UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): September 12, 2014

Enstar Group Limited
(Exact name of registrant as specified in its charter)

Bermuda	001-33289	N/A
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box HM 2267, Windsor Place, 3rd Floor **22 Queen Street, Hamilton HM JX Bermuda**	**N/A**
(Address of principal executive offices)	(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

Enstar Group Limited (the "Company") acquired Arden Reinsurance Company Ltd. ("Arden") on September 9, 2013 and Atrium Underwriting Group Ltd. ("Atrium") on November 25, 2013. The Company is filing herewith a pro forma statement of earnings for the fiscal year ended December 31, 2013 that reflects the acquisitions of Arden and Atrium as if they had occurred on January 1, 2013. The pro forma statement of earnings filed herewith supersedes and replaces in its entirety the preliminary unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 2013 and for the year ended December 31, 2012 that was filed by the Company on Form 8-K/A on February 11, 2014. Certain historical financial information for Arden and Atrium is also being filed herewith.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

(i) The audited financial statements of Arden Reinsurance Company Ltd. as of and for the years ended December 31, 2012 and 2011 are attached hereto as Exhibit 99.1 and are incorporated in their entirety herein by reference.

(ii) The unaudited interim financial statements of Arden Reinsurance Company Ltd. as of June 30, 2013 and for the six months ended June 30, 2013 and 2012 are attached hereto as Exhibit 99.2 and are incorporated in their entirety herein by reference.

(iii) The audited financial statements of Atrium Underwriting Group Ltd. as of and for the year ended December 31, 2012 are attached hereto as Exhibit 99.3 and are incorporated in their entirety herein by reference.

(iv) The unaudited interim financial statements of Atrium Underwriting Group Ltd. as of September 30, 2013 and for the nine months ended September 30, 2013 and 2012 are attached hereto as Exhibit 99.4 and are incorporated in their entirety herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed consolidated statement of earnings of the Company as of December 31, 2013 giving effect to the acquisitions of Arden Reinsurance Company Ltd. and Atrium Underwriting Group Ltd. as of January 1, 2013 is attached hereto as Exhibit 99.5 and is incorporated in its entirety herein by reference.

(d) Exhibits

23.1 Consent of Ernst & Young Ltd., independent auditors for Arden Reinsurance Company Ltd.

23.2 Consent of Ernst & Young LLP, independent auditors for Atrium Underwriting Group Ltd.

99.1 Audited financial statements of Arden Reinsurance Company Ltd. as of and for the years ended December 31, 2012 and 2011.

99.2 Unaudited interim financial statements of Arden Reinsurance Company Ltd. as of June 30, 2013 and for the six months ended June 30, 2013 and 2012.

99.3 Audited financial statements of Atrium Underwriting Group Ltd. as of and for the year ended December 31, 2012.

99.4 Unaudited interim financial statements of Atrium Underwriting Group Ltd. as of September 30, 2013 and for the nine months ended September 30, 2013 and 2012.

99.5 Unaudited pro forma condensed consolidated statement of earnings of the Company as of December 31, 2013 giving effect to the acquisitions of Arden Reinsurance Company Ltd. and Atrium Underwriting Group Ltd. as of January 1, 2013.

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.

ENSTAR GROUP LIMITED

Date: September 12, 2014

By: /s/ Richard J. Harris
Richard J. Harris
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Ernst & Young Ltd., independent auditors for Arden Reinsurance Company Ltd.
23.2	Consent of Ernst & Young LLP, independent auditors for Atrium Underwriting Group Ltd.
99.1	Audited financial statements of Arden Reinsurance Company Ltd. as of and for the years ended December 31, 2012 and 2011.
99.2	Unaudited interim financial statements of Arden Reinsurance Company Ltd. as of June 30, 2013 and for the six months ended June 30, 2013 and 2012.
99.3	Audited financial statements of Atrium Underwriting Group Ltd. as of and for the year ended December 31, 2012.
99.4	Unaudited interim financial statements of Atrium Underwriting Group Ltd. as of September 30, 2013 and for the nine months ended September 30, 2013 and 2012.
99.5	Unaudited pro forma condensed consolidated statement of earnings of the Company as of December 31, 2013 giving effect to the acquisitions of Arden Reinsurance Company Ltd. and Atrium Underwriting Group Ltd. as of January 1, 2013.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (S-3 No. 333-195562 and S-8 Nos. 333-149551, 333-148863, 333-148862, 333-141793) and in the related Prospectuses of Enstar Group Limited of our report dated March 21, 2013, with respect to the consolidated financial statements of Arden Reinsurance Company Ltd. included in the Current Report on Form 8-K of Enstar Group Limited, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd.
Hamilton, Bermuda
September 10, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (S-3 No. 333-195562 and S-8 Nos. 333-149551, 333-148863, 333-148862, 333-141793) and in the related Prospectuses of Enstar Group Limited of our report dated February 11, 2014, with respect to the consolidated financial statements of Atrium Underwriting Group Limited included in the Current Report on Form 8-K of Enstar Group Limited filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP
London, England
September 10, 2014

Exhibit 99.1

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012 and 2011

ARDEN REINSURANCE COMPANY LTD.

Purvis House, 2nd Floor, 29 Victoria Street, Hamilton HM10, Bermuda

Arden Reinsurance Company Ltd.
Index to the Consolidated Financial Statements

Arden Reinsurance Company Ltd.
Consolidated Balance Sheets
At December 31, 2012 and 2011
(in thousands of United States Dollars)

	December 31, 2012	December 31, 2011
Assets		
Fixed maturity investments, at fair value *(amortized cost 2012: $229,548; 2011: $1,301,519)*	$ 227,988	$ 1,306,543
Other investments, at fair value	3,612	198,685
Short-term investments, at fair value (*amortized cost 2012: nil; 2011: $100,167)*	—	100,167
Total investments	**231,600**	**1,605,395**
Cash and cash equivalents	28,388	61,166
Premiums receivable	146,985	218,015
Accrued investment income	359	5,760
Deferred acquisition costs	40	34,308
Prepaid reinsurance premiums	33,956	17,735
Paid losses recoverable	3,937	—
Loss reserves recoverable	379,603	41,448
Other assets	44	5,327
Balance due from Arden Holdings Ltd.	151	—
Receivable for investments sold	—	22,457
Total assets	**$ 825,063**	**$ 2,011,611**
Liabilities		
Reserve for losses and loss adjustment expenses	474,915	563,997
Unearned premiums	26,852	175,809
Deposit liabilities	—	26
Reinsurance premiums payable	80,325	13,559
Payable for investments purchased	—	112,194
Balance due to Arden Holdings Ltd.	—	317
Other liabilities	943	8,421
Total liabilities	**583,035**	**874,323**
Shareholder's Equity		
Ordinary share capital *(Authorized 100,000,000 common shares, 2012: par value $10.00, 254,000 shares issued; 2011: par value $1.00, 1,000,000 shares issued)*	2,540	1,000
Additional paid-in capital	254,700	999,000
(Deficit) retained earnings	(15,212)	137,288
Total shareholder's equity	**242,028**	**1,137,288**
Total liabilities & shareholder's equity	**$ 825,063**	**$ 2,011,611**

See accompanying notes to the Consolidated Financial Statements

Arden Reinsurance Company Ltd.
Consolidated Statements of Operations
For the years ended December 31, 2012 and 2011
(in thousands of United States Dollars)

	2012	2011
Revenues		
Gross premiums written	$ 128,100	$492,664
Reinsurance premiums ceded	(122,262)	(41,473)
Net premiums written	5,838	451,191
Change in net unearned premiums	165,178	(10,410)
Net premiums earned	171,016	440,781
Other underwriting income (loss)	25	(35)
Gain on sale of assets	54,986	—
Net investment income	8,147	37,858
Net realized gains on investments	36,191	3,835
Net unrealized losses on investments	(15,440)	(12,285)
Net foreign exchange losses	(1,071)	(1,847)
Total revenues	**253,854**	**468,307**
Expenses		
Net losses and loss adjustment expenses	70,047	294,485
Acquisition costs	14,520	64,611
General and administrative expenses	22,388	49,631
Total expenses	**106,955**	**408,727**
Income before income taxes	**146,899**	**59,580**
Income tax expense	159	460
Net income	**$ 146,740**	**$ 59,120**

See accompanying notes to the Consolidated Financial Statements

Arden Reinsurance Company Ltd.
Consolidated Statements of Changes in Shareholder's Equity
For the years ended December 31, 2012 and 2011
(in thousands of United States Dollars)

	2012	2011
Share capital		
Balance, beginning of year	$ 1,000	$ 1,000
Increase in par value of common shares	9,000	—
Repurchase of common shares	(7,460)	—
Balance, end of year	$ 2,540	$ 1,000
Additional paid-in capital		
Balance, beginning of year	$ 999,000	$ 999,000
Repurchase of common shares	(744,300)	—
Balance, end of year	$ 254,700	$ 999,000
(Deficit) retained earnings		
Balance, beginning of year	$ 137,288	$ 338,168
Net income	146,740	59,120
Dividends	(136,000)	(260,000)
Allocation to share capital	(9,000)	—
Repurchase of common shares	(154,240)	—
Balance, end of year	$ (15,212)	$ 137,288
Total shareholder's equity	**$ 242,028**	$1,137,288

See accompanying notes to the Consolidated Financial Statements

Arden Reinsurance Company Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(in thousands of United States Dollars)

	2012	2011
Cash flows provided by operating activities:		
Net income	$ 146,740	$ 59,120
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Net realized gains on investments	(36,191)	(3,835)
Net amortization on investments	2,163	5,195
Net unrealized losses on investments	15,440	12,285
Gain on sale of assets	(54,986)	—
Depreciation	383	4,093
Other items	1,278	2,247
Change in:		
Premiums receivable	71,030	(15,201)
Accrued investment income	5,400	3,627
Deferred acquisition costs	34,268	(3,345)
Prepaid reinsurance premiums	(16,221)	(4,444)
Paid loss recoverable	(3,937)	—
Loss reserves recoverable	(338,155)	(14,863)
Other assets	1,074	(709)
Reserve for losses and loss adjustment expenses	(89,082)	138,786
Unearned premiums	(148,957)	14,914
Reinsurance premiums payable	66,766	1,864
Other liabilities	(7,478)	1,774
Net cash (used in) provided by operating activities	(350,465)	201,508
Cash flows (used in) provided by investing activities:		
Purchases of fixed maturity investments	(1,135,845)	(2,913,652)
Sales and maturities of fixed maturity investments	2,223,314	2,971,459
Net (purchases) sales of short-term investments	100,198	(15,828)
Net purchases of other investments	204,635	(26,743)
Net change in receivable for investments sold	(89,737)	18,891
Purchases of fixed assets	(52)	(1,125)
Proceeds from sale of assets	58,754	—
Net cash provided by investing activities	1,361,267	33,002
Cash flows used in financing activities:		
Deposit liabilities	(26)	(13)
Balance due from Arden Holdings Ltd.	(136,468)	(463)
Repurchase of common shares	(906,000)	—
Dividends	—	(260,000)
Net cash used in financing activities	(1,042,494)	(260,476)
Effect of exchange rate changes on cash and cash equivalents	(1,086)	(713)
Net decrease in cash and cash equivalents	(32,778)	(26,679)
Cash and cash equivalents - beginning of year	61,166	87,845
Cash and cash equivalents - end of year	$ 28,388	$ 61,166

See accompanying notes to the Consolidated Financial Statements

1. Organization

Arden Reinsurance Company Ltd., formerly known as Ariel Reinsurance Company Ltd., ("Arden Re" or collectively with its subsidiary the "Company") was incorporated on November 4, 2005 under the laws of Bermuda. Arden Re is a wholly owned subsidiary of Arden Holdings Ltd. ("Arden Holdings"), an insurance holding company incorporated in Bermuda.

The Company's operations are principally focused on catastrophe exposed property, marine, aviation, credit and surety reinsurance business. Catastrophe reinsurance covers unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, freezes, industrial explosions and other man-made or natural disasters. Loss experience associated with catastrophe reinsurance is characterized by infrequent events of high severity. Credit and surety reinsurance business is underwritten on a global basis through a branch office in Zurich, Switzerland that was established in 2009. Although catastrophe exposed business constitutes the majority of Arden Re's business, the Company also underwrites property and, until 2010, professional liability insurance on a direct basis.

On March 11, 2010 Arden Re established a wholly-owned representative office in Brazil, Ariel Reinsurance Company Escritorió de Representção no Brasil Ltda. This office was opened to facilitate the underwriting of credit and surety lines of business.

During 2012, Arden Re sold assets, associated with its core property and marine reinsurance, property insurance and certain ancillary business underwritten to Arrow Corporate Member Holdings LLC ("Arrow"), a subsidiary of Goldman Sachs ("Goldman"). The Company also sold assets and rights associated with its credit and surety business based in Zurich to Arch Reinsurance Ltd. and Arch Reinsurance Europe Underwriting Limited (collectively "Arch"). (See Note 3)

2. Significant Accounting Policies

Basis of presentation and consolidation

The consolidated financial statements include Ariel Re and its wholly-owned subsidiary and have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in preparing these consolidated financial statements.

Use of estimates in consolidated financial statements

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While the estimates included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ materially from these estimates. The significant estimates reflected in the Company's consolidated financial statements include the reserve for losses and loss adjustment expenses, premium estimates for business written, and the fair value measurement of certain fixed maturities and other investments. Estimates and assumptions are periodically reviewed and the effects of revisions are recorded in the consolidated financial statements in the periods in which they are determined.

Premiums

Premiums written are recorded in accordance with the terms of the underlying policies and contracts of insurance and reinsurance. Premiums written are recorded at the inception of the policy and are estimated based upon information received from insureds, ceding companies and their brokers. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Premiums written are earned on a pro-rata basis over the period for which coverage is provided. The reserve for unearned premiums represents the portion of premiums written applicable to the unexpired risk period of policies and contracts and insurance and reinsurance in force.

For contracts and policies written on a losses occurring basis, the risk period is generally the same as the contract or policy term. For contracts written on a risks attaching basis, the risk period is based on the terms of the underlying contracts and policies.

Reinstatement premiums that reinstate coverage are estimated based on loss experience and are recorded in accordance with the contract terms based upon the ultimate loss estimate associated with each contract. Reinstatement premiums are generally written and earned at the time the associated loss event occurs.

Deferred acquisition costs

Acquisition expenses are costs that vary with, and are directly related to, the production of new and renewal business and consist principally of commissions and brokerage expenses incurred at the time a contract or policy is issued. These costs are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated loss and loss adjustment expenses and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs. Acquisition costs are shown net of commissions earned or reinsurance ceded.

Reinsurance ceded

In the normal course of business, the Company may seek to mitigate underwriting risk that could cause unfavorable results by reinsuring certain amounts of risk with other reinsurers. Reinsurance premiums ceded are expensed on a pro-rata basis over the period the reinsurance coverage is provided. Prepaid reinsurance premiums represent the portion of premiums ceded on the unexpired term of the policies purchased.

Reinsurance recoverables are presented on the Consolidated Balance Sheets net of any reserves for uncollectible reinsurance. The method for determining the reinsurance recoverable on unpaid losses and loss adjustment expenses involves actuarial estimates in a manner consistent with the determination of unpaid losses and loss adjustment expenses. Any reserve for uncollectible reinsurance is based on an estimate of the amount of the reinsurance recoverable balance that will ultimately not be recovered due to reinsurer insolvency, contractual dispute or other reason. The valuation of this reserve for uncollectible reinsurance includes several processes including a review of the credit ratings of the reinsurance recoverables by reinsurer, an analysis of default probabilities as well as coverage issues. These factors require considerable management judgment and the factors are reviewed in detail on a quarterly basis with any resulting adjustments recorded in earnings in the period that collection issues are identified.

Reserve for losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses is established by management and includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported. The reserve is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management's estimate of ultimate losses. The reserve for incurred but not reported losses and loss adjustment expenses is established by management based on actuarially determined estimates of ultimate losses and loss adjustment expenses. Inherent in the estimate of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled.

Ultimate losses and loss adjustment expenses may vary materially from the amounts provided in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are recorded in earnings in the period in which they become known and are accounted for as changes in estimates.

Investments

The Company's fixed maturity investments are reported as trading securities and are carried at estimated fair value with changes in fair value included in earnings in the consolidated statement of operations and comprehensive income. The Company determines fair value of its fixed maturity investments in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment.

Investment transactions are recorded on the trade date with balances pending settlement reflected separately in the balance sheet. Interest on fixed maturity investments is recorded in net investment income when earned and is adjusted for any amortization of premium or discount. Net investment income includes interest, dividend income and amortization of premiums or discounts and is recorded net of investment management fees. The amortization of premiums and accretion of discounts for fixed maturity investments is computed using the effective yield method. Premiums and discounts arising from the purchase of mortgage-backed securities are amortized using the effective yield method over the estimated remaining term of the securities, adjusted for anticipated prepayments.

Realized gains or losses on the sale of investments are determined on the basis of the first-in-first-out method and included in earnings when realized.

Short-term investments, which are managed as part of the Company's investment portfolio and have a maturity of one year or less when purchased, are carried at fair value, which approximates amortized cost.

The Company participated in a securities lending program whereby blocks of securities, which are included in fixed maturity investments, are loaned to third parties, primarily major brokerage firms. The Company retains all economic interest in the securities it lends, retains the earnings and cash flows associated with the loaned securities and receives a fee from the borrower for the temporary use of the securities. Collateral is required at a rate of 102% - 105% of the market value of the loaned securities and is monitored daily and maintained by the lending agent. The collateral has not been recorded on the balance sheet as the Company does not have the right to sell or repledge the collateral. As at December 31, 2012, the Company does not participate in a securities lending program.

Other investments are carried at estimated fair value with interest, dividend income and income distributions included in net investment income. The fair value of the emerging market debt fund and hedge funds is generally established on the basis of the net valuation criteria established by the managers of the investments. These net valuations are determined based upon the valuation criteria established by the governing documents of such investments. The Company records the fair value of the hedge funds on a month lag as valuation information provided by the managers of the investments is not available on a timely basis. This lag in reporting is applied consistently until timely information becomes available. The fair value of catastrophe bonds is based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. Such valuations may differ significantly from the values that would have been used had ready markets existed for the shares, partnership interests or notes of the other investments.

The Company enters into derivative instruments such as swaps, futures, options and forward foreign exchange contracts in order to manage its foreign currency exposure, obtain exposure to a particular financial market, or for managing the duration of the fixed maturity investment portfolio and yield curve. The Company records its derivatives at fair value on the Company's Consolidated Balance Sheets as either assets or liabilities, depending on their rights or obligations, with changes in fair value included in unrealized gains (losses) on investments in the Consolidated Statements of Operations. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, by the use of industry or internal valuation models.

Cash and cash equivalents

Cash and cash equivalents include highly liquid short-term deposits and securities with maturities of ninety days or less at the time of purchase.

Foreign exchange

The Company's functional currency is the United States Dollar. Monetary assets and liabilities denominated in foreign currencies are re-measured into the functional currency at the exchange rates in effect at the balance sheet dates and revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings.

Stock based compensation plans

Arden Holdings grants stock-based compensation awards which vest over a specified period or upon employees meeting certain performance. Arden Holdings recognizes the compensation expense for stock-based compensation based on the fair value of the award on the date of grant over the requisite service period, as appropriate. Arden Holdings charges the Company for the expense associated with stock-based compensation.

Taxation

The Company provides for income taxes for its branch office based in Zurich, Switzerland. The Company records deferred income taxes which reflect the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. A valuation allowance against a deferred tax asset is provided for if and when the Company believes that a portion, or all of the deferred tax asset may not be realized in the near term.

In addition, the Company is required to recognize the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained, assuming examination by tax authorities. The Company has not recognized any liabilities for unrecognized tax benefits as a result of this guidance. The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next twelve months and classifies all income tax associated with interest and penalties as income tax expense.

3. Sale of Arden Re Assets and Related Agreements

On February 29, 2012, Arden Holdings and Arden Re entered into a purchase agreement with Arrow, pursuant to which Arden Re sold assets in the amount of $3.3 million. The asset sold included intellectual property, trade name and rights associated with its core property and marine reinsurance, property insurance and certain ancillary business (together "subject lines") underwritten by Arden Re. The Company recognized a gain on sale of assets of $47.2 million. The transaction closed on April 5, 2012. At closing, the Bermuda employees of Arden Re became employees of an Arrow or other Goldman affiliate.

Arden Re also reinsured its unexpired in-force business at closing in the subject lines on a 100% quota share basis to Ariel Syndicate 1910 at Lloyd's, a subsidiary of Arrow. As at December 31, 2012, approximately 44% of its unexpired in-force business which was reinsured to Syndicate 1910 had been assigned effective April 1, 2012. Arden Re also reinsured its net loss reserves and loss expenses through a loss portfolio transfer in the subject lines to Arrow Indemnity Limited, a newly formed reinsurance subsidiary of Arrow. In addition, Arden Re agreed to participate in the development of the ceded loss reserves up to $55 million through December 31, 2012. As at December 31, 2012, there had been no adverse loss development on these net loss reserves and loss expenses.

On March 2, 2012, Arden Re also entered into a purchase agreement with Arch, pursuant to which Arden Re sold assets in the amount of $0.5 million. The assets sold include assets and rights associated with its credit and surety business based in Zurich. The Company recognized a gain on sale of assets of $7.7 million. The transaction closed on April 9, 2012. At closing, the Zurich-based employees of Arden Re became employees of the Zurich branch office of Arch.

Arden Re reinsured its credit and surety reinsurance business to Arch on a 100% quota share basis. As at December 31, 2012, approximately 65% of Arden Re's credit and surety business had been novated. As part of the transaction, the Arden Re also reinsured its net credit and surety reinsurance loss reserves and loss expenses to Arch.

4. Fair Value Measurement

The Company determines the fair value of its fixed maturity investments in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. The Company estimates the estimated fair value of each individual security utilizing the highest level of inputs available. Current accounting guidance establishes three levels in the hierarchy as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs are other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable inputs for the asset or liability.

Fixed maturities

The Company uses quoted values and other data provided by an independent pricing service and its third party investment managers in determining fair values for its fixed maturity investments. Pricing from third party pricing services are sourced from multiple vendors. Each source has its own proprietary method for determining fair value of any security that is not actively traded. In general, the methods involve the use of "matrix pricing" in which the independent pricing sources use observable market inputs including, but not limited to, yield curves, trade execution data, market spreads, cash flows, credit risks and benchmarking like securities to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair values of the Company's fixed maturities by asset class:

U.S. government and agencies - These securities consist primarily of bonds issued by the U.S. Department of Treasury and mortgage agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The fair values of highly liquid U.S. Treasuries are based on quoted prices in active markets using real time trading systems and are classified within Level 1. The fair values of U.S. government agency securities are priced using yield curves, credit spreads and interest rate volatilities. These are considered to be observable market inputs and therefore the fair values of U.S. government agency securities are classified in Level 2.

Non-U.S. governments - These securities consist of securities issued primarily by governments, provinces, agencies and supranationals, as well as debt issued by financial institutions that is guaranteed by a non-U.S. government. The fair values of highly liquid European and Canadian Sovereign debt are based on quoted prices in active markets and are classified in Level 1. Other Non-U.S. government securities are priced using observable inputs, such as yield curves, credit spreads and interest rate volatilities and are classified in Level 2.

U.S. states and municipals - These securities consist of bonds issued by U.S. domiciled state and municipality entities. The fair value of these securities is determined using market approach pricing, which utilizes pricing models, mathematical tools and experienced pricing evaluators. The price for a security is based upon a hierarchy of market information regarding that security or securities with similar characteristics. The significant inputs used to price the municipals are observable market inputs and the fair value of these securities is classified in Level 2.

Corporate debt - These securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair value of these securities is determined using the spread above the risk-free yield curve, reported trades, broker / dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and fair value of these securities are classified within Level 2.

Residential and commercial mortgage-backed securities - These securities consists of residential and commercial mortgage-backed securities originated by both agencies and non-agencies. The fair values of these securities are determined through the use of pricing models which evaluate the underlying collateral performance, and obtain prices from market makers and live trading systems. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. These are considered observable market inputs and the fair value of these securities are classified within Level 2.

(Expressed in thousands of United States dollars, except share amounts)

Asset-backed securities - These securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The fair values of asset-backed securities are priced through the use of various models which evaluate the underlying collateral performance, as well as obtaining prices from market makers and live trading systems. As the significant inputs used to price these securities are observable market inputs, the fair values of asset-backed securities are classified in Level 2.

Other Investments

Catastrophe bonds **-** The fair value of catastrophe bonds is based on quoted market prices or when such prices are not available, by reference to broker or underwriter bid indications. As the significant inputs used to price these securities are observable market inputs, the fair values of catastrophe bonds are classified in Level 2.

Derivatives - The fair values of the Company's over-the-counter derivatives such as interest rate swaps, credit default swaps and forward foreign exchange contracts are estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, the use of industry or internal valuation models used by an independent pricing service. These are considered observable market inputs and therefore the fair value of these securities are classified in Level 2.

Emerging market debt fund and hedge funds - The fair value of the emerging market debt fund and hedge funds is generally determined on the basis of the net valuation criteria established by the managers of the investments. The Company believes the published net asset value represents the fair value that market participants would apply to an interest in the fund. Some of the hedge funds are subject to restrictions on redemptions and sale which are determined by the governing documents and limit the Company's ability to liquidate these investments in the short-term. The Company obtains the audited financial statements for every hedge fund annually and regularly reviews and discusses fund performance with fund managers to corroborate the reasonableness of the published net asset value. Due to the restrictions on redemptions and sale of these investments, the Company's emerging market debt and hedge funds have been classified in Level 3.

Short-Term Investments

Short-term investments are comprised of fixed maturity investments that have a maturity of one year or less when purchased and a short-duration high quality fund. The fair value of the short-term fixed maturity investments is determined using the same principles as described above by asset class. The fair value of the short-term high quality fund is estimated using the net asset value reported by the investment manager. The Company's short-term investments have been classified in Level 1 and Level 2.

a) At December 31, 2012 and 2011, the Company's investments were allocated between Levels 1, 2, and 3 as follows:

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
U.S. government and government agencies	$122,824	$ —	$ —	$122,824
Non-U.S. governments	—	65,909	—	65,909
Residential mortgage-backed securities	—	39,051	—	39,051
Asset-backed securities	—	204	—	204
Total fixed maturity investments	$122,824	$105,164	$ —	$227,988
Other investments	$ —	$ —	$3,612	$ 3,612
Total	$122,824	$105,164	$3,612	$231,600

(Expressed in thousands of United States dollars, except share amounts)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
U.S. government and government agencies	$248,634	$ —	$ —	$ 248,634
Non-U.S. governments	—	15,518	—	15,518
U.S. states and municipalities	—	2,677	—	2,677
Corporate	—	412,959	—	412,959
Residential mortgage-backed securities	—	401,165	—	401,165
Asset-backed securities	—	130,283	—	130,283
Commercial mortgage-backed securities	—	95,307	—	95,307
Total fixed maturity investments	$248,634	$1,057,909	$ —	$1,306,543
Other investments	$ —	$ 50,754	$147,931	$ 198,685
Short-term investments	$ 4,968	$ 95,199	$ —	$ 100,167
Total	$253,602	$1,203,862	$147,931	$1,605,395

b) The following table presents a reconciliation of the beginning and ending balances for the emerging market debt fund and hedge funds, included in other investments that are measured at fair value using Level 3 inputs as at December 31, 2012 and 2011:

Other investments	2012	2011
Beginning balance at January 1	$ 147,931	$ 96,542
Transfers in/(out) of Level 3 assets, at fair value	—	—
Purchases	—	65,000
Sales	(152,467)	(10,378)
Net realized and unrealized (losses) gains included in earnings:		
Net realized gains (losses)	17,573	(3,366)
Net unrealized (losses) gains	(9,425)	133
Ending balance at December 31	$ 3,612	$147,931

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in whether or not valuation inputs are observable may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/or out as of the beginning of the quarter in which the reclassifications occur. There were no transfers in or out of Levels 1, 2 or 3 for the years ended December 31, 2012 and 2011.

Total net unrealized losses of $9.4 million from the emerging market debt and the hedge funds held at December 31, 2012 were included in earnings for the year ended December 31, 2012 (2011 - net unrealized gains of $0.1 million).

(Expressed in thousands of United States dollars, except share amounts)

5. Investments

a) The cost or amortized cost, gross unrealized gains, gross unrealized losses and fair value of fixed maturity investments by category at December 31, 2012 and 2011 are as follows:

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity investments, trading:				
U.S. government and government agencies	$ 122,671	$ 153	$ —	$ 122,824
Non-U.S. governments	65,730	179	—	65,909
Residential mortgage-backed securities	38,765	286	—	39,051
Asset-backed securities	2,382	—	(2,178)	204
Total	$ 229,548	$ 618	$ (2,178)	$ 227,988

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity investments:				
U.S. government and government agencies	$ 247,702	$ 947	$ (15)	$ 248,634
Non-U.S. governments	15,430	254	(166)	15,518
U.S. states and municipalities	2,622	55	—	2,677
Corporate	411,368	5,380	(3,789)	412,959
Residential mortgage-backed securities	399,628	8,190	(6,653)	401,165
Asset-backed securities	134,772	1,379	(5,868)	130,283
Commercial mortgage-backed securities	89,997	6,097	(787)	95,307
Total	$1,301,519	$ 22,302	$ (17,278)	$1,306,543

The contractual maturity dates of fixed maturities trading at December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 89,929	$ 90,033	$ 81,838	$ 82,393
Due after one year through five years	98,472	98,700	542,823	545,952
Due after five years through ten years	—	—	48,122	47,728
Due after ten years	—	—	4,339	3,715
Residential mortgage-backed securities	38,765	39,051	399,628	401,165
Asset-backed securities	2,382	204	134,772	130,283
Commercial mortgage-backed securities	—	—	89,997	95,307
Total	$229,548	$227,988	$1,301,519	$1,306,543

(Expressed in thousands of United States dollars, except share amounts)

Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without prepayment penalties.

b) The following table summarizes the composition of the fixed maturity investment portfolio by investment ratings assigned by rating agencies at December 31, 2012:

	December 31, 2012	
	Amortized Cost	**Fair Value**
AA/Aa	$227,166	$227,784
C	490	118
D	1,892	86
Total	**$229,548**	**$227,988**

The primary rating source is Standard & Poor's Corporation ("S&P").

d) Certain of the Company's cash and fixed maturity investments are held in pledged accounts (see note 11c).

e) The following table reflects the Company's other investments, at fair value, at December 31, 2012 and 2011:

	December 31, 2012	
	Amortized Cost	**Fair Value**
Other investments:		
Hedge funds	$ 3,179	$ 3,612
Total	$ 3,179	$ 3,612

	December 31, 2011	
	Amortized Cost	**Fair Value**
Other investments:		
Catastrophe bonds	$ 47,941	$ 46,889
Hedge funds	39,570	50,037
Emerging Market Debt Fund	100,000	97,894
Derivative instruments	3,863	3,865
Total	$191,374	$198,685

The catastrophe bonds are variable rate notes where the return is contingent upon certain climatic or geological events. The emerging market debt fund provides exposure to higher interest rates and currency appreciation through its investments in fixed-income securities denominated in the local currencies of emerging countries. The hedge funds include the Company's investment in credit, long and short equity, distressed capital, event-driven and other multi-strategy funds. These investments utilize a variety of different investment approaches, designed to maximize diversity. The fair values for the emerging market debt and hedge funds are determined by management using the net asset values provided by the third party administrators of these funds. The hedge funds are subject to restrictions on redemptions which are determined by the governing documents and may limit the Company's ability to liquidate its investments in these funds.

(Expressed in thousands of United States dollars, except share amounts)

f) The components of net investment income for the years ended December 31, 2012 and 2011 are as follows:

Year ended December 31,	2012	2011
Fixed maturity and short-term investments	$ 8,266	$42,288
Cash and cash equivalents	11	31
Other investments	1,127	3,457
	9,404	45,776
Investment expenses	(1,257)	(7,918)
Net investment income	$ 8,147	$37,858

g) The analysis of realized gains and losses on sales of investments for the years ended December 31, 2012 and 2011 are as follows:

Year ended December 31,	2012	2011
Gross realized gains	$ 50,125	$ 23,895
Gross realized losses	(13,934)	(20,060)
Net realized investment gains included in net income	$ 36,191	$ 3,835

6. Derivative instruments

The Company reports its derivatives at estimated fair value as either assets or liabilities on the Consolidated Balance Sheet, depending on their rights or obligations, with changes in fair value included in unrealized gains (losses) on investments in the Consolidated Statements of Operations. The fair value of the Company's derivatives is estimated by reference to quoted prices or broker quotes, where available, or in the absence of quoted prices or broker quotes, by the use of industry or internal valuation models. The Company does not hold any derivatives designated as hedging instruments.

The Company's investment guidelines permit investments in derivative instruments such as forward foreign exchange contracts, interest rate swaps, credit default swaps, options, repurchase agreements and swaptions. The Company principally has exposure to derivatives related to the following types of risks: foreign currency risk, interest rate risk and credit risk.

Forward foreign exchange contracts

Under the Company's investment guidelines, the Company may invest in non-U.S. dollar denominated investments but is required to hedge any significant foreign currency exposure. The forward foreign exchange contracts in the Company's investment portfolio are related to those hedges.

Interest rate swaps

The Company uses interest rate swaps to manage its exposure to interest rate risk, to manage the duration of its fixed maturities investment portfolio and yield curve without transacting in the underlying securities.

Futures

The Company uses futures to manage its exposure to interest rate risk, to manage the duration of its fixed maturities investment portfolio and yield curve.

(Expressed in thousands of United States dollars, except share amounts)

Swaptions

The Company uses swaptions or options on interest rate swaps to manage its exposure to interest rate risk and to hedge the duration of the Company's investment portfolio and yield curve.

Options

The Company uses options on U.S. Treasury futures to manage its exposure to interest rate risk, to hedge the duration of the Company's investment portfolio and yield curve.

Repurchase agreements

The Company uses repurchase agreements to earn an enhanced return over cash.

Credit default swaps

The Company uses credit default swaps to manage its exposure to credit risk included in its fixed maturities investment portfolio and short-term investments and to obtain certain credit exposure more efficiently than purchasing the fixed maturities with the same credit risk.

The following table shows the location on the Consolidated Balance Sheet and fair value of the Company's derivative instruments at December 31, 2011:

	December 31, 2011			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Forward foreign exchange contracts	Other investments	$ 778	Other investments	$ 377
Futures	Other investments	124	Other investments	124
Interest rate swaps	Other investments	—	Other investments	989
Credit default swaps	Other investments	265	Other investments	205
Repurchase agreements	Other investments	4,400	Other investments	—
Swaptions	Other investments	53	Other investments	60
Total		$5,620		$1,755

The location and amount of the (losses) gains recognized in the Company's Consolidated Statements of Operations related to its derivative instruments for the years ended December 31, 2012 and 2011 are shown in the following table:

	Location of gains (losses) recognized on derivatives	Amount of gains (losses) recognized on derivatives	
		2012	2011
Forward foreign exchange contracts	Net foreign exchange (losses) gains	$ (556)	$ 85
Swaps	Net investment income (losses)	607	(1,161)
Swaps	Net unrealized gains (losses) on investments	808	(1,570)
Swaps	Net realized losses on investments	(578)	(1,710)
Swaps	Net foreign exchange (losses) gains	(29)	22
Futures	Net realized gains (losses) on investments	106	(660)
Futures	Net foreign exchange gains	1	—
Swaptions	Net unrealized (losses) gains on investments	(380)	494
Swaptions	Net realized gains on investments	421	169
Options	Net realized gains on investments	—	8
Repurchase agreements	Net investment income	2	4
Total		$ 402	$ (4,319)

(Expressed in thousands of United States dollars, except share amounts)

7. Reserve for losses and loss adjustment expenses

The reserve for losses and loss adjustment expenses is an estimate which is subject to material variability. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by the receipt of additional claim information, changes in judicial interpretation of contracts or significant differences in the severity or frequency of claims from historical trends. Also, the Company does not have the benefit of its own historical loss experience due to its short operating history. Accordingly, the Company's reserves for losses and loss adjustment expenses may be subject to greater variability than a more mature company.

Loss and loss adjustment expenses reserve estimates are based on all relevant information available to the Company. The Company believes that the reserve for losses and loss adjustment expenses is sufficient to cover losses that fall within coverages assumed by the Company; however, there can be no assurance that actual losses will not exceed the Company's total reserves for losses and loss adjustment expenses.

Activity in the reserve for losses and loss adjustment expenses for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Gross reserves for losses and loss expenses, beginning of year	$ 563,997	$ 425,211
Loss reserves recoverable, beginning of year	41,448	26,585
Total net reserves for losses and loss expenses	522,549	398,626
Net losses incurred related to:		
Current year	70,709	323,210
Prior years	(662)	(28,725)
Total net incurred losses	70,047	294,485
Net paid losses related to:		
Current year	1,205	(77,090)
Prior years	(100,254)	(93,031)
Total net paid losses	(99,049)	(170,121)
Effect of foreign exchange movements	1,553	(441)
Net reserves for losses and loss expenses ceded under loss portfolio transfer	(399,788)	—
Total net reserves for losses and loss expenses, end of year	95,312	522,549
Loss reserves recoverable, end of year	379,603	41,448
Gross reserves for losses and loss expenses, end of year	$ 474,915	$ 563,997

During 2012, the Company experienced net favorable development on prior accident years of $0.7 million primarily due to reductions in attritional reinsurance loss reserves of $5.3 million and natural catastrophes of $8.6 million, respectively, offset by adverse development from special property and casualty insurance and surplus lines of $13.1 million. Favorable attritional developments were primarily from credit & surety, marine & aviation, property reinsurance, and property insurance of $2.2 million, $2.3 million, $1.8 million and $0.9 million, respectively, with an offset from professional lines of $1.9 million. Natural catastrophes saw positive development primarily from reserve releases from the Japan Earthquake of $3.3 million, Hurricane Ike of $2.3 million, various other smaller named storms from 2011 of $1.4 million and the West Atlas spill of $0.9 million. This was partially offset by adverse development on the Enbridge spill of $1.3 million.

During 2011, the Company experienced net favorable development on prior accident years of $28.7 million primarily due to reductions in attritional reinsurance reserves and natural catastrophes of $9.8 million and $18.9 million, respectively. Attritional developments were primarily from property reinsurance, marine & aviation, and professional lines of $9.4 million, $3.0 million and $1.7 million, respectively, with an offset from property insurance of $5.6 million. Natural catastrophes saw positive development primarily from reserve releases on Hurricanes Gustav and Ike of $7.9 million, the Chilean earthquake of $3.4 million and various other smaller named storms from 2009 and 2010 of $7.3 million and $4.0 million, respectively. This was partially offset by adverse development on various smaller named storms that occurred in 2007 of $4.0 million and the 2010 Queensland floods of $1.2 million.

(Expressed in thousands of United States dollars, except share amounts)

As disclosed in Note 3, during 2012 Arden Re reinsured its net loss reserves and loss expenses through a loss portfolio transfer to Arrow Indemnity Limited in the amount of $368.2 million and reinsured its net credit and surety reinsurance loss reserves and loss expenses to Arch in the amount of $31.6 million.

8. Reinsurance ceded

The effects of reinsurance ceded on premiums written and premiums earned during the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Premiums written		
Direct	$ 5,624	$ 22,201
Assumed	122,476	470,463
Ceded	(122,262)	(41,473)
Net	$ 5,838	$451,191
Premiums earned		
Direct	$ 13,997	$ 21,495
Assumed	263,061	456,291
Ceded	(106,042)	(37,005)
Net	$ 171,016	$440,781

The Company uses reinsurance ceded contracts to reduce its exposure to risk of loss on certain reinsurance contracts. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains primarily liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. At December 31, 2012, reinsurance recoverables amounted to $379.6 million (2011 - $41.4 million).

9. Share-based compensation

Arden Holdings granted restricted stock and options to certain employees at the time of the Arden Holdings initial financing, as well as providing for future awards of stock-based compensation. All such awards are subject to, or operate under terms broadly similar to, the Arden Holdings Long Term Incentive Plan ("LTIP"). The LTIP provides the Compensation Committee of the Board of Directors with the sole discretion to grant awards to employees and to determine the exercise price, vesting period and other applicable terms of such awards. The maximum option term is 10 years for all options awarded. Arden Holdings has charged the Company $3.3 million in 2012 and $4.6 million in 2011 related to the LTIP, recorded in general and administrative expenses.

10. Pension plan

The Company provides pension benefits to eligible employees through a defined contribution plan sponsored by the Company. Under the Company's defined contribution plan, the Company makes contributions to its employees' accounts of up to 15% of its employees' eligible earnings. The contributions in the defined contribution plans are to be invested at the election of each employee in one or more of several investment funds offered by third party investment advisors. Contributions paid or accrued for the years ended December 31, 2012 and 2011 resulted in an expense of $0.4 million and $2.0 million, respectively, being recorded in general and administrative expenses.

(Expressed in thousands of United States dollars, except share amounts)

11. Commitments and contingencies

a) Concentrations of credit risk

As of December 31, 2012, the Company's cash and investments were held by two custodians. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of fixed maturity investments. The fixed maturity investment portfolio is managed by external advisors in accordance with prudent standards of diversification. Specific provisions limit the allowable holdings of a single issue or issuers. The Company did not have an aggregate exposure in a single entity, other than in the U.S. Government and U.S. Government agency securities and U.S. Government sponsored enterprises, of more than nil% (2011 - 1%) of consolidated shareholder's equity at December 31, 2012.

Concentration of credit risk with respect to reinsurance recoverable balances is limited due to the number of reinsureds used on the Company's reinsurance programs. As at December 31, 2012, one reinsurer accounted for 70% of the reinsurance balances recoverable. This reinsurance recoverable balance is fully collateralized by cash and investments held in a trust under the terms of the loss portfolio transfer reinsurance agreement with Ariel Indemnity Limited. Another six reinsurers account for 24% of the reinsurance balances recoverable, all of these reinsurers are either rated A- or better by A.M. Best or fully collateralized.

As referred to in (b) the Company sources its business through certain major brokers. The Company is exposed to the credit risk of the brokers in respect of premium income due from policy holders that are remitted via the brokers.

b) Major production sources

During the year ended December 31, 2012, the Company obtained 46%, of its gross premiums written through two brokers:

Aon Benfield	25%
Marsh and McLennan Companies, Inc.	21%

c) Investment commitments

As of December 31, 2012, the Company had pledged $0.3 million of cash as collateral to secure a $0.3 million letter of credit. As of December 31, 2011, the Company has pledged $87.6 million of its fixed maturity investments and cash as collateral to secure $82.3 million of letters of credit outstanding under its credit facility.

Cash and fixed maturity investments of $6.2 million (2011 - $6.1 million) were held in trust for the benefit of Arden Re's United States surplus line policyholders.

Under the terms of the reinsurance agreements with Valiant Insurance Company and Valiant Specialty Insurance Company ("Valiant"), as referred to in note 13, Arden Re has deposited $67.6 million (2011 - $73.0 million) in a trust for the benefit of Valiant.

As of December 31, 2012, the Company has pledged $83.3 million (2011 - $53.2 million) of its fixed maturity investments and cash as collateral to secure $74.0 million (2011 - $35.1 million) of letters of credit outstanding under the FALLOC as referred to in note 13.

d) Employment agreements

The Company has entered into employment agreements with certain officers that provide for option awards, executive benefits and severance payments under certain circumstances.

e) Operating leases

The Company leased office space and office equipment under operating leases. There are no future minimum lease commitments at December 31, 2012.

Total rent under operating leases for the years ended December 31, 2012 and 2011 was $0.6 million and $1.8 million, respectively.

f) Securities lending

The Company no longer participates in a securities lending program. As part of the Company's securities lending program the Company had $59.5 million of securities on loan at December 31, 2011 for which $60.8 million of collateral had been posted by the borrowers.

12. Debt and financing arrangements

On November 28, 2011, the Company renewed its standby letter of credit facility ("FALLOC"). The new $100.0 million FALLOC was entered among Atrium Underwriting Group Limited ("the Borrower"), Arden Holdings, as Guarantor, the Company, as Reinsurer, and ING Bank N.V., London Branch (the "Lender").

Proceeds of the FALLOC may be used by the Borrower for the provision of Funds at Lloyd's to support the underwriting capacity of the corporate members owned by the Borrower, for the 2013, 2012 and prior years of account. The Company guarantees the obligations of the Borrower under the FALLOC. Collateral cover must be provided by the Company in support of its obligations as Reinsurer under certain quota share reinsurance agreements with Atrium's corporate members, and/or by the Borrower, in an aggregate value not less than the aggregate face amounts of the letters of credit issued under the FALLOC, subject to certain collateral advance rates. The collateral cover is provided in the form of investment collateral held in collateral accounts pledged in favor of the Lender, as security trustee.

The FALLOC requires Arden Holdings to comply with certain customary restrictive covenants. These include certain financial covenants, such as maintaining a maximum debt to capital ratio (no greater than 0.35:1.00 at any time) and a consolidated net worth of the Company (2012: $150 million, 2011: $500 million). In addition, Arden Re must maintain a financial strength rating from A.M. Best of at least B++ at all times.

The FALLOC also contains restrictions on Atrium's ability to incur additional indebtedness, the Arden Holding's ability to merge with or be acquired by another entity, and Arden Holding's and its subsidiaries' ability to dispose of certain assets, incur liens other than permitted liens, or cease its business.

On May 14, 2007, the Company replaced its $350 million Credit Facility (the "Facility") among the Company and a syndicate of lending institutions (the "Facility Lenders"). The transaction was led by HSBC and JP Morgan Securities Inc. ("JP Morgan"). Proceeds of the Facility may be used by the Company for general corporate and working capital purposes. The Facility comprised of two tranches. The first tranche of $100 million was available for three years on unsecured revolving loans or secured letters of credit and was not renewed in 2011. The second tranche of $250 million was available for five years for the issuance of secured letters of credit and was not renewed in 2012.

13. Related party transactions

a) Stock compensation. The stock compensation expense charged during the year by Arden Holdings, and included within general and administrative expense was $3.3 million (2011 - $4.6 million).

b) Intercompany reinsurance agreements. Effective January 1, 2009, the Company entered into reinsurance agreements with various Lloyd's corporate member underwriting subsidiaries of Atrium Underwriting Group Limited ("Atrium"), a wholly owned subsidiary of Arden Holdings. These agreements provide that Arden Re assumes a 65% quota share of all insurance and reinsurance risks earned by the corporate member subsidiaries of Atrium during 2012 and 2011. In addition to the insurance and reinsurance risks, Arden Re assumed 65% of foreign exchange gains or losses, investment returns and operating expenses. The Company pays the Atrium subsