million for the nine months ended September 30, 2022 was predominantly driven by:

(i) the cash inflows from net sales and maturities of trading securities of $1.6 billion; and

(ii) cash, restricted cash and cash equivalents from new business of $29 million; partially offset by

(iii) net paid losses of $1.3 billion;

Cash used in investing activities of $1.1 billion for the nine months ended September 30, 2022 primarily related to net purchases of other investments of $1.1 billion.

Cash used in financing activities of $31 million for the nine months ended September 30, 2022 was attributable to share repurchases of $163 million, dividends paid to our noncontrolling interests of $55 million and preferred share dividends of $27 million, partially offset by the net proceeds from the issuance of debt of $214 million.

Cash provided by operations for the nine months ended September 30, 2021 was predominantly driven by:

(i) cash, restricted cash and cash equivalents from new business of $1.9 billion; and

(ii) the cash inflows from net sales and maturities of trading securities of $2.6 billion; partially offset by

(iii) net paid losses of $996 million.

Cash used in investing activities for the nine months ended September 30, 2021 primarily related to:

(i) net purchases of AFS securities of $1.8 billion; and

(ii) the purchase and sales of subsidiaries, net of cash acquired and sold, respectively, of $438 million; partially offset by

(iii) the impact of consolidating the opening cash and restricted cash balances of the InRe Fund of $574 million.

Cash used in financing activities for the nine months ended September 30, 2021 was attributable to share repurchases of $890 million and preferred share dividends of $27 million, partially offset by the net proceeds from the issuance of debt of $242 million.

The change in cash of businesses held-for-sale for the nine months ended September 30, 2021 was due to the disposal of Northshore Holdings Limited ("Northshore").

## 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 $19.3 billion as of September 30, 2022 as compared to $21.7 billion as of December 31, 2021. This represents a decrease of 11.0% primarily due to a decline in the carrying value of our fixed income securities and other investments, including equities, and net paid losses, partially offset by an increase in funds held by reinsured companies as a result of the Aspen transaction.

## Reinsurance Balances Recoverable on Paid and Unpaid Losses

As of September 30, 2022 and December 31, 2021, we had reinsurance balances recoverable on paid and unpaid losses of $1.2 billion and $1.5 billion, respectively.

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.

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.

## 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 as of September 30, 2022 and December 31, 2021 were as follows:

| Facility | Origination Date | Term | September 30, 2022 | December 31, 2021 |
|---|---|---|---|---|
| | | | (in millions of U.S. dollars) | |
| 4.50% Senior Notes due 2022 | March 10, 2017 | 5 years | $ — | $ 280 |
| 4.95% Senior Notes due 2029 | May 28, 2019 | 10 years | 496 | 495 |
| 3.10% Senior Notes due 2031 | August 24, 2021 | 10 years | 495 | 495 |
| Total Senior Notes | | | 991 | 1,270 |
| 5.75% Junior Subordinated Notes due 2040 | August 26, 2020 | 20 years | 345 | 345 |
| 5.50% Junior Subordinated Notes due 2042 | January 14, 2022 | 20 years | 493 | — |
| 5.50% Enhanzed Re's Subordinated Notes due 2031 | December 20, 2018 | 12.1 years | 76 | 76 |
| Total Subordinated Notes | | | 914 | 421 |
| Total debt obligations | | | $ 1,905 | $ 1,691 |

Our debt obligations increased by $214 million from December 31, 2021 primarily due to the issuance of our 2042 Junior Subordinated Notes, partially offset by the repayment upon maturity of our 2022 Senior Notes.

### Credit Ratings

The following table presents our credit ratings as of November 3, 2022:

| Credit ratings (1) | Standard and Poor's | Fitch Ratings |
|---|---|---|
| Long-term issuer | BBB (Outlook: Positive) | BBB+ (Outlook: Stable) |
| 2029 Senior Notes | BBB | BBB |
| 2031 Senior Notes | BBB- | BBB |
| 2040 and 2042 Junior Subordinated Notes | BB+ | BBB- |
| 2031 Subordinated Notes | Not Rated | Not Rated |
| Series D and E Preferred Shares | BB+ | BBB- |

(1) Credit ratings are provided by third parties, Standard & 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[5].

[5] 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, 2021.

## Contractual Obligations

The following table includes only material changes in our contractual obligations as disclosed in "Part II, Item 7" Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2021, and primarily relate to changes resulting from the Aspen transaction.

As of September 30, 2022, our estimated payments for losses and LAE by expected payment date for the Run-off segment was as follows:

| | | Short-term | Long-term | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 1,674 | $ 155 | $ 267 | $ 240 | $ 358 | $ 654 |
| Environmental | 364 | 48 | 67 | 54 | 80 | 115 |
| General Casualty | 4,246 | 733 | 892 | 602 | 1,296 | 723 |
| Workers' compensation/personal accident | 2,647 | 271 | 438 | 405 | 505 | 1,028 |
| Marine, aviation and transit | 524 | 168 | 165 | 78 | 72 | 41 |
| Construction defect | 116 | 19 | 29 | 20 | 26 | 22 |
| Professional indemnity/ Directors and Officers | 1,299 | 280 | 338 | 192 | 352 | 137 |
| Motor | 539 | 130 | 117 | 69 | 86 | 137 |
| Property | 465 | 169 | 169 | 62 | 48 | 17 |
| Other | 652 | 226 | 181 | 81 | 79 | 85 |
| Total outstanding losses and IBNR | 12,526 | 2,199 | 2,663 | 1,803 | 2,902 | 2,959 |
| ULAE | 483 | 99 | 117 | 72 | 93 | 102 |
| Total estimated gross reserves for losses and LAE for the Run-off segment [1] | $ 13,009 | $ 2,298 | $ 2,780 | $ 1,875 | $ 2,995 | $ 3,061 |

(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 condensed consolidated 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 September 30, 2022 and do not take into account corresponding reinsurance recoverable amounts that would be due to us. Furthermore, certain of the reserves included in the condensed consolidated financial statements as of September 30, 2022 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.

We generally seek to maintain investment portfolios that are shorter or of equivalent duration to our 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.

## Off-Balance Sheet Arrangements

As of September 30, 2022, we have entered into certain investment commitments and parental guarantees[6]. We also utilize unsecured and secured letters of credit and a deposit facility. We do not believe it is reasonably likely that these arrangements will have a material current or future effect on our financial condition, changes in financial condition, revenues and expenses, results of operations, liquidity, cash requirements or capital resources.

[6] Refer to Note 16 to our condensed consolidated financial statements for further details.

# ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk. For the nine months ended September 30, 2022, excluding interest rate risk, there were no material changes to these market risks or our policies to address these market risks, as disclosed in “Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2021. Please see such section for a discussion of our exposure to and policies to address these market risks.

Refer to the below disclosure for discussion of our exposure to and policies to address interest rate risks.

## 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, contract liabilities and future policyholder benefits, as well as for settlement of commutation payments. We also monitor the duration and structure of our investment portfolio.

The following tables, presented on a consolidated, Run-off segment, and Assumed Life segment basis, summarize 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:

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Interest Rate Shift in Basis Points | | | | |
| **As of September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value [(1)] | $ 10,507 | $ 10,232 | $ 9,972 | $ 9,727 | $ 9,495 |
| Market Value Change from Base | 5.4 % | 2.6 % | — % | (2.5)% | (4.8)% |
| Change in Unrealized Value | $ 535 | $ 260 | $ — | $ (245) | $ (477) |
| **As of December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [(1)] | $ 14,601 | $ 14,182 | $ 13,796 | $ 13,438 | $ 13,099 |
| Market Value Change from Base | 5.8 % | 2.8 % | — % | (2.6)% | (5.1)% |
| Change in Unrealized Value | $ 805 | $ 386 | $ — | $ (358) | $ (697) |

(1) Excludes equity exchange-traded funds of $408 million and $373 million as of September 30, 2022 and December 31, 2021, respectively.

| | Run-off | | | | |
|---|---|---|---|---|---|
| | Interest Rate Shift in Basis Points | | | | |
| **As of September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value [(1)] | $ 9,291 | $ 9,090 | $ 8,898 | $ 8,716 | $ 8,542 |
| Market Value Change from Base | 4.4 % | 2.2 % | — % | (2.0)% | (4.0)% |
| Change in Unrealized Value | $ 393 | $ 192 | $ — | $ (182) | $ (356) |
| **As of December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [(1)] | $ 12,959 | $ 12,638 | $ 12,342 | $ 12,066 | $ 11,803 |
| Market Value Change from Base | 5.0 % | 2.4 % | — % | (2.2)% | (4.4)% |
| Change in Unrealized Value | $ 617 | $ 296 | $ — | $ (276) | $ (539) |

(1) Excludes equity exchange-traded funds of $408 million and $373 million as of September 30, 2022 and December 31, 2021, respectively.

| | Assumed Life | | | | |
|---|---|---|---|---|---|
| | Interest Rate Shift in Basis Points | | | | |
| **As of September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value | $ 1,216 | $ 1,142 | $ 1,074 | $ 1,011 | $ 953 |
| Market Value Change from Base | 13.2 % | 6.3 % | — % | (5.9)% | (11.3)% |
| Change in Unrealized Value | $ 142 | $ 68 | $ — | $ (63) | $ (121) |
| **As of December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value | $ 1,642 | $ 1,544 | $ 1,454 | $ 1,372 | $ 1,296 |
| Market Value Change from Base | 12.9 % | 6.2 % | — % | (5.6)% | (10.9)% |
| Change in Unrealized Value | $ 188 | $ 90 | $ — | $ (82) | $ (158) |

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 funds may be materially different from the resulting change in value indicated in the tables above.

The following tables, presented on a consolidated, Run-off segment, and Assumed Life segment basis, summarize 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:

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | Credit Spread Shift in Basis Points | | | | |
| **As at September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value [(1)] | $ 10,496 | $ 10,227 | $ 9,972 | $ 9,727 | $ 9,500 |
| Market Value Change from Base | 5.3 % | 2.6 % | — % | (2.5)% | (4.7)% |
| Change in Unrealized Value | $ 524 | $ 255 | $ — | $ (245) | $ (472) |
| **As at December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [(1)] | $ 14,560 | $ 14,166 | $ 13,796 | $ 13,448 | $ 13,119 |
| Market Value Change from Base | 5.5 % | 2.7 % | — % | (2.5)% | (4.9)% |
| Change in Unrealized Value | $ 764 | $ 370 | $ — | $ (348) | $ (677) |

(1) Excludes equity exchange-traded funds of $408 million and $373 million as of September 30, 2022 and December 31, 2021, respectively.

| | Run-off | | | | |
|---|---|---|---|---|---|
| | Credit Spread Shift in Basis Points | | | | |
| **As at September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value [(1)] | $ 9,291 | $ 9,090 | $ 8,898 | $ 8,712 | $ 8,539 |
| Market Value Change from Base | 4.4 % | 2.2 % | — % | (2.1)% | (4.0)% |
| Change in Unrealized Value | $ 393 | $ 192 | $ — | $ (186) | $ (359) |
| **As at December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value [(1)] | $ 12,935 | $ 12,630 | $ 12,342 | $ 12,070 | $ 11,811 |
| Market Value Change from Base | 4.8 % | 2.3 % | — % | (2.2)% | (4.3)% |
| Change in Unrealized Value | $ 593 | $ 288 | $ — | $ (272) | $ (531) |

(1) Excludes equity exchange-traded funds of $408 million and $373 million as of September 30, 2022 and December 31, 2021, respectively.

| | Assumed Life Credit Spread Shift in Basis Points | | | | |
|---|---|---|---|---|---|
| **As at September 30, 2022** | **-100** | **-50** | **—** | **+50** | **+100** |
| | | | (in millions of U.S. dollars) | | |
| Total Market Value | $ 1,205 | $ 1,137 | $ 1,074 | $ 1,015 | $ 961 |
| Market Value Change from Base | 12.2 % | 5.9 % | — % | (5.5)% | (10.5)% |
| Change in Unrealized Value | $ 131 | $ 63 | $ — | $ (59) | $ (113) |
| **As at December 31, 2021** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value | $ 1,625 | $ 1,536 | $ 1,454 | $ 1,378 | $ 1,308 |
| Market Value Change from Base | 11.8 % | 5.6 % | — % | (5.2)% | (10.0)% |
| Change in Unrealized Value | $ 171 | $ 82 | $ — | $ (76) | $ (146) |

# ITEM 1. FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** **Page**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# ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
## As of September 30, 2022 and December 31, 2021

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (expressed in millions of U.S. dollars, except share data) | |
| **ASSETS** | | |
| Short-term investments, trading, at fair value | $ 14 | $ 6 |
| Short-term investments, available-for-sale, at fair value (amortized cost: 2022 — $9; 2021 — $34; net of allowance: 2022 and 2021 — $0) | 9 | 34 |
| Fixed maturities, trading, at fair value | 2,315 | 3,756 |
| Fixed maturities, available-for-sale, at fair value (amortized cost: 2022 — $5,624; 2021 — $5,689; net of allowance: 2022 — $35; 2021 — $10) | 4,868 | 5,652 |
| Funds held - directly managed | 2,150 | 3,007 |
| Equities, at fair value (cost: 2022 — $1,320; 2021 — $1,831) | 1,199 | 1,995 |
| Other investments, at fair value | 3,203 | 2,333 |
| Equity method investments | 468 | 493 |
| Total investments (Note 3 and Note 7) | 14,226 | 17,276 |
| Cash and cash equivalents | 923 | 1,646 |
| Restricted cash and cash equivalents | 434 | 446 |
| Reinsurance balances recoverable on paid and unpaid losses (net of allowance: 2022 — $134; 2021 — $136) | 886 | 1,085 |
| Reinsurance balances recoverable on paid and unpaid losses, at fair value (Note 7) | 287 | 432 |
| Insurance balances recoverable (net of allowance: 2022 and 2021 — $5) (Note 6) | 190 | 213 |
| Funds held by reinsured companies | 3,727 | 2,340 |
| Deferred charge assets | 255 | 371 |
| Other assets | 624 | 620 |
| TOTAL ASSETS | $ 21,552 | $ 24,429 |
| **LIABILITIES** | | |
| Losses and loss adjustment expenses (Note 5) | $ 11,549 | $ 11,269 |
| Losses and loss adjustment expenses, at fair value (Note 5 and Note 7) | 1,286 | 1,989 |
| Future policyholder benefits | 1,285 | 1,502 |
| Defendant asbestos and environmental liabilities (Note 6) | 617 | 638 |
| Insurance and reinsurance balances payable | 154 | 254 |
| Debt obligations (Note 9) | 1,905 | 1,691 |
| Other liabilities | 432 | 581 |
| TOTAL LIABILITIES | 17,228 | 17,924 |
| **COMMITMENTS AND CONTINGENCIES** (Note 16) | | |
| **REDEEMABLE NONCONTROLLING INTERESTS** (Note 10) | 166 | 179 |
| **SHAREHOLDERS' EQUITY** (Note 11) | | |
| Ordinary shares (par value $1 each, issued and outstanding 2022: 17,584,201; 2021: 18,223,574): | | |
| Voting Ordinary shares (issued and outstanding 2022: 15,986,489; 2021: 16,625,862) | 16 | 17 |
| Non-voting convertible ordinary Series C Shares (issued and outstanding 2022 and 2021: 1,192,941) | 1 | 1 |
| Non-voting convertible ordinary Series E Shares (issued and outstanding 2022 and 2021: 404,771) | — | — |
| Preferred Shares: | | |
| Series C Preferred Shares (issued and held in treasury 2022 and 2021: 388,571) | — | — |
| Series D Preferred Shares (issued and outstanding 2022 and 2021: 16,000; liquidation preference $400) | 400 | 400 |
| Series E Preferred Shares (issued and outstanding 2022 and 2021: 4,400; liquidation preference $110) | 110 | 110 |
| Treasury shares, at cost (Series C Preferred shares 2022 and 2021: 388,571) | (422) | (422) |
| Joint Share Ownership Plan (voting ordinary shares, held in trust 2022 and 2021: 565,630) | (1) | (1) |
| Additional paid-in capital | 757 | 922 |
| Accumulated other comprehensive loss | (667) | (16) |
| Retained earnings | 3,866 | 5,085 |
| Total Enstar Shareholders' Equity | 4,060 | 6,096 |
| Noncontrolling interests (Note 10) | 98 | 230 |
| TOTAL SHAREHOLDERS' EQUITY | 4,158 | 6,326 |
| TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY | $ 21,552 | $ 24,429 |

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
## For the Three and Nine Months Ended September 30, 2022 and 2021

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (expressed in millions of U.S. dollars, except share and per share data) | | | |
| INCOME | | | | |
| Net premiums earned | $ 4 | $ 52 | $ 52 | $ 204 |
| Net investment income | 116 | 93 | 302 | 231 |
| Net realized (losses) gains | (36) | 6 | (111) | 1 |
| Net unrealized (losses) gains | (546) | (280) | (1,518) | 110 |
| Other (expense) income | (4) | 11 | 33 | 27 |
| Net gain on purchase and sales of subsidiaries | — | 47 | — | 62 |
| Total income | (466) | (71) | (1,242) | 635 |
| EXPENSES | | | | |
| Net incurred losses and loss adjustment expenses | | | | |
| Current period | 13 | 42 | 39 | 146 |
| Prior periods | (109) | (69) | (331) | (189) |
| Total net incurred losses and loss adjustment expenses | (96) | (27) | (292) | (43) |
| Policyholder benefit expenses | 7 | — | 25 | — |
| Acquisition costs | — | 11 | 20 | 50 |
| General and administrative expenses | 67 | 93 | 235 | 269 |
| Interest expense | 23 | 18 | 71 | 51 |
| Net foreign exchange gains | (17) | (2) | (27) | (9) |
| Total expenses | (16) | 93 | 32 | 318 |
| (LOSS) EARNINGS BEFORE INCOME TAXES | (450) | (164) | (1,274) | 317 |
| Income tax expense | (8) | (10) | (4) | (13) |
| (Losses) earnings from equity method investments | (20) | (14) | 12 | 101 |
| NET (LOSS) EARNINGS | (478) | (188) | (1,266) | 405 |
| Net loss (earnings) attributable to noncontrolling interests | 43 | 1 | 74 | (13) |
| NET (LOSS) EARNINGS ATTRIBUTABLE TO ENSTAR | (435) | (187) | (1,192) | 392 |
| Dividends on preferred shares | (9) | (9) | (27) | (27) |
| NET (LOSS) EARNINGS ATTRIBUTABLE TO ENSTAR ORDINARY SHAREHOLDERS | $ (444) | $ (196) | $ (1,219) | $ 365 |
| (Loss) earnings per ordinary share attributable to Enstar: | | | | |
| Basic | $ (26.10) | $ (10.68) | $ (70.59) | $ 17.78 |
| Diluted | $ (26.10) | $ (10.68) | $ (70.59) | $ 17.53 |
| Weighted average ordinary shares outstanding: | | | | |
| Basic | 17,013,348 | 18,349,483 | 17,269,870 | 20,502,755 |
| Diluted | 17,126,880 | 18,548,368 | 17,382,578 | 20,793,640 |

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## For the Three and Nine Months Ended September 30, 2022 and 2021

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (expressed in millions of U.S. dollars) | | | |
| NET (LOSS) EARNINGS | $ (478) | $ (188) | $ (1,266) | $ 405 |
| Other comprehensive loss, net of income taxes: | | | | |
| Unrealized losses on fixed income available-for-sale investments arising during the period | (204) | (26) | (754) | (80) |
| Reclassification adjustment for change in allowance for credit losses recognized in net (loss) earnings | (3) | (2) | 29 | 5 |
| Reclassification adjustment for net realized loss (gain) included in net (loss) earnings | 27 | (2) | 58 | (4) |
| Reclassification to net (loss) earnings on disposal of subsidiary | — | — | — | 1 |
| Unrealized losses arising during the period, net of reclassification adjustments | (180) | (30) | (667) | (78) |
| Cumulative currency translation adjustment | — | 1 | 2 | 2 |
| Decrease in defined benefit pension liability | (2) | — | (2) | — |
| Total other comprehensive loss | (182) | (29) | (667) | (76) |
| Comprehensive (loss) income | (660) | (217) | (1,933) | 329 |
| Comprehensive loss (income) attributable to noncontrolling interests | 48 | — | 90 | (14) |
| COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ENSTAR | $ (612) | $ (217) | $ (1,843) | $ 315 |

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
## For the Three and Nine Months Ended September 30, 2022 and 2021

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (expressed in millions of U.S. dollars) | | | |
| **Share Capital — Voting Ordinary Shares** | | | | |
| Balance, beginning of period | $ 16 | $ 19 | $ 17 | $ 19 |
| Shares repurchased | — | (2) | (1) | (2) |
| Balance, end of period | $ 16 | $ 17 | $ 16 | $ 17 |
| **Share Capital — Non-Voting Convertible Ordinary Series C Shares** | | | | |
| Balance, beginning of period | $ 1 | $ 3 | $ 1 | $ 3 |
| Shares repurchased | — | (2) | — | (2) |
| Balance, end of period | $ 1 | $ 1 | $ 1 | $ 1 |
| **Share Capital — Non-Voting Convertible Ordinary Series E Shares** | | | | |
| Balance, beginning of period | $ — | $ 1 | $ — | $ 1 |
| Shares repurchased | — | (1) | — | (1) |
| Balance, end of period | $ — | $ — | $ — | $ — |
| **Share Capital — Series C Convertible Participating Non-Voting Preferred Shares** | | | | |
| Balance, beginning and end of period | $ — | $ — | $ — | $ — |
| **Share Capital — Series D Preferred Shares** | | | | |
| Balance, beginning and end of period | $ 400 | $ 400 | $ 400 | $ 400 |
| **Share Capital — Series E Preferred Shares** | | | | |
| Balance, beginning and end of period | $ 110 | $ 110 | $ 110 | $ 110 |
| **Treasury Shares (Series C Preferred Shares)** | | | | |
| Balance, beginning and end of period | $ (422) | $ (422) | $ (422) | $ (422) |
| **Joint Share Ownership Plan — Voting Ordinary Shares, Held in Trust** | | | | |
| Balance, beginning and end of period | $ (1) | $ (1) | $ (1) | $ (1) |
| **Additional Paid-in Capital** | | | | |
| Balance, beginning of period | $ 769 | $ 1,835 | $ 922 | $ 1,836 |
| Repurchase of voting ordinary shares | (1) | 1 | (4) | (2) |
| Shares repurchased | — | (886) | (162) | (897) |
| Amortization of share-based compensation | (11) | 7 | 1 | 20 |
| Balance, end of period | $ 757 | $ 957 | $ 757 | $ 957 |
| **Accumulated Other Comprehensive (Loss) Income** | | | | |
| Balance, beginning of period | $ (490) | $ 33 | $ (16) | $ 81 |
| Cumulative currency translation adjustment | | | | |
| Balance, beginning of period | 11 | 8 | 9 | 8 |
| Change in currency translation adjustment | — | 1 | 2 | 1 |
| Balance, end of period | 11 | 9 | 11 | 9 |
| Defined benefit pension liability | | | | |
| Balance, beginning of period | 2 | — | 2 | — |
| Change in defined benefit pension liability | (2) | — | (2) | — |
| Balance, end of period | — | — | — | — |
| Unrealized (losses) gains on available-for-sale investments | | | | |
| Balance, beginning of period | (503) | 25 | (27) | 73 |
| Change in unrealized (losses) on available-for-sale investments | (175) | (29) | (651) | (77) |
| Balance, end of period | (678) | (4) | (678) | (4) |
| Balance, end of period | $ (667) | $ 5 | $ (667) | $ 5 |
| **Retained Earnings** | | | | |
| Balance, beginning of period | $ 4,310 | $ 5,209 | $ 5,085 | $ 4,647 |
| Net (loss) earnings | (478) | (188) | (1,266) | 405 |
| Net loss (earnings) attributable to noncontrolling interests | 43 | 1 | 74 | (13) |
| Dividends on preferred shares | (9) | (9) | (27) | (27) |
| Change in redemption value of redeemable noncontrolling interests | — | — | — | 1 |
| Balance, end of period | $ 3,866 | $ 5,013 | $ 3,866 | $ 5,013 |
| **Noncontrolling Interests (excludes Redeemable Noncontrolling Interests)** | | | | |
| Balance, beginning of period | $ 193 | $ 13 | $ 230 | $ 14 |

| | | | | |
|---|---|---|---|---|
| Increase due to acquisitions | — | 219 | — | 219 |
| Change in unrealized losses on available-for-sale investments attributable to noncontrolling interests | (2) | — | (8) | — |
| Dividends paid | (55) | — | (55) | (1) |
| Net (loss) attributable to noncontrolling interests | (38) | (5) | (69) | (5) |
| Balance, end of period | $ 98 | $ 227 | $ 98 | $ 227 |
| **Total Shareholders' Equity** | $ 4,158 | $ 6,307 | $ 4,158 | $ 6,307 |

See accompanying notes to the unaudited condensed consolidated financial statements

# ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## For the Nine Months Ended September 30, 2022 and 2021

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (expressed in millions of U.S. dollars) | |
| OPERATING ACTIVITIES: | | |
| Net (loss) earnings | $ (1,266) | $ 405 |
| Adjustments to reconcile net (loss) earnings to cash flows (used in) provided by operating activities: | | |
| Realized losses (gains) on sales of investments | 111 | (1) |
| Unrealized losses (gains) on investments | 1,518 | (110) |
| Depreciation and other amortization | 38 | 56 |
| Earnings from equity method investments | (12) | (101) |
| Sales and maturities of trading securities | 3,124 | 5,290 |
| Purchases of trading securities | (1,551) | (2,697) |
| Payments to cover securities sold short | — | (1,016) |
| Proceeds from securities sold short | — | 461 |
| Net payments for derivative contracts | — | (66) |
| Net gain on sales of subsidiaries | — | (62) |
| Other | 29 | 6 |
| Changes in: | | |
| Reinsurance balances recoverable on paid and unpaid losses | 329 | 118 |
| Funds held by reinsured companies | (1,387) | (1,561) |
| Losses and loss adjustment expenses | (284) | 2,465 |
| Defendant asbestos and environmental liabilities | (21) | (46) |
| Insurance and reinsurance balances payable | (98) | — |
| Other operating assets and liabilities | (190) | (315) |
| Variable interest entity assets and liabilities of the InRe Fund (Note 8) | — | 1,032 |
| Net cash flows provided by operating activities | 340 | 3,858 |
| INVESTING ACTIVITIES: | | |
| Acquisition, net of cash acquired | — | (206) |
| Sales of subsidiaries, net of cash previously held | — | (232) |
| Sales and maturities of available-for-sale securities | 1,704 | 2,524 |
| Purchase of available-for-sale securities | (1,714) | (4,343) |
| Purchase of other investments | (1,379) | (622) |
| Proceeds from other investments | 319 | 254 |
| Other investing activities | 6 | — |
| Consolidation of the InRe Fund opening cash and restricted cash balances (Note 8) | — | 574 |
| Net cash flows used in investing activities | (1,064) | (2,051) |
| FINANCING ACTIVITIES: | | |
| Dividends on preferred shares | (27) | (27) |
| Dividends paid to noncontrolling interests | (55) | (1) |
| Repurchase of shares | (163) | (890) |
| Issuance of debt, net of issuance costs | 494 | 816 |
| Repayment of debt | (280) | (574) |
| Net cash flows used in financing activities | (31) | (676) |
| EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS | 20 | 4 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (735) | 1,135 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD | 2,092 | 1,373 |
| NET CHANGE IN CASH OF BUSINESSES HELD FOR SALE | — | 223 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD | $ 1,357 | $ 2,731 |

| | | | | |
|---|---|---|---|---|
| **Supplemental Cash Flow Information:** | | | | |
| Income taxes paid, net of refunds | $ | 2 | $ | 7 |
| Interest paid | $ | 70 | $ | 51 |
| **Reconciliation to Condensed Consolidated Balance Sheets:** | | | | |
| Cash and cash equivalents | | 923 | | 1,587 |
| Restricted cash and cash equivalents | | 434 | | 448 |
| Cash and restricted cash and cash equivalents of the InRe Fund *(Note 8)* | | — | | 696 |
| Cash, cash equivalents and restricted cash | $ | 1,357 | $ | 2,731 |

In addition to the cash flows presented above, for the nine months ended September 30, 2021, our non-cash financing activities included distributions to redeemable noncontrolling interests ("RNCI") totaling $202 million, an increase in non-controlling interests of $219 million due to the acquisition of a subsidiary, the issuance of 89,590 shares following the exercise of 175,901 warrants on a non-cash basis, and a third party capital withdrawal from the InRe Fund totaling $61 million which was funded through the transfer of a trading security. For the nine months ended September 30, 2021 our non-cash investing activities included: the removal of an equity method investment of $412 million relating to the acquisition of a subsidiary, the receipt of other investments as consideration totaling $52 million; unsettled purchases and sales of AFS and other investments of $64 million and $10 million, respectively; and contributions of $481 million to other investments, fully funded through the redemption of other investments totaling $381 million and a $100 million reduction in investment fees.

For the nine months ended September 30, 2022, our non-cash investing activities included unsettled purchases and sales of AFS and other investments of $10 million and $(3) million respectively.

See accompanying notes to the unaudited condensed consolidated financial statements

## ENSTAR GROUP LIMITED
## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## 1. BASIS OF PRESENTATION

Enstar Group Limited ("Enstar") is a leading global (re)insurance group that offers innovative capital release solutions through its network of group companies. Our core focus is acquiring and managing (re)insurance companies and portfolios of (re)insurance business in run-off.

These unaudited condensed consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Rules and Regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the financial information and note disclosures required by U.S. GAAP for complete consolidated financial statements.

In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, that are normal and recurring in nature, necessary for fair statement. All intercompany accounts and transactions have been eliminated and certain comparative information has been reclassified to conform to the current presentation.

The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements and related notes 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, 2021.

### Significant Accounting Policies

The following significant accounting policy has been updated following the completion of the loss portfolio transaction (“LPT”) with Aspen Insurance Holdings Limited (“Aspen”) in May 2022 as further described in Note 3.

**(a) Funds Held**

We receive a fixed crediting rate of return or other contractually agreed return on our funds held by reinsured companies. Where we receive a contractually agreed return, we evaluate whether we are required to recognize an embedded derivative.

Funds held by reinsured companies are carried at cost and any embedded derivative is carried at fair value. 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 investment return is recognized in net investment income with the change in the fair value of the embedded derivative included in net unrealized gains (losses).

### Recently Issued Accounting Pronouncements Not Yet Adopted

**ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts**

In August 2018, the FASB issued ASU 2018-12 and subsequently issued ASUs 2019-09 and 2020-11 serving to defer the effective date of implementation. These updates:

- Require at least annual review of assumptions used to determine the provision for future policyholder benefits with the recognition of any resulting re-measurement gains or losses, excluding those related to discount rate changes, in the consolidated statement of earnings;
- Use upper-medium grade fixed-income instrument discount rates to discount future cash flows with the impact of these changes recognized in other comprehensive income; and
- Introduce new disclosure requirements around the provisions for future policyholder benefits, policyholder account balances, market risk benefits, separate account liabilities, and DAC, which includes information about significant inputs, judgments, assumptions and methods used in measurement.

These amendments are effective for interim and annual reporting periods beginning after December 15, 2022. This new guidance will apply to our future policyholder benefits held within the Assumed Life segment. We are currently evaluating the impact of ASU 2018-12 on our consolidated financial statements and disclosures, and will adopt the standard effective January 1, 2023.

## 2. SEGMENT INFORMATION

Our segment structure is aligned with how our chief operating decision maker ("CODM"), who was determined to be our Chief Executive Officer, views our business, assesses performance and allocates resources to our business components. Our business is organized into four reportable segments: (i) Run-off; (ii) Assumed Life; (iii) Investments; and (iv) Legacy Underwriting. In addition, our Corporate and other activities, which do not qualify as an operating segment, include income and expense items that are not directly attributable to our reportable segments.

The Assumed Life segment includes Enhanzed Re life and property aggregate excess of loss (catastrophe) business. Given our planned rationalization of the Enhanzed Re reinsurance business[7], we have renamed the segment from Enhanzed Re to Assumed Life effective this quarterly reporting period. We may leverage this segment for any future potential assumed life business transactions if and when they occur.

Our assets are reviewed on a consolidated basis by management for decision making purposes since they support business operations across all of our four reportable segments as well as our corporate and other activities. We do not allocate assets to our reportable segments with the exception of (re)insurance balances recoverable on paid and unpaid losses and goodwill that are directly attributable to our reportable segments.

[7] See Note 17 for further details.

The following tables set forth select unaudited condensed consolidated statement of earnings results by segment and our Corporate and other activities:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| **Income** | | | | |
| Run-off | $ 3 | $ 51 | $ 46 | $ 202 |
| Assumed Life | 2 | — | 17 | — |
| Investments | (464) | (181) | (1,323) | 342 |
| Legacy Underwriting | — | 11 | 8 | 39 |
| Subtotal | (459) | (119) | (1,252) | 583 |
| Corporate and other | (7) | 48 | 10 | 52 |
| **Total income** | **$ (466)** | **$ (71)** | **$ (1,242)** | **$ 635** |
| **(Losses) earnings from equity method investments** | | | | |
| Investments | **$ (20)** | **$ (14)** | **$ 12** | **$ 101** |
| **Segment net earnings (loss)** | | | | |
| Run-off | $ 19 | $ 47 | $ 116 | $ 89 |
| Assumed Life | (7) | — | 15 | — |
| Investments | (493) | (203) | (1,339) | 419 |
| Legacy Underwriting | — | — | — | — |
| **Total segment net (loss) earnings** | **(481)** | **(156)** | **(1,208)** | **508** |
| Corporate and other: | | | | |
| Other (expense) income [(1)] | (7) | 1 | 10 | (10) |
| Net gain on sale of subsidiaries | — | 47 | — | 62 |
| Net incurred losses and loss adjustment expenses ("LAE") [(2)] | 46 | (19) | 72 | — |
| General and administrative expenses | (22) | (35) | (92) | (100) |
| Interest expense | (23) | (18) | (71) | (51) |
| Net foreign exchange gains | 17 | 2 | 27 | 9 |
| Income tax expense | (8) | (10) | (4) | (13) |
| Net loss (earnings) attributable to noncontrolling interests | 43 | 1 | 74 | (13) |
| Dividends on preferred shares | (9) | (9) | (27) | (27) |
| **Total - Corporate and other** | **37** | **(40)** | **(11)** | **(143)** |
| **Net (loss) earnings attributable to Enstar Ordinary Shareholders** | **(444)** | **$ (196)** | **(1,219)** | **$ 365** |

(1) Other income (expense) for corporate and other activities includes the amortization of fair value adjustments associated with the acquisition of DCo LLC ("DCo") and Morse TEC LLC ("Morse TEC").

(2) Net incurred losses and LAE for corporate and other activities includes the amortization of deferred charge assets ("DCAs") on retroactive reinsurance contracts, fair value adjustments associated with the acquisition of companies and the changes in the discount rate and risk margin components of the fair value of assets and liabilities related to our assumed retroactive reinsurance contracts for which we have elected the fair value option. The three and nine months ended September 30, 2022 included accelerated amortization of $19 million and $115 million, respectively, corresponding to increased favorable prior period development ("PPD") on net ultimate liabilities recorded in our Run-off segment. There was $11 million and $22 million accelerated amortization for the three and nine months ended September 30, 2021.

## 3. INVESTMENTS

### Short-term and Fixed Maturity Investments

**Asset Types**

The fair values of the following underlying asset categories are set out below:

| | September 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Short-term investments, trading | Short-term investments, AFS | Fixed maturities, trading | Fixed maturities, AFS | Fixed maturities, funds held - directly managed | Total |
| | (in millions of U.S. dollars) | | | | | |
| U.S. government and agency | $ 14 | $ 5 | $ 65 | $ 353 | $ 124 | $ 561 |
| U.K. government | — | — | 61 | 30 | 4 | 95 |
| Other government | — | — | 193 | 130 | 168 | 491 |
| Corporate (1) | — | 4 | 1,546 | 2,851 | 679 | 5,080 |
| Municipal | — | — | 60 | 101 | 50 | 211 |
| Residential mortgage-backed | — | — | 74 | 335 | 81 | 490 |
| Commercial mortgage-backed | — | — | 165 | 535 | 211 | 911 |
| Asset-backed | — | — | 151 | 533 | 81 | 765 |
| Structured products | — | — | — | — | 706 | 706 |
| Total fixed maturity and short-term investments | $ 14 | $ 9 | $ 2,315 | $ 4,868 | $ 2,104 | $ 9,310 |

(1) Includes convertible bonds of $230 million, which includes embedded derivatives of $31 million.

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Short-term investments, trading | Short-term investments, AFS | Fixed maturities, trading | Fixed maturities, AFS | Fixed maturities, funds held - directly managed | Total |
| | (in millions of U.S. dollars) | | | | | |
| U.S. government and agency | $ 3 | $ 25 | $ 102 | $ 434 | $ 183 | $ 747 |
| U.K. government | — | — | 73 | 10 | — | 83 |
| Other government | 3 | — | 285 | 128 | 247 | 663 |
| Corporate (1) | — | 8 | 2,660 | 3,350 | 796 | 6,814 |
| Municipal | — | — | 85 | 128 | 73 | 286 |
| Residential mortgage-backed | — | — | 104 | 391 | 115 | 610 |
| Commercial mortgage-backed | — | — | 250 | 562 | 262 | 1,074 |
| Asset-backed | — | 1 | 197 | 649 | 97 | 944 |
| Structured Products | — | — | — | — | 1,033 | 1,033 |
| Total fixed maturity and short-term investments | $ 6 | $ 34 | $ 3,756 | $ 5,652 | $ 2,806 | $ 12,254 |

(1) Includes convertible bonds of $223 million, which includes embedded derivatives of $43 million.

Included within residential and commercial mortgage-backed securities as of September 30, 2022 were securities issued by U.S. governmental agencies with a fair value of $388 million (December 31, 2021: $460 million).

### 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 September 30, 2022 | Amortized Cost | Fair Value | % of Total Fair Value |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| One year or less | $ 344 | $ 331 | 3.6 % |
| More than one year through five years | 3,192 | 2,844 | 30.4 % |
| More than five years through ten years | 2,349 | 1,896 | 20.4 % |
| More than ten years | 2,982 | 2,073 | 22.3 % |
| Residential mortgage-backed | 552 | 490 | 5.3 % |
| Commercial mortgage-backed | 1,001 | 911 | 9.8 % |
| Asset-backed | 816 | 765 | 8.2 % |
| | $ 11,236 | $ 9,310 | 100.0 % |

### 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 September 30, 2022 | Amortized Cost | Gross Unrealized Gains | Non-Credit Related Losses | Allowance for Credit Losses | Fair Value |
| | | | (in millions of U.S. dollars) | | |
| U.S. government and agency | $ 390 | $ — | $ (32) | $ — | $ 358 |
| U.K. government | 35 | — | (5) | — | 30 |
| Other government | 151 | — | (21) | — | 130 |
| Corporate | 3,389 | 4 | (503) | (35) | 2,855 |
| Municipal | 123 | — | (22) | — | 101 |
| Residential mortgage-backed | 383 | — | (48) | — | 335 |
| Commercial mortgage-backed | 594 | 1 | (60) | — | 535 |
| Asset-backed | 568 | — | (35) | — | 533 |
| | $ 5,633 | $ 5 | $ (726) | $ (35) | $ 4,877 |

| | | | Gross Unrealized Losses | | |
|---|---|---|---|---|---|
| As of December 31, 2021 | Amortized Cost | Gross Unrealized Gains | Non-Credit Related Losses | Allowance for Credit Losses | Fair Value |
| | | | (in millions of U.S. dollars) | | |
| U.S. government and agency | $ 463 | $ 1 | $ (5) | $ — | $ 459 |
| U.K. government | 10 | — | — | — | 10 |
| Other government | 127 | 2 | (1) | — | 128 |
| Corporate | 3,384 | 29 | (45) | (10) | 3,358 |
| Municipal | 129 | 1 | (2) | — | 128 |
| Residential mortgage-backed | 394 | 1 | (4) | — | 391 |
| Commercial mortgage-backed | 566 | 3 | (7) | — | 562 |
| Asset-backed | 650 | 1 | (1) | — | 650 |
| | $ 5,723 | $ 38 | $ (65) | $ (10) | $ 5,686 |

### 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:

| As of September 30, 2022 | 12 Months or Greater Fair Value | 12 Months or Greater Gross Unrealized Losses | Less Than 12 Months Fair Value | Less Than 12 Months Gross Unrealized Losses | Total Fair Value | Total Gross Unrealized Losses |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | |
| U.S. government and agency | $ 168 | $ (14) | $ 186 | $ (18) | $ 354 | $ (32) |
| U.K. government | 4 | (2) | 26 | (3) | 30 | (5) |
| Other government | 20 | (4) | 105 | (17) | 125 | (21) |
| Corporate | 952 | (191) | 1,877 | (312) | 2,829 | (503) |
| Municipal | 32 | (6) | 68 | (16) | 100 | (22) |
| Residential mortgage-backed | 95 | (19) | 238 | (29) | 333 | (48) |
| Commercial mortgage-backed | 180 | (30) | 348 | (30) | 528 | (60) |
| Asset-backed | 99 | (7) | 419 | (28) | 518 | (35) |
| Total short-term and fixed maturity investments | $ 1,550 | $ (273) | $ 3,267 | $ (453) | $ 4,817 | $ (726) |

| As of December 31, 2021 | 12 Months or Greater Fair Value | 12 Months or Greater Gross Unrealized Losses | Less Than 12 Months Fair Value | Less Than 12 Months Gross Unrealized Losses | Total Fair Value | Total Gross Unrealized Losses |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | |
| U.S. government and agency | $ 22 | $ (1) | $ 373 | $ (4) | $ 395 | $ (5) |
| U.K. government | — | — | 5 | — | 5 | — |
| Other government | — | — | 46 | (1) | 46 | (1) |
| Corporate | 11 | — | 1,545 | (19) | 1,556 | (19) |
| Municipal | — | — | 77 | (2) | 77 | (2) |
| Residential mortgage-backed | 6 | — | 315 | (4) | 321 | (4) |
| Commercial mortgage-backed | 21 | (1) | 419 | (6) | 440 | (7) |
| Asset-backed | — | — | 516 | (1) | 516 | (1) |
| Total short-term and fixed maturity investments | $ 60 | $ (2) | $ 3,296 | $ (37) | $ 3,356 | $ (39) |

As of September 30, 2022 and December 31, 2021, the number of securities classified as AFS in an unrealized loss position for which an allowance for credit loss is not recorded was 2,858 and 2,930, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 620 and 93, 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 credit spreads have widened, 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

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

| | Three Months Ended September 30, 2022 | | Three Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|
| | Corporate | Total | Corporate | Commercial mortgage backed | Total |
| | (in millions of U.S. dollars) | | | | |
| Allowance for credit losses, beginning of period | $ (42) | $ (42) | $ (6) | $ (1) | $ (7) |
| Allowances for credit losses on securities for which credit losses were not previously recorded | (2) | (2) | — | — | — |
| Reductions for securities sold during the period | 4 | 4 | — | — | — |
| Decrease to the allowance for credit losses on securities that had an allowance recorded in the previous period | 5 | 5 | 1 | 1 | 2 |
| Allowance for credit losses, end of period | $ (35) | $ (35) | $ (5) | $ — | $ (5) |

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|
| | Corporate | Total | Corporate | Commercial mortgage backed | Total |
| | (in millions of U.S. dollars) | | | | |
| Allowance for credit losses, beginning of period | $ (10) | $ (10) | $ — | $ — | $ — |
| Allowances for credit losses on securities for which credit losses were not previously recorded | (30) | (30) | (12) | (1) | (13) |
| Reductions for securities sold during the period | 4 | 4 | — | — | — |
| Decrease to the allowance for credit losses on securities that had an allowance recorded in the previous period | 1 | 1 | 7 | 1 | 8 |
| Allowance for credit losses, end of period | $ (35) | $ (35) | $ (5) | $ — | $ (5) |

During the three and nine months ended September 30, 2022 and 2021 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:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| Publicly traded equity investments in common and preferred stocks | $ 360 | $ 281 |
| Exchange-traded funds | 475 | 1,342 |
| Privately held equity investments in common and preferred stocks | 364 | 372 |
| | $ 1,199 | $ 1,995 |

## Other Investments

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| Hedge funds | $ 476 | $ 291 |
| Fixed income funds | 595 | 573 |
| Private equity funds | 1,247 | 752 |
| Private credit funds | 345 | 275 |
| Equity funds | 3 | 5 |
| CLO equity funds | 208 | 207 |
| CLO equities | 144 | 161 |
| Real estate funds | 185 | 69 |
| | $ 3,203 | $ 2,333 |

The table below details the estimated period by which proceeds would be received if we had provided notice of our intent to redeem or initiated a sales process with respect to our other investments as of September 30, 2022:

| | Less than 1 Year | 1-2 years | 2-3 years | More than 3 years | Not Eligible/ Restricted | Total | Redemption Frequency |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | | |
| Hedge funds | $ 476 | $ — | $ — | $ — | $ — | $ 476 | Monthly to bi-annually |
| Fixed income funds | 536 | — | — | — | 59 | 595 | Daily to Quarterly |
| Private equity funds | — | 55 | — | — | 1,192 | 1,247 | Quarterly for unrestricted amount |
| Private credit funds | — | — | — | — | 345 | 345 | N/A |
| Equity funds | 3 | — | — | — | — | 3 | Daily |
| CLO equity funds | 179 | — | 28 | — | 1 | 208 | Quarterly to bi-annually |
| CLO equities | 144 | — | — | — | — | 144 | Daily |
| Real estate funds | — | — | — | — | 185 | 185 | N/A |
| | $ 1,338 | $ 55 | $ 28 | $ — | $ 1,782 | $ 3,203 | |

As of September 30, 2022, $46 million of our investments were subject to gates or side-pockets.

## Funds Held

### Funds Held - Directly Managed

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| Short-term and fixed maturity investments, trading | $ 2,104 | $ 2,806 |
| Cash and cash equivalents | 34 | 188 |
| Other assets | 12 | 13 |
| | $ 2,150 | $ 3,007 |

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| Short-term and fixed maturity investments, at amortized cost | $ 2,743 | $ 2,815 |
| Net unrealized (losses) gains: | | |
| Change in fair value - embedded derivatives | (479) | 14 |
| Change in fair value [(1)] | (160) | (23) |
| Short-term and fixed maturity investments within funds held - directly managed, at fair value | $ 2,104 | $ 2,806 |

[(1)] Is clearly and closely related to the host contract.

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

As of September 30, 2022 and December 31, 2021, we had funds held by reinsured companies of $3.7 billion and $2.3 billion, respectively. The increase from December 31, 2021 was primarily driven by the LPT transaction with Aspen.

Pursuant to the terms of the Aspen LPT transaction, in addition to earning a fixed crediting rate ("base crediting rate") on the funds withheld balance we received as premium consideration, as of October 1, 2022 and through September 30, 2025 we will also receive a variable return (together, the "full crediting rate").

The nature of the arrangement results in an embedded derivative, which represents the fair value of the amount by which all future interest payments on the funds withheld balance made at the full crediting rate are expected to exceed all future interest payments made on the funds withheld balance at the base crediting rate. The fair value of the embedded derivative as of September 30, 2022 was $27 million.

### Net Investment Income

Major categories of net investment income are summarized as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| Fixed maturity investments | $ 60 | $ 46 | $ 167 | $ 139 |
| Short-term investments and cash and cash equivalents | 2 | (1) | 4 | (1) |
| Funds held by reinsured companies | 17 | 16 | 49 | 48 |
| Funds held - directly managed | 19 | 9 | 38 | 23 |
| Investment income from fixed maturities and cash and cash equivalents | 98 | 70 | 258 | 209 |
| Equity investments | 11 | 3 | 30 | 14 |
| Other investments | 11 | 9 | 33 | 27 |
| Investment income from equities and other investments | 22 | 12 | 63 | 41 |
| Gross investment income | 120 | 82 | 321 | 250 |
| Investment expenses | (4) | 11 | (19) | (19) |
| Net investment income | $ 116 | $ 93 | $ 302 | $ 231 |

## Net Realized and Unrealized Gains (Losses)

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| Net realized gains (losses) on sales: | | | | |
| Gross realized gains on fixed maturity securities, AFS | $ 3 | $ 5 | $ 5 | $ 13 |
| Gross realized losses on fixed maturity securities, AFS | (29) | (2) | (63) | (9) |
| Decrease (increase) in allowance for expected credit losses on fixed maturity securities, AFS | 3 | 3 | (30) | (4) |
| Net (losses) gains recognized on equity securities sold during the period | (11) | — | (21) | 1 |
| Net realized investment losses on investment derivatives | (2) | — | (2) | — |
| Total net realized losses on sales | $ (36) | $ 6 | $ (111) | $ 1 |
| Net unrealized (losses) gains: | | | | |
| Fixed maturity securities, trading | $ (157) | $ (63) | $ (556) | $ (127) |
| Fixed maturity securities in funds held - directly managed | (238) | (30) | (517) | (55) |
| Net unrealized (losses) gains recognized on equity securities still held at the reporting date | (82) | (96) | (284) | 157 |
| Other investments | (65) | 35 | (141) | 254 |
| Investment derivatives | (4) | (126) | (20) | (119) |
| Total net unrealized losses | $ (546) | $ (280) | $ (1,518) | $ 110 |
| Net realized and unrealized losses | $ (582) | $ (274) | $ (1,629) | $ 111 |

The gross realized gains and losses on AFS investments for the three months ended September 30, 2022 and 2021 included in the table above resulted from sales of $409 million and $854 million, respectively. The gross realized gains and losses on AFS investments for the nine months ended September 30, 2022 and 2021 included in the table above resulted from the sales of $1.4 billion and $2.1 billion, respectively.

Net recognized gains and losses on fixed maturity trading and the fixed maturities within our funds held-directly managed are presented within net unrealized losses in the table above. This is a change to our 2021 presentation which split recognized gains (losses) between net realized losses on sale and net unrealized losses. This change resulted in a revision to the presentation of realized losses and losses on sale of investments and unrealized losses on investments within the consolidated statements of cash flows for the three and nine months ended September 30, 2021 (with no impact to net earnings).

## Restricted Assets

The carrying value of our restricted assets, including restricted cash of $434 million and $446 million, as of September 30, 2022 and December 31, 2021, respectively, was as follows:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| Collateral in trust for third party agreements | $ 4,810 | $ 6,100 |
| Assets on deposit with regulatory authorities | 158 | 196 |
| Collateral for secured letter of credit facilities | 82 | 94 |
| Funds at Lloyd's ("FAL") (1) | 442 | 431 |
| | $ 5,492 | $ 6,821 |

(1) Our businesses include two Lloyd's syndicates. Lloyd's determines the required capital principally through the annual business plan of each syndicate. This capital is referred to as FAL 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 FAL.

## 4. DERIVATIVES AND HEDGING INSTRUMENTS

We use derivative instruments in our risk management strategies and investment operations.

Foreign currency forward exchange rate contracts are used in qualifying hedging relationships to hedge the foreign currency exchange rate risk associated with certain of our net investments in foreign operations.

We also utilize foreign currency forward contracts in non-qualifying hedging relationships 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 and collectively managing credit and duration risk.

From time to time we may also utilize credit default swaps to both hedge and replicate credit exposure and government bond futures contracts for interest rate management.

The following table presents the gross notional amounts and estimated fair values of our derivatives recorded within other assets and other liabilities on the consolidated balance sheets as of September 30, 2022 and December 31, 2021:

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Notional Amount | Fair Value | | Gross Notional Amount | Fair Value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| | (in millions of U.S. dollars) | | | | | |
| **Derivatives designated as hedging instruments** | | | | | | |
| Foreign currency forward contracts | $ 479 | $ 30 | $ — | $ 618 | $ — | $ 7 |
| **Derivatives not designated as hedging instruments** | | | | | | |
| Foreign currency forward contracts | 183 | 7 | 7 | 498 | 2 | — |
| Others | 6 | — | — | 17 | — | 10 |
| Total | $ 668 | $ 37 | $ 7 | $ 1,133 | $ 2 | $ 17 |

The following table presents the net gains and losses deferred in the cumulative translation adjustment account, which is a component of AOCI in shareholders' equity, relating to our qualifying hedges and the net gains and losses included in earnings relating to our non-qualifying hedges for the three and nine months ended September 30, 2022 and 2021:

| | Amount of Net Gains (Losses) | | | |
|---|---|---|---|---|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| | (in millions of U.S. dollars) | | | |
| **Derivatives designated as hedging instruments** | | | | |
| Foreign currency forward contracts | $ 39 | $ 16 | $ 91 | $ 22 |
| **Derivatives not designated as hedging instruments** | | | | |
| Foreign currency forward contracts | (5) | — | (15) | (3) |

## 5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for losses and LAE, also referred to as loss reserves, represents our gross estimates before reinsurance for unpaid reported losses (Outstanding Loss Reserves, or "OLR") and includes losses that have been incurred but not yet 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 LAE ("ALAE") and unallocated LAE ("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 includes amounts for unreported claims, development on known claims and reopened claims.

Our loss reserves cover multiple lines of business, including asbestos, environmental, general casualty, workers' compensation, marine, aviation and transit, construction defect, professional indemnity/directors and officers, motor, property and other non-life lines of business.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| **Balance as of beginning of period** | **$ 13,641** | **$ 13,038** | **$ 13,258** | **$ 10,593** |
| Losses and LAE relating to SGL No.1 [(1)] | — | — | — | 255 |
| | 13,641 | 13,038 | 13,258 | 10,848 |
| Reinsurance reserves recoverable [(1)] | (1,117) | (1,788) | (1,332) | (1,830) |
| Reinsurance reserves recoverable relating to SGL No. 1 [(1)] | — | — | — | (90) |
| Deferred charge assets ("DCAs") on retroactive reinsurance | (286) | (415) | (371) | (219) |
| **Net balance as of beginning of period** | **12,238** | **10,835** | **11,555** | **8,709** |
| Net incurred losses and LAE: | | | | |
| Current period: | | | | |
| Increase in estimates of net ultimate losses | 12 | 42 | 37 | 143 |
| Increase in provisions for ULAE | 1 | — | 2 | 3 |
| Total current period | 13 | 42 | 39 | 146 |
| Prior periods: | | | | |
| Reduction in estimates of net ultimate losses | (48) | (74) | (209) | (143) |
| Reduction in provisions for ULAE | (15) | (14) | (50) | (46) |
| Amortization of DCAs | 32 | 24 | 145 | 55 |
| Amortization of fair value adjustments | 4 | 5 | 11 | 13 |
| Changes in fair value - fair value option [(2)] | (82) | (10) | (228) | (68) |
| Total prior periods | (109) | (69) | (331) | (189) |
| **Total net incurred losses and LAE** | **(96)** | **(27)** | **(292)** | **(43)** |
| Net paid losses: | | | | |
| Current period | (2) | (3) | (3) | (16) |
| Prior periods | (450) | (289) | (1,277) | (980) |
| **Total net paid losses** | **(452)** | **(292)** | **(1,280)** | **(996)** |
| Other changes: | | | | |
| Effect of exchange rate movement | (196) | (59) | (371) | (65) |
| Acquired business | — | 1,099 | — | 1,099 |
| Assumed business [(3)] | 70 | 470 | 1,952 | 3,350 |
| Ceded business | — | (63) | — | (91) |
| **Total other changes** | **(126)** | **1,447** | **1,581** | **4,293** |
| **Net balance as of September 30** | **11,564** | **11,963** | **11,564** | **11,963** |
| Reinsurance reserves recoverable [(1)] | 1,016 | 1,481 | 1,016 | 1,481 |
| DCAs on retroactive reinsurance | 255 | 434 | 255 | 434 |
| **Balance as of September 30** | **$ 12,835** | **$ 13,878** | **$ 12,835** | **$ 13,878** |

| | As of | |
|---|---|---|
| | September 30, 2022 | December 31, 2021 |
| | (in millions of U.S. dollars) | |
| **Reconciliation to Consolidated Balance Sheets:** | | |
| Losses and loss adjustment expenses | $ 11,549 | $ 11,269 |
| Losses and loss adjustment expenses, at fair value | 1,286 | 1,989 |
| Total losses and loss adjustment expenses | **$ 12,835** | **$ 13,258** |
| Reinsurance balances recoverable on paid and unpaid losses | $ 886 | $ 1,085 |
| Reinsurance balances recoverable on paid and unpaid losses - fair value option | 287 | 432 |
| Total reinsurance balances recoverable on paid and unpaid losses | 1,173 | 1,517 |
| Paid losses recoverable | (157) | (185) |
| Reinsurance reserves recoverable [(1)] | **$ 1,016** | **$ 1,332** |

(1) Excludes paid losses recoverable.

(2) Comprises discount rate and risk margin components.

(3) Assumed business for the three and nine months ended September 30, 2022 related to the Probitas 1492 and Aspen transactions and is net of DCA of $1 million and $29 million, respectively. Assumed business for the three and nine months ended September 30, 2021 is net of DCA of $24 million and $253 million, respectively.

## PPD

### Reduction in Estimates of Net Ultimate Losses

The following table summarizes the reduction in estimates of net ultimate losses related to prior years by segment and line of business:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| | (in millions of U.S. dollars) | | | |
| Run-off segment: | | | | |
| Asbestos | $ (8) | $ 1 | $ (7) | $ — |
| Environmental | 3 | 4 | 1 | 4 |
| General casualty | 21 | 4 | 31 | 7 |
| Workers' compensation | (54) | (22) | (104) | (42) |
| Marine, aviation and transit | (28) | (20) | (38) | (28) |
| Construction defect | (3) | (15) | (10) | (12) |
| Professional indemnity/Directors and Officers | (4) | — | (85) | (15) |
| Motor | 19 | (6) | 20 | (8) |
| Property | — | (18) | 5 | (38) |
| All Other | 8 | — | 4 | (7) |
| Total Run-off segment | (46) | (72) | (183) | (139) |
| Total Assumed Life segment | — | — | (29) | — |
| Total Legacy Underwriting segment | (2) | (2) | 3 | (4) |
| Total | $ (48) | $ (74) | $ (209) | $ (143) |

### Three Months Ended September 30, 2022:

The reduction in estimates of net ultimate losses of $48 million related to prior periods was driven by the Run-off segment, primarily due to $54 million of favorable development on our workers' compensation line of business as a result of favorable claim settlements, most notably in the 2018 and 2019 acquisition years, and $28 million of favorable development on our marine, aviation and transit line of business as a result of lower claim activity, relating to the 2014, 2018 and 2019 acquisition years. We also experienced favorable development on our construction defect line of business as a result of better than expected claims experience; however, this was largely offset by adverse development as a result of inflationary increases impacting our construction exposures.

The results were partially offset by adverse development in the 2018, 2020 and 2021 acquisition years on our general casualty and motor lines of business of $21 million and $19 million, respectively, primarily due to worse than expected claims experience and adverse development on claims.

### Three Months Ended September 30, 2021:

The reduction in estimates of net ultimate losses of $74 million related to prior periods was primarily driven by favorable development on our workers' compensation, property, construction defect and marine, aviation and transit lines as a result of better than expected claims experience and favorable results from actuarial reviews.

### Nine Months Ended September 30, 2022

The reduction in estimates of net ultimate losses of $209 million related to prior periods was driven by the Run-off segment, primarily due to $104 million of favorable development on our workers' compensation line of business as a result of favorable claim settlements, most notably in the 2018 and 2021 acquisition years. We also had favorable development of $85 million on our professional indemnity/directors and officers line of business relating to the 2018 and 2021 acquisition years and favorable development of $38 million on our marine, aviation and transit lines of business relating to the 2014, 2018 and 2019 acquisition years as a result of lower claims activity. We also experienced favorable development on our construction defect line of business as a result of better than expected claims experience; however, this was partially offset by third quarter 2022 adverse development as a result of inflationary increases impacting our construction exposures.

Favorable claim activity on our 2021 acquisition year catastrophe business within the Assumed Life segment further contributed to the favorable results.

The results were partially offset by adverse development in the Run-off segment general casualty and motor lines of business of $31 million and $20 million, respectively, most notably impacting the 2018, 2020 and 2021 acquisition years, as a result of worse than expected claims experience and adverse results development on claims.

### Nine Months Ended September 30, 2021:

The reduction in estimates of net ultimate losses of $143 million related to prior periods was primarily related to favorable development on our workers' compensation, property, and marine, aviation and transit lines of business as a result of better than expected claims experience and favorable results from actuarial reviews.

### Amortization of DCAs

#### Three and Nine Months Ended September 30, 2022:

The amortization of DCAs for the three and nine months ended September 30, 2022 of $32 million and $145 million, respectively, was primarily driven by the reduction in estimates of net ultimate losses in the professional indemnity/directors and officers and workers' compensation lines of business, relating primarily to the 2021 acquisition year, which resulted in an acceleration of the amortization of the associated DCA.

#### Three and Nine Months Ended September 30, 2021:

The amortization of DCAs for the three and nine months ended September 30, 2021 of $24 million and $55 million, respectively, was equally a result of normal amortization consistent with loss settlement periods, in addition to accelerated amortization driven by the reduction in estimates of net ultimate losses in the workers' compensation line of business.

### Changes in Fair Value - Fair Value Option

#### Three and Nine Months Ended September 30, 2022 and 2021:

PPD was favorably impacted by changes in the fair value of liabilities for which we have elected the fair value option of $82 million and $10 million for the three months ended September 30, 2022 and 2021, respectively, and $228 million and $68 million for the nine months ended September 30, 2022 and 2021, respectively.

The favorable changes in all periods were primarily driven by continued increases in corporate bond yields, which is a component of the discount rate used to calculate the fair value of the liabilities.

## 6. DEFENDANT ASBESTOS AND ENVIRONMENTAL LIABILITIES

The carrying value of the defendant asbestos and environmental liabilities ("defendant A&E liabilities"), insurance recoveries, future estimated expenses and the fair value adjustments related to DCo and Morse TEC were as follows:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| | (in millions of U.S. dollars) | |
| **Defendant A&E liabilities:** | | |
| Defendant asbestos liabilities | $ 799 | $ 826 |
| Defendant environmental liabilities | 11 | 11 |
| Estimated future expenses | 36 | 37 |
| Fair value adjustments | (229) | (236) |
| Defendant A&E liabilities | 617 | 638 |
| **Insurance balances recoverable:** | | |
| Insurance recoverables related to defendant asbestos liabilities (net of allowance: 2022 and 2021 - $5) | 239 | 264 |
| Fair value adjustments | (49) | (51) |
| Insurance balances recoverable | 190 | 213 |
| Net liabilities relating to defendant A&E exposures | $ 427 | $ 425 |

The table below provides a consolidated reconciliation of the beginning and ending liability for defendant A&E liabilities:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| **Balance as of beginning of period** | $ 620 | $ 678 | $ 638 | $ 706 |
| Insurance balances recoverable | (191) | (246) | (213) | (250) |
| **Net balance as of beginning of period** | 429 | 432 | 425 | 456 |
| Total net recoveries (paid claims) | (3) | 22 | 1 | 5 |
| Amounts recorded in other income: | | | | |
| Reduction in estimates of ultimate net liabilities | — | (5) | (4) | (19) |
| Reduction in estimated future expenses | — | (1) | (1) | (4) |
| Amortization of fair value adjustments | 1 | (1) | 6 | 9 |
| Total other expense | 1 | (7) | 1 | (14) |
| **Net balance as of September 30** | 427 | 447 | 427 | 447 |
| Insurance balances recoverable | 190 | 213 | 190 | 213 |
| **Balance as of September 30** | $ 617 | $ 660 | $ 617 | $ 660 |

## 7. FAIR VALUE MEASUREMENTS

### Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to 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 that we have the ability to access for identical assets or liabilities. 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 significant inputs that 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 using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy as defined 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 measured using NAV per share (or its equivalent) as follows:

| | September 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured Using NAV as Practical Expedient | Total Fair Value |
| | (in millions of U.S. dollars) | | | | |
| **Investments:** | | | | | |
| Short-term and fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 561 | $ — | $ — | $ 561 |
| U.K. government | — | 95 | — | — | 95 |
| Other government | — | 491 | — | — | 491 |
| Corporate | — | 5,080 | — | — | 5,080 |
| Municipal | — | 211 | — | — | 211 |
| Residential mortgage-backed | — | 490 | — | — | 490 |
| Commercial mortgage-backed | — | 911 | — | — | 911 |
| Asset-backed | — | 765 | — | — | 765 |
| Structured products | — | 706 | — | — | 706 |
| | $ — | $ 9,310 | $ — | $ — | $ 9,310 |
| Other assets included within funds held - directly managed | $ — | $ 46 | $ — | $ — | $ 46 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 324 | $ 36 | $ — | $ — | $ 360 |
| Exchange-traded funds | 475 | — | — | — | 475 |
| Privately held equity investments | — | — | 327 | 37 | 364 |
| | $ 799 | $ 36 | $ 327 | $ 37 | $ 1,199 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 476 | $ 476 |
| Fixed income funds | — | 158 | — | 437 | 595 |
| Equity funds | — | 3 | — | — | 3 |
| Private equity funds | — | — | — | 1,247 | 1,247 |
| CLO equities | — | 144 | — | — | 144 |
| CLO equity funds | — | — | — | 208 | 208 |
| Private credit funds | — | — | — | 345 | 345 |
| Real estate debt fund | — | — | — | 185 | 185 |
| | $ — | $ 305 | $ — | $ 2,898 | $ 3,203 |
| Total Investments | $ 799 | $ 9,697 | $ 327 | $ 2,935 | $ 13,758 |
| **Cash and cash equivalents:** | $ 355 | $ 303 | $ — | $ — | $ 658 |
| **Reinsurance balances recoverable on paid and unpaid losses:** | $ — | $ — | $ 287 | $ — | $ 287 |
| **Funds held by reinsured companies:** | $ — | $ — | $ 27 | $ — | $ 27 |
| **Other Assets:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ 30 | $ — | $ — | $ 30 |
| Derivatives not qualifying as hedging | — | 7 | — | — | 7 |
| Derivative instruments | $ — | $ 37 | $ — | $ — | $ 37 |
| **Losses and LAE:** | $ — | $ — | $ 1,286 | $ — | $ 1,286 |
| **Other Liabilities:** | | | | | |
| Derivatives not qualifying as hedging | $ — | $ 7 | $ — | $ — | $ 7 |
| Derivative instruments | $ — | $ 7 | $ — | $ — | $ 7 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured Using NAV as Practical Expedient | Total Fair Value |
| | (in millions of U.S. dollars) | | | | |
| **Investments:** | | | | | |
| Short-term and fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 747 | $ — | $ — | $ 747 |
| U.K government | — | 83 | — | — | 83 |
| Other government | — | 663 | — | — | 663 |
| Corporate | — | 6,814 | — | — | 6,814 |
| Municipal | — | 286 | — | — | 286 |
| Residential mortgage-backed | — | 610 | — | — | 610 |
| Commercial mortgage-backed | — | 1,074 | — | — | 1,074 |
| Asset-backed | — | 944 | — | — | 944 |
| Structured products | — | 1,033 | — | — | 1,033 |
| | — | 12,254 | — | — | 12,254 |
| Other assets included within funds held - directly managed | $ — | $ 201 | $ — | $ — | $ 201 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 239 | $ 42 | $ — | $ — | $ 281 |
| Exchange-traded funds | 1,342 | — | — | — | 1,342 |
| Privately held equity investments | — | — | 347 | 25 | 372 |
| | $ 1,581 | $ 42 | $ 347 | $ 25 | $ 1,995 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 291 | $ 291 |
| Fixed income funds | — | 231 | — | 342 | 573 |
| Equity funds | — | 5 | — | — | 5 |
| Private equity funds | — | — | — | 752 | 752 |
| CLO equities | — | 161 | — | — | 161 |
| CLO equity funds | — | — | — | 207 | 207 |
| Private credit funds | — | — | — | 275 | 275 |
| Real estate debt fund | — | — | — | 69 | 69 |
| | $ — | $ 397 | $ — | $ 1,936 | $ 2,333 |
| Total Investments | $ 1,581 | $ 12,894 | $ 347 | $ 1,961 | $ 16,783 |
| **Cash and cash equivalents** | $ 1,295 | $ 112 | $ — | $ — | $ 1,407 |
| **Reinsurance balances recoverable on paid and unpaid losses:** | $ — | $ — | $ 432 | $ — | $ 432 |
| **Other Assets:** | | | | | |
| Derivatives not qualifying as hedging | — | 2 | — | — | 2 |
| Derivative instruments | $ — | $ 2 | $ — | $ — | $ 2 |
| **Losses and LAE:** | $ — | $ — | $ 1,989 | $ — | $ 1,989 |
| **Other Liabilities:** | | | | | |
| Derivatives qualifying as hedging | $ — | $ 7 | $ — | $ — | $ 7 |
| Derivatives not qualifying as hedging | — | 10 | — | — | 10 |
| Derivative instruments | $ — | $ 17 | $ — | $ — | $ 17 |

## Valuation Methodologies of Financial Instruments Measured at Fair Value

The following includes only material changes in our valuation methodologies of financial instruments measured at fair value as disclosed in Note 12 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021, and relate to changes resulting from the Aspen transaction.

### Funds Held by Reinsured Companies

The fair value of the embedded derivative representing the contractually agreed variable return on our Aspen funds held by reinsured companies is classified as Level 3 and is calculated using an internal model.

The fair value is calculated as the difference between:

i. the present value of all future expected interest payments based on the full crediting rate, calculated using a Monte Carlo simulation model; and

ii. the present value of all future expected interest payments based on the base crediting rate, calculated using a discounted cash flow model.

The Monte Carlo simulation model uses:

i. a continuous forward risk-free rate commensurate with the crediting interest rate period (observable); and

ii. an estimated historical volatility rate based upon the annualized standard deviation of daily log returns observed on a portfolio replicating the Aspen investment over a period commensurate with the crediting rate period (unobservable).

The discounted cash flow model uses:

i. estimated expected loss payments based upon an appropriate payment pattern developed in accordance with standard actuarial techniques (unobservable);

ii. a risk-free rate based on U.S. treasury rates as of the valuation date (observable); and

iii. a credit spread based upon the historical option adjusted spread of the Aspen publicly traded corporate debt instrument (observable).

## 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 September 30, 2022 | | Three Months Ended September 30, 2021 | |
|---|---|---|---|---|
| | Privately-held Equities | Total | Privately-held Equities | Total |
| | (in millions of U.S. dollars) | | | |
| Beginning fair value | $ 328 | $ 328 | $ 349 | $ 349 |
| Purchases | — | — | 4 | 4 |
| Total unrealized losses [(1)] | (1) | (1) | 7 | 7 |
| Ending fair value | $ 327 | $ 327 | $ 360 | $ 360 |

| | Nine Months Ended September 30, 2022 | | Nine Months Ended September 30, 2021 | | |
|---|---|---|---|---|---|
| | Privately-held Equities | Total | Privately-held Equities | Other Investments | Total |
| | (in millions of U.S. dollars) | | | | |
| Beginning fair value | $ 347 | $ 347 | $ 275 | $ 10 | $ 285 |
| Purchases | — | — | 81 | — | 81 |
| Sales and paydowns | (15) | (15) | — | (10) | (10) |
| Total unrealized (losses) gains [(1)] | (5) | (5) | 4 | — | 4 |
| Ending fair value | $ 327 | $ 327 | $ 360 | $ — | $ 360 |

(1) Net unrealized losses included in our condensed consolidated statements of earnings is equal to the change in unrealized losses (gains) relating to assets held at the end of the reporting period.

### Valuations Techniques and Inputs

The table below presents the quantitative 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**

| Valuation Techniques | Fair Value as of September 30, 2022 | Unobservable Input | Range (Average) [(1)] |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Guideline company methodology | $ 220 | Distribution waterfall | 12.37 - 12.38 |
| Dividend discount model;<br>Guideline companies method | 80 | Multiple on Invested capital Discount rate<br>Exit multiple | 0.79x - 1.13x<br>9.0% - 12.3%<br>1.2x - 1.4x (1.3x) |
| Cost as approximation of fair value | 27 | Cost as approximation of fair value | |
| | $ 327 | | |

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

## Funds Held by Reinsured Companies - Embedded Derivative

As of June 30, 2022, we had an embedded derivative of $27 million in relation to the Aspen LPT transaction to account for the fair value of the full crediting rate we expect to earn on the funds withheld received as premium consideration.

There was no change in the fair value of the embedded derivative for the three and nine months ended September 30, 2022.

### Valuations Techniques and Inputs

The table below presents the quantitative information related to the fair value measurements for the embedded derivative on our funds held by reinsured companies measured at fair value on a recurring basis using Level 3 inputs:

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

| Valuation Techniques | Fair Value as of September 30, 2022 | Unobservable Input | Average |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Monte Carlo simulation model;<br>Discounted cash flow analysis | $ 27 | Volatility rate;<br>Expected loss payments | 5.20%<br>$1.5 billion |

## 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 September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Liability for losses and LAE | Reinsurance balances recoverable | Net | Liability for losses and LAE | Reinsurance balances recoverable | Net |
| | (in millions of U.S. dollars) | | | | | |
| Beginning fair value | $ 1,499 | $ 327 | $ 1,172 | $ 2,235 | $ 493 | $ 1,742 |
| Incurred losses and LAE: | | | | | | |
| (Reduction) increase in estimates of ultimate losses | 2 | (5) | 7 | 4 | (1) | 5 |
| Reduction in provisions for ULAE | (4) | — | (4) | (5) | — | (5) |
| Changes in fair value due to changes in: | | | | | | |
| Average payout | 10 | 3 | 7 | 3 | 1 | 2 |
| Corporate bond yield | (107) | (18) | (89) | (16) | (4) | (12) |
| Total change in fair value | (97) | (15) | (82) | (13) | (3) | (10) |
| Total incurred losses and LAE | (99) | (20) | (79) | (14) | (4) | (10) |
| Paid losses | (38) | (9) | (29) | (76) | (12) | (64) |
| Effect of exchange rate movements | (76) | (11) | (65) | (37) | (6) | (31) |
| Ending fair value | $ 1,286 | $ 287 | $ 999 | $ 2,108 | $ 471 | $ 1,637 |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Liability for losses and LAE | Reinsurance balances recoverable | Net | Liability for losses and LAE | Reinsurance balances recoverable | Net |
| | (in millions of U.S. dollars) | | | | | |
| Beginning fair value | $ 1,989 | $ 432 | $ 1,557 | $ 2,453 | $ 521 | $ 1,932 |
| Incurred losses and LAE: | | | | | | |
| Reduction in estimates of ultimate losses | (25) | (19) | (6) | (8) | 6 | (14) |
| Reduction in unallocated LAE | (14) | — | (14) | (12) | — | (12) |
| Change in fair value due to changes in : | | | | | | |
| Average payout | 31 | 6 | 25 | 11 | 3 | 8 |
| Corporate bond yield | (311) | (58) | (253) | (94) | (18) | (76) |
| Total change in fair value | (280) | (52) | (228) | (83) | (15) | (68) |
| Total incurred losses and LAE | (319) | (71) | (248) | (103) | (9) | (94) |
| Paid losses | (201) | (49) | (152) | (211) | (35) | (176) |
| Effect of exchange rate movements | (183) | (25) | (158) | (31) | (6) | (25) |
| Ending fair value | $ 1,286 | $ 287 | $ 999 | $ 2,108 | $ 471 | $ 1,637 |

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:

| Valuation Technique | Unobservable (U) and Observable (O) Inputs | September 30, 2022 | December 31, 2021 |
|---|---|---|---|
| | | 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 | Average payout - liability (U) | 7.86 years | 7.95 years |
| Internal model | Average payout - reinsurance balances recoverable on paid and unpaid losses (U) | 7.84 years | 7.63 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.

In addition, the estimate of the capital required to support the liabilities is based upon current industry standards for capital adequacy.

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

### Senior and Subordinated Notes

The following table presents the fair values of our Senior and Subordinated Notes carried at amortized cost:

| | September 30, 2022 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| | (in millions of U.S. dollars) | |
| 4.95% Senior Notes due 2029 | $ 496 | $ 448 |
| 3.10% Senior Notes due 2031 | 495 | 353 |
| Total Senior Notes | $ 991 | $ 801 |
| 5.75% Junior Subordinated Notes due 2040 | $ 345 | $ 317 |
| 5.50% Junior Subordinated Notes due 2042 | 493 | 400 |
| 5.50% Enhanzed Re's Subordinated Notes due 2031 | 76 | 59 |
| Total Subordinated Notes | $ 914 | $ 776 |

The fair value of our Senior Notes and our Junior Subordinated Notes due 2040 and 2042 was based on observable market pricing from a third party pricing service, whereas the fair value of Enhanzed Re's Subordinated Notes due 2031 was based on observable market pricing for comparable debt from a third party pricing service.

Both the Senior and Subordinated Notes are classified as Level 2.

## 8. VARIABLE INTEREST ENTITIES

We have investments in certain limited partnership funds which are deemed to be variable interest entities ("VIEs"). The activities of these VIEs are generally limited to holding investments and our involvement in these entities is passive in nature. We consolidate all VIEs in which we are considered to be the primary beneficiary.

### InRe Fund

During 2021, we redeemed an aggregate of $2.7 billion from the InRe Fund and completed the liquidation of our investment in the fourth quarter of 2021.

On April 1, 2021, we obtained control of the InRe Fund following redemption by the general partner, an affiliate of Hillhouse Group, of all of its outstanding ownership interests and the termination of its investment management activities. From that date we had both full ownership of the InRe Fund and the power to direct its activities, which led to our determination to consolidate the InRe Fund.

Prior to consolidation, our investment in the InRe Fund was recorded at fair value using the NAV as a practical expedient, with any changes included within net unrealized gains in the consolidated statements of earnings. Thus, there was no gain or loss upon consolidation.

During the three and nine months ended September 30, 2021, we recognized net investment income of $13 million and net investment expenses for the InRe Fund of $7 million, respectively; and net realized and unrealized losses of $285 million and net realized and unrealized gains of $8 million, respectively.

During the nine months end September 30, 2021, our consolidated statements of cash flows included net operating cash flows of $2.4 billion, respectively, driven by net sales of trading securities, partially offset by net payments to cover securities sold short; and net investing cash flows of $574 million, resulting from the initial consolidation of the InRe Fund's cash and restricted cash balances.

### Nonconsolidated VIEs

The tables below present the fair value of our investments in nonconsolidated VIEs as well as our maximum exposure to loss associated with these VIEs:

| | September 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Fair Value | Unfunded Commitments | Maximum Exposure to Loss | Fair Value | Unfunded Commitments | Maximum Exposure to Loss |
| | (in millions of U.S. dollars) | | | | | |
| **Equities** | | | | | | |
| Publicly traded equity investment in common stock | $ 5 | $ — | $ 5 | $ 64 | $ — | $ 64 |
| **Other investments** | | | | | | |
| Hedge funds | $ 470 | $ — | $ 470 | $ 291 | $ 45 | $ 336 |
| Fixed income funds | 285 | 42 | 327 | 171 | 36 | 207 |
| Private equity funds | 1,192 | 891 | 2,083 | 697 | 930 | 1,627 |
| CLO equity funds | 208 | — | 208 | 207 | 31 | 238 |
| Private credit funds | 59 | 160 | 219 | 14 | 166 | 180 |
| Real estate funds | 185 | 541 | 726 | 69 | 418 | 487 |
| Total | $ 2,399 | $ 1,634 | $ 4,033 | $ 1,449 | $ 1,626 | $ 3,075 |
| **Total investments in nonconsolidated VIEs** | $ 2,404 | $ 1,634 | $ 4,038 | $ 1,513 | $ 1,626 | $ 3,139 |

## 9. DEBT OBLIGATIONS

### New Debt Obligations

On January 14, 2022, our wholly-owned subsidiary, Enstar Finance LLC ("Enstar Finance"), completed the issuance and sale of a series of junior subordinated notes due 2042 (the "2042 Junior Subordinated Notes") for an aggregate principal amount of $500 million. The 2042 Junior Subordinated Notes bear interest (i) during the initial five-year period ending January 14, 2027, at a fixed rate per annum of 5.50% and (ii) during each five-year reset period thereafter beginning January 15, 2027, 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 4.006%.

The 2042 Junior Subordinated Notes are unsecured junior subordinated obligations of Enstar Finance, are fully and unconditionally guaranteed by the Parent Company on an unsecured and junior subordinated basis, and are contractually subordinated in right of payment to the existing and future obligations of our other subsidiaries (other than Enstar Finance).

The 2042 Junior Subordinated Notes are exclusively the obligations of Enstar Finance and the Parent Company, to the extent of the guarantee, and are not guaranteed by any of our other subsidiaries, which are separate and distinct legal entities and, except for Enstar Finance, have no obligation, contingent or otherwise, to pay holders any amounts due on the 2042 Junior Subordinated Notes or to make any funds available for payment on the 2042 Junior Subordinated Notes, whether by dividends, loans or other payments.

Generally, if an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 2042 Junior Subordinated Notes may declare the principal and accrued and unpaid interest on all of the then outstanding 2042 Junior Subordinated Notes to be due and payable immediately.

Subject to threshold regulatory requirements, Enstar Finance may repurchase the 2042 Junior Subordinated Notes, in whole or in part, at any time during a par call period, at a repurchase price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, and at any time not during a par call period, plus an additional "make-whole" premium.

We incurred costs of $7 million in issuing the 2042 Junior Subordinated Notes. The net proceeds of the 2042 Junior Subordinated Notes were partially used to fund the payment at maturity of the outstanding $280 million aggregate principal amount of our 2022 Senior Notes.

### Amendments to Existing Letter of Credit Facilities

In June 2022, we entered into an amendment to our existing $250 million letter of credit facility to procure the issuance of an additional $115 million letter of credit, thereby increasing the aggregate face amount of letters of credit issued under the facility to $365 million.

In September 2022, we procured the return of the letter of credit issued under our $65 million secured letter of credit facility. We are in the process of terminating the facility and procuring the release of the lender's security interest in the investment assets posted as collateral for the obligations thereunder.

In September 2022, we entered into a $26 million secured letter of credit facility to refinance (and reduce the aggregate face amount of commitments under) our existing $35 million secured letter of credit facility. Our obligations under the new $26 million secured letter of credit facility are secured by cash collateral held in a deposit account maintained by the lender.

## 10. NONCONTROLLING INTERESTS

### Redeemable Noncontrolling Interests

The following is a reconciliation of the beginning and ending carrying amount of the equity attributable to the redeemable non-controlling interests ("RNCI"):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars) | | | |
| Balance at beginning of period | $ 174 | $ 177 | $ 179 | $ 365 |
| Distributions paid | — | — | — | (202) |
| Net (loss) earnings attributable to RNCI | (5) | 4 | (5) | 18 |
| Change in unrealized losses on AFS investments attributable to RNCI | (3) | (1) | (8) | (1) |
| Change in currency translation adjustments attributable to RNCI | — | 1 | — | 2 |
| Change in redemption value of RNCI | — | — | — | (1) |
| Balance as of September 30 | $ 166 | $ 181 | $ 166 | $ 181 |

The decrease in RNCI for the nine months ended September 30, 2021 was primarily driven by the Exchange Transaction[8], which was completed on January 1, 2021. Following the completion of the Exchange Transaction, there is no RNCI in respect of Northshore Holdings Limited ("Northshore"), the holding company of Atrium Underwriting Group Limited and Arden Reinsurance Company, and the remaining RNCI as of December 31, 2021 and September 30, 2022 relates only to the remaining international operations of StarStone Specialty Holdings Limited.

### Noncontrolling Interests

As of September 30, 2022 and December 31, 2021, we had $98 million and $230 million, respectively, of non-controlling interests ("NCI") primarily related to external interests in three of our subsidiaries, including Enhanzed Re. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the condensed consolidated statements of changes in shareholder's equity.

[8] The exchange of a portion of our indirect interest in Northshore for all of the Trident V Funds indirect interest in StarStone U.S.

## 11. SHAREHOLDERS' EQUITY

### Ordinary Shares

The following is a reconciliation of our beginning and ending ordinary shares:

| | Voting Ordinary Shares | Non-Voting Convertible Ordinary Series C Shares | Non-Voting Convertible Ordinary Series E Shares | Total Ordinary Shares |
|---|---|---|---|---|
| **Balance as of December 31, 2021** | 16,625,862 | 1,192,941 | 404,771 | 18,223,574 |
| Shares issued [(1)] | 58,207 | — | — | 58,207 |
| Shares repurchased [(2)] | (697,580) | — | — | (697,580) |
| **Balance as of September 30, 2022** | 15,986,489 | 1,192,941 | 404,771 | 17,584,201 |

[(1)] Ordinary Shares issued in relation to share-based compensation plan awards and the Employee Share Purchase Plan.

[(2)] Ordinary Shares that we have repurchased are subject to immediate retirement, resulting in a reduction to the number of Ordinary Shares issued and outstanding.

### Voting Ordinary Shares

#### Share Repurchases

The following table presents our ordinary shares repurchased under our share repurchase programs:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| | (in millions of U.S. dollars, except share and per share data) | | | |
| Ordinary shares repurchased | — | 45,311 | 697,580 | 93,678 |
| Average price per ordinary share | $ — | $ 236.46 | $ 233.92 | $ 236.42 |
| Aggregate price | $ — | $ 11 | $ 163 | $ 22 |

In April 2022, we fully utilized the remaining capacity under the 2021 Repurchase Program.

On May 5, 2022, our Board of Directors authorized the repurchase of up to $200 million of our ordinary shares (the “2022 Repurchase Program”), which is effective through May 5, 2023. As of September 30, 2022, the remaining capacity under the 2022 Repurchase Program was $95 million.

In July 2021, we repurchased 3,749,400 of our ordinary shares, comprising (a) 1,747,840 of our voting ordinary shares, (b) 1,496,321 of our Series C non-voting ordinary shares, and (c) 505,239 of our Series E non-voting ordinary shares, held by funds managed by Hillhouse Group, a related party, for a price of $234.52 per share, totaling $879 million in aggregate. The shares represented the Hillhouse Group funds' entire interest in Enstar, which constituted 16.9% of our total ordinary shares and 9.4% of our voting ordinary shares. Hillhouse Group ceased to be a related party on July 22, 2021.

### Dividends on Preferred Shares

During the three months ended September 30, 2022 and 2021, we declared and paid dividends on Series D Preferred Shares of $7 million and on Series E Preferred Shares of $2 million for both periods.

During the nine months ended September 30, 2022 and 2021, we declared and paid dividends on Series D Preferred Shares of $21 million and on Series E Preferred Shares of $6 million for both periods.

## Accumulated Other Comprehensive Loss

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

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before Tax Amount | Tax Benefit | Net of Tax Amount |
| | (in millions of U.S. dollars) | | | | | |
| Unrealized losses on fixed income AFS investments arising during the period | $ (208) | $ 4 | $ (204) | $ (27) | $ 1 | $ (26) |
| Reclassification adjustment for change in allowance for credit losses recognized in net (loss) earnings | (3) | — | (3) | (2) | — | (2) |
| Reclassification adjustment for net realized losses (gains) included in net (loss) earnings | 27 | — | 27 | (2) | — | (2) |
| Change in currency translation adjustment | — | — | — | 1 | — | 1 |
| Decrease in defined benefit pension liability | (2) | — | (2) | — | — | — |
| Other comprehensive loss | $ (186) | $ 4 | $ (182) | $ (30) | $ 1 | $ (29) |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Before Tax Amount | Tax (Expense) Benefit | Net of Tax Amount | Before Tax Amount | Tax Benefit | Net of Tax Amount |
| | (in millions of U.S. dollars) | | | | | |
| Unrealized losses on fixed income AFS investments arising during the period | $ (763) | $ 9 | $ (754) | $ (84) | $ 4 | $ (80) |
| Reclassification adjustment for change in allowance for credit losses recognized in net (loss) earnings | 29 | — | 29 | 5 | — | 5 |
| Reclassification adjustment for net realized losses (gains) included in net (loss) earnings | 58 | — | 58 | (4) | — | (4) |
| Reclassification to earnings on disposal of subsidiary | — | — | — | 1 | — | 1 |
| Change in currency translation adjustment | 2 | — | 2 | 2 | — | 2 |
| Decrease in defined benefit pension liability | (2) | — | (2) | — | — | — |
| Other comprehensive loss | $ (676) | $ 9 | $ (667) | $ (80) | $ 4 | $ (76) |

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

| Details about AOCI components | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Affected Line Item in Statement where Net Earnings are presented |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Unrealized (losses) gains on fixed income AFS investments | $ (24) | $ 4 | Net realized (losses) gains |
| Total reclassifications for the period, net of tax | $ (24) | $ 4 | |

| Details about AOCI components | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 | Affected Line Item in Statement where Net Earnings are presented |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Unrealized losses on fixed income AFS investments | $ (87) | $ (2) | Net realized (losses) gains |
| Total reclassifications for the period, net of tax | $ (87) | $ (2) | |

## 12. EARNINGS PER SHARE

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (in millions of U.S. dollars, except share and per share data) | | | |
| **Numerator:** | | | | |
| Net (loss) earnings attributable to Enstar ordinary shareholders: | $ (444) | $ (196) | $ (1,219) | $ 365 |
| **Denominator:** | | | | |
| Weighted-average ordinary shares outstanding — basic [(1)] | 17,013,348 | 18,349,483 | 17,269,870 | 20,502,755 |
| Effect of dilutive securities: | | | | |
| Share-based compensation plans [(2)] | 113,532 | 198,885 | 112,708 | 210,226 |
| Warrants [(3)] | — | — | — | 80,659 |
| Weighted-average ordinary shares outstanding — diluted [(4)] | 17,126,880 | 18,548,368 | 17,382,578 | 20,793,640 |
| **(Loss) earnings per share attributable to Enstar ordinary shareholders:** | | | | |
| Basic | $ (26.10) | $ (10.68) | $ (70.59) | $ 17.78 |
| Diluted [(4)] | $ (26.10) | $ (10.68) | $ (70.59) | $ 17.53 |

(1) Weighted-average ordinary shares for basic (loss) 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.

(2) 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 and nine months ended September 30, 2022 and 2021 because they were anti-dilutive.

(3) Warrants to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share were exercised on a non-cash basis during the nine months ended September 30, 2021, which resulted in a total of 89,590 Series C Non-Voting Ordinary Shares being issued in the period. As of December 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.

(4) 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.

## 13. SHARE-BASED COMPENSATION

### Joint Share Ownership Plan Award Amendment

On July 1, 2022, the terms of the JSOP award made to our Chief Executive Officer ("CEO") on January 21, 2020[9] were amended to extend the vesting date of the award from January 20, 2023 to January 20, 2025. The amendment preserved the compound annual growth used to determine the hurdle price that must be achieved in order for the JSOP award to vest, which resulted in an increase to the hurdle from $266.00 to $315.53. A corresponding extension was made to the term of the performance condition based on growth in fully diluted book value per share from December 31, 2022 to December 31, 2024.

The accounting for stock-settled JSOP awards is similar to options, whereby the grant date fair value is expensed over the life of the award. The incremental fair value of the amended award on July 1, 2022 was $15 million, or $27.25 per share, which will be expensed over the remaining life of the award commencing from July 1, 2022.

[9] For further details on the original award, refer to Note 20 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

## 14. 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. Our effective tax rate may fluctuate from period to period based on the relative mix of income or loss reported by jurisdiction and the varying tax rates in each jurisdiction. 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 September 30, 2022 and 2021 were (1.7)% and (5.5)%, respectively. The effective tax rates on income for the nine months ended September 30, 2022 and 2021 were (0.3)% and 3.2%, 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 U.K. subsidiaries, there are no withholding taxes imposed as a matter of U.K. 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 and nine months ended September 30, 2022, we have maintained a valuation allowance for deferred tax assets which management does not believe meet the "more likely than not" criteria. As of September 30, 2022, based on all available evidence, we concluded that a valuation allowance should be established on a portion of deferred tax assets related to net operating loss carryforwards and unrealized tax capital losses that are not more likely than not to be realized. We have increased our valuation allowance for the three and nine months ended September 30, 2022 by $36 million and $78 million, respectively, which was primarily driven by deferred tax assets related to significant pre-tax unrealized investment losses reported in U.S. and U.K. jurisdictions.

### Unrecognized Tax Benefits

There were no unrecognized tax benefits as of September 30, 2022 and December 31, 2021.

### 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 2019.

## 15. RELATED PARTY TRANSACTIONS

The following tables summarize our related party balances and transactions. Additional details about the nature of our relationships and transactions are disclosed in Note 22 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

| As of September 30, 2022 | Stone Point [1] [2] | Northshore | Monument | AmTrust | Citco | Core Specialty | Other [3] |
|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | | |
| **Assets** | | | | | | | |
| Short-term investments, AFS, at fair value | $ 1 | $ 11 | $ — | $ — | $ — | $ — | $ — |
| Fixed maturities, trading, at fair value | 95 | 142 | — | — | — | — | — |
| Fixed maturities, AFS, at fair value | 441 | — | — | — | — | — | — |
| Equities, at fair value | 149 | 37 | — | 220 | — | — | — |
| Other investments, at fair value | 530 | 12 | — | — | — | — | 1,778 |
| Equity method investments | — | — | 174 | — | 58 | 220 | 16 |
| Total investments | 1,216 | 202 | 174 | 220 | 58 | 220 | 1,794 |
| Cash and cash equivalents | 30 | 15 | — | — | — | — | — |
| Restricted cash and cash equivalents | — | 2 | — | — | — | — | — |
| Reinsurance balances recoverable on paid and unpaid losses | — | 36 | — | — | — | 2 | — |
| Funds held by reinsured company | — | 23 | — | — | — | 28 | — |
| Other assets | 3 | 31 | — | — | — | 7 | — |
| **Liabilities** | | | | | | | |
| Losses and LAE | — | 186 | — | — | — | 375 | — |
| Insurance and reinsurance balances payable | — | 23 | — | — | — | 28 | — |
| Other liabilities | 1 | 64 | — | — | — | — | — |
| Net assets (liabilities) | $ 1,248 | $ 36 | $ 174 | $ 220 | $ 58 | $ (146) | $ 1,794 |
| Redeemable noncontrolling interests | $ 159 | $ — | $ — | $ — | $ — | $ — | $ — |

[1] As of September 30, 2022, investment funds managed by Stone Point Capital LLC ("Stone Point") own 1,546,196 of our Voting Ordinary Shares, which constitutes 9.7% of our outstanding Voting Ordinary Shares. In May 2022, we entered into a purchase agreement with Trident Public Equity LP, an affiliate of Stone Point, to repurchase 89,790 of our Voting Ordinary Shares for an aggregate purchase price of $20 million. The transaction was priced at $222.74 per share representing a 5% discount to the closing price of our Voting Ordinary Shares on the NASDAQ stock market on May 9, 2022.

[2] As of September 30, 2022, we had unfunded commitments of $160 million to other investments, and $15 million to privately held equity managed by Stone Point and its affiliated entities.

[3] Other related party investments include investments in limited partnerships and partnership-like limited liabilities companies, for which had we not elected the fair value option, would be accounted for as equity method investments. We have disclosed our investments in these entities on an aggregated basis as they are individually immaterial.

| As of December 31, 2021 | Stone Point | AnglePoint HK[1] | Northshore | Monument | AmTrust | Citco | Core Specialty | Other |
|---|---|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | | | |
| **Assets** | | | | | | | | |
| Fixed maturities, trading, at fair value | $ 122 | $ — | $ 180 | $ — | $ — | $ — | $ — | $ — |
| Fixed maturities, AFS, at fair value | 332 | — | 1 | — | — | — | — | — |
| Equities, at fair value | 153 | — | 37 | — | 224 | — | — | — |
| Other investments, at fair value | 563 | 9 | 14 | — | — | — | — | 1,278 |
| Equity method investments | — | — | — | 194 | — | 56 | 225 | 18 |
| Total investments | 1,170 | 9 | 232 | 194 | 224 | 56 | 225 | 1,296 |
| Cash and cash equivalents | 14 | — | 27 | — | — | — | — | — |
| Restricted cash and cash equivalents | — | — | 4 | — | — | — | — | — |
| Reinsurance balances recoverable on paid and unpaid losses | — | — | 63 | — | — | — | 2 | — |
| Funds held by reinsured company | — | — | 35 | — | — | — | 41 | — |
| Other assets | — | — | 28 | — | — | — | 13 | — |
| **Liabilities** | | | | | | | | |
| Losses and LAE | — | — | 226 | — | — | — | 504 | — |
| Insurance and reinsurance balances payable | — | — | 63 | — | — | — | 5 | — |
| Other liabilities | — | — | 63 | — | — | — | — | — |
| Net assets (liabilities) | $ 1,184 | $ 9 | $ 37 | $ 194 | $ 224 | $ 56 | $ (228) | $ 1,296 |
| Redeemable noncontrolling interests | $ 172 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |

(1) Subsequent to December 31, 2021, AnglePoint HK ceased to be a related party.

| | Three Months Ended September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stone Point | Northshore | Monument | AmTrust | Citco | Core Specialty | Other |
| | (in millions of U.S. dollars) | | | | | | |
| INCOME | | | | | | | |
| Net premiums earned | $ — | $ 1 | $ — | $ — | $ — | $ — | $ — |
| Net investment income | 4 | 2 | — | 2 | — | — | — |
| Net unrealized losses | (17) | (4) | — | (2) | — | — | (33) |
| Other income | — | 2 | — | — | — | 2 | — |
| Total (loss) income | (13) | 1 | — | — | — | 2 | (33) |
| EXPENSES | | | | | | | |
| Net incurred losses and LAE | — | 3 | — | — | — | (1) | — |
| Acquisition costs | — | (2) | — | — | — | — | — |
| General and administrative expenses | — | — | — | — | — | — | — |
| Total expenses | — | 1 | — | — | — | (1) | — |
| Losses from equity method investments | — | — | (16) | — | — | (4) | — |
| Total net (loss) earnings | $ (13) | $ — | $ (16) | $ — | $ — | $ (1) | $ (33) |

| | Three Months Ended September 30, 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stone Point | AnglePoint HK(1) | Northshore | Monument | AmTrust | Citco | Enhanzed Re(2) | Core Specialty | Other |
| | (in millions of U.S. dollars) | | | | | | | | |
| INCOME | | | | | | | | | |
| Net premiums earned | $ — | $ — | $ 13 | $ — | $ — | $ — | $ — | $ 5 | $ — |
| Net investment income | 4 | 13 | — | — | 2 | — | (2) | — | (1) |
| Net unrealized gains (losses) | 23 | (285) | (1) | — | (2) | — | — | — | 16 |
| Other income | — | — | (2) | — | — | — | — | 2 | — |
| Total income (loss) | 27 | (272) | 10 | — | — | — | (2) | 7 | 15 |
| EXPENSES | | | | | | | | | |
| Net incurred losses and LAE | — | — | 5 | — | — | — | 1 | 12 | — |
| Acquisition costs | — | — | 3 | — | — | — | (1) | 1 | — |
| General and administrative expenses | — | — | 2 | — | — | — | — | — | — |
| Net foreign exchange losses | — | — | — | — | — | — | — | — | — |
| Total expenses | — | — | 10 | — | — | — | — | 13 | — |
| Earnings (losses) from equity method investments | — | — | — | 2 | — | 1 | (22) | 5 | — |
| Total net earnings (loss) | $ 27 | $ (272) | $ — | $ 2 | $ — | $ 1 | $ (24) | $ (1) | $ 15 |

(1) Includes earnings from our direct investment in the InRe Fund, which was managed by AnglePoint HK from April 1, 2021 to October 15, 2021, and another fund managed by AnglePoint HK. For the three months ended September 30, 2021, we incurred management and performance fee accruals. These fees were deducted from the AnglePoint HK funds' reported net asset values and recorded as net investment expenses in the condensed consolidated statements of earnings.

(2) Following completion of the Step Acquisition and related consolidation, Enhanzed Re ceased to be a related party on September 1, 2021.

| | Nine Months Ended September 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Stone Point | Northshore | Monument | AmTrust | Citco | Core Specialty | Other |
| | (in millions of U.S. dollars) | | | | | | |
| INCOME | | | | | | | |
| Net premiums earned | $ — | $ 8 | $ — | $ — | $ — | $ — | $ — |
| Net investment income | 11 | 8 | — | 5 | — | — | — |
| Net unrealized losses | (73) | (12) | — | (5) | — | — | (72) |
| Other income | — | 4 | — | — | — | 7 | — |
| Total (loss) income | (62) | 8 | — | — | — | 7 | (72) |
| EXPENSES | | | | | | | |
| Net incurred losses and LAE | — | 8 | — | — | — | (9) | — |
| Acquisition costs | — | — | — | — | — | — | — |
| General and administrative expenses | — | — | — | — | — | — | — |
| Total expenses | — | 8 | — | — | — | (9) | — |
| Earnings (losses) from equity method investments | — | — | 15 | — | 2 | (5) | — |
| Total net (loss) earnings | $ (62) | $ — | $ 15 | $ — | $ 2 | $ 11 | $ (72) |

| | Nine Months Ended September 30, 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stone Point | Hillhouse [1] | AnglePoint HK[2] | Northshore | Monument | AmTrust | Citco | Enhanzed Re[3] | Core Specialty | Other |
| | (in millions of U.S. dollars) | | | | | | | | | |
| INCOME | | | | | | | | | | |
| Net premiums earned | $ — | $ — | $ — | $ 50 | $ — | $ — | $ — | $ (2) | $ 8 | $ — |
| Net investment income | 9 | — | (7) | 1 | — | 5 | — | (4) | — | 2 |
| Net realized gains | — | 77 | — | — | — | — | — | — | — | — |
| Net unrealized gains (losses) | 70 | 20 | (68) | (2) | — | (5) | — | — | — | 72 |
| Other income | — | — | — | (11) | — | — | — | 2 | 11 | — |
| Total income (loss) | 79 | 97 | (75) | 38 | — | — | — | (4) | 19 | 74 |
| EXPENSES | | | | | | | | | | |
| Net incurred losses and LAE | — | — | — | 20 | — | — | — | — | 3 | — |
| Acquisition costs | — | — | — | 13 | — | — | — | (1) | (2) | — |
| General and administrative expenses | — | — | — | 5 | — | — | — | — | — | — |
| Total expenses | — | — | — | 38 | — | — | — | (1) | 1 | — |
| Earnings (losses) from equity method investments | — | — | — | — | 19 | — | 2 | 82 | (2) | — |
| Total net earnings (loss) | $ 79 | $ 97 | $ (75) | $ — | $ 19 | $ — | $ 2 | $ 79 | $ 16 | $ 74 |
| Change in unrealized losses on AFS investments | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 1 | $ — | $ — |

[1] Includes earnings from our direct investment in the InRe Fund, L.P. (the "InRe Fund"), which was managed by AnglePoint Cayman through March 31, 2021, and the impact of a $100 million deduction from amounts due to affiliates of Hillhouse Group from the InRe Fund, which had the effect of increasing our NAV in the InRe Fund on February 21, 2021. The Hillhouse Group ceased to be a related party on July 22, 2021.

[2] Includes earnings from our direct investment in the InRe Fund, which was managed by AnglePoint HK from April 1, 2021 to October 15, 2021, and another fund managed by AnglePoint HK. For the nine months ended September 30, 2021, we incurred management and performance fee accruals. These fees were deducted from the AnglePoint HK funds' reported net asset values and recorded as net investment expenses in the condensed consolidated statements of earnings.

[3] Following completion of the Step Acquisition and related consolidation, Enhanzed Re ceased to be a related party on September 1, 2021.

## 16. COMMITMENTS AND CONTINGENCIES

### Concentration of Credit Risk

We are subject to credit risk principally in relation to our:

i. investments, including equity method investments;
ii. cash and cash equivalents and restricted cash and cash equivalents;
iii. assets pledged to ceding companies under reinsurance contracts;
iv. (re)insurance balances recoverable on paid and unpaid losses; and
v. funds held by reinsured companies and funds held - directly managed (together funds held).

As of September 30, 2022, we had funds held concentrations to reinsured companies exceeding 10% of shareholders' equity of $5.2 billion (December 31, 2021: $4.4 billion) in aggregate. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us.

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 counterparties noted above, exceeded 10% of shareholders' equity as of September 30, 2022. Our credit exposure to the U.S. government was $948 million as of September 30, 2022 (December 31, 2021: $1.2 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 condensed 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, bad faith, 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 A&E and other claims.

### Unfunded Investment Commitments

As of September 30, 2022, we had unfunded commitments of $1.8 billion to other investments, $25 million to privately held equity and $109 million to our majority owned subsidiary Enhanzed Re.

### Guarantees

As of September 30, 2022 and December 31, 2021, parental guarantees supporting reinsurance obligations, defendant A&E liabilities, subsidiary capital support arrangements and credit facilities were $2.7 billion, for both periods. We also guarantee the 2040 and 2042 Junior Subordinated Notes, which have an aggregate principal amount of $850 million as of September 30, 2022 (December 31, 2021: $350 million).

### Redeemable Noncontrolling Interests

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 maintained a call right over the portion of StarStone Specialty Holdings Limited owned by the Trident V Funds and Dowling Capital Partners I, L.P. and Capital City Partners LLC, and they will maintain put rights to transfer those interests to us.

## 17. SUBSEQUENT EVENTS

### Transactions

#### Argo

In August 2022, we executed an LPT agreement with a wholly owned subsidiary of Argo Group International Holdings, Ltd. ("Argo") covering a number of its U.S. casualty insurance portfolios, including construction, for accident years 2011 to 2019.

The LPT agreement covers ground up reserves of $746 million, and an additional $275 million of cover in excess of $821 million, up to a policy limit of $1.1 billion. Argo will retain a loss corridor of $75 million up to $821 million. The closing of the transaction is subject to regulatory approval and other closing conditions which we expect to be completed in the fourth quarter of 2022.

#### Enhanzed Re

In August 2022, Enhanzed Re entered into a Master Agreement with Cavello Bay Reinsurance Company ("Cavello"), a wholly-owned subsidiary of the Company, and Allianz SE ("Allianz"). Pursuant to the Master Agreement, Cavello and Allianz agreed to a series of transactions that would (i) commute or novate all of the reinsurance contracts written by Enhanzed Re, (ii) repay the $70 million of subordinated notes issued by Enhanzed Re to an affiliate of Allianz, and (iii) distribute Enhanzed Re's excess capital to Cavello and Allianz in accordance with their respective equity ownership.

As of September 30, 2022, the following transactions have been completed and will be reflected in our fourth quarter 2022 results due to the one quarter lag in reporting:

(i) The catastrophe reinsurance business ceded to Enhanzed Re by Allianz was commuted to Allianz, resulting in the recognition of a favorable commutation gain of $59 million; and

(ii) Enhanzed Re repaid the $70 million of subordinated notes issued by an affiliate of Allianz and recognized a gain of $6 million as a result of accelerating the amortization of the remaining fair value adjustment.

Following receipt of regulatory approval on October 31, 2022, Enhanzed Re is expected to complete a novation of the reinsurance closed block of life annuity policies to Monument Re Limited ("Monument Re") on or about November 7, 2022. We will settle the life liabilities and the related assets at carrying value in return for cash consideration as of the closing date. As at June 30, 2022, the carrying value of these items was $1.3 billion and $1.1 billion, respectively, which we would record as $270 million of other income if measured as of this date.

- Activity for the period from July 1,2022 to the closing date will impact the amount of other income recorded.
- A portion of our other income recorded will be subject to deferral to account for our 20% ownership interest in Monument Re and our net earnings attributable to Enstar will be reduced by the amount attributable to Allianz's noncontrolling interest in Enhanzed Re. The final impact of the novation will be reflected in our first quarter 2023 results as a result of the one quarter reporting lag.

### Investments

#### Reporting Lag

The impact from continued volatility in global financial markets during the third quarter of 2022 will be recognized in future periods as a result of Enhanzed Re and certain other investments being recorded on a one quarter lag basis.

For Enhanzed Re, we anticipate the net unrealized investment losses from this lag to be in the range between $50 million to $100 million, which we expect to record in our fourth quarter 2022 results.

As of September 30, 2022, the carrying value of Enhanzed Re's investment portfolio, which is recorded on a one quarter lag, was $1.7 billion.

### Debt Obligations

#### Letters of Credit

In November 2022, we entered into a new $275 million FAL letter of credit facility to refinance our existing $275 million FAL letter of credit facility. At closing, we requested a reduction of the face amount of the letter of credit issued under the facility to $135 million.

# 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 September 30, 2022. 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 September 30, 2022 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 16 to our condensed consolidated financial statements, 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, 2021. 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 September 30, 2022.

| 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] |
|---|---|---|---|---|
| | | | | (in millions of U.S. dollars) |
| Dollar amount available to be repurchased | | | | $ 95 |
| July 1, 2021 - July 31, 2021 | — | $ — | — | $ — |
| August 1, 2022 - August 31, 2022 | — | $ — | — | $ — |
| September 1, 2022 - September 30, 2022 | — | $ — | — | $ — |
| | — | | — | $ 95 |

[1] On November 29, 2021, our Board adopted an ordinary share repurchase program (the "2021 Repurchase Program"), for the purpose of repurchasing a limited number of our ordinary shares, not to exceed $100 million in aggregate. This plan was fully utilized in April 2022. On May 5, 2022, our Board authorized the repurchase of up to $200 million of our ordinary shares (the “2022 Repurchase Program”), which is effective through May 5, 2023. As of September 30, 2022, the remaining capacity under the 2022 Repurchase Program was $95 million.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

# ITEM 6. EXHIBITS

## EXHIBIT INDEX

| 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 | Sixth 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 15, 2021). |
| 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). |
| 10.1 | Letter Agreement, dated July 6, 2022, between Enstar Group Limited and Paul O’Shea (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 6, 2022). |
| 10.2 | Deed of Amendment and Restatement to Joint Ownership Agreement, dated July 1, 2022, between Enstar Group Limited, Dominic F. Silvester and Zedra Trust Company (Guernsey) Limited, as trustee (incorporated by reference to Exhibit 10.2 to the Company’s Form 8-K filed on July 6, 2022). |
| 10.3 | Amended and Restated Employment Agreement, dated July 1, 2022, between Enstar Group Limited and Dominic F. Silvester (incorporated by reference to Exhibit 10.3 to the Company’s Form 8-K filed on July 6, 2022). |
| 10.4 | Amendment No. 2 to the Amended and Restated Employment Agreement, dated July 1, 2022, between Enstar Group Limited and Orla Gregory (incorporated by reference to Exhibit 10.4 to the Company’s Form 8-K filed on July 6, 2022). |
| 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) |

* filed herewith

** furnished herewith

# 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 November 3, 2022.

ENSTAR GROUP LIMITED

By: /s/ Orla Gregory
Orla Gregory
Chief Financial Officer,
Authorized Signatory,
Principal Financial Officer

By: /s/ Michael Murphy
Michael P. Murphy
Deputy Chief Financial Officer,
Principal Accounting Officer

**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: November 3, 2022

/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, Orla Gregory, 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: November 3, 2022

/S/ ORLA GREGORY
Orla Gregory
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 September 30, 2022, 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: November 3, 2022

/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 September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Orla Gregory, 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: November 3, 2022

/S/ ORLA GREGORY
Orla Gregory
Chief Financial Officer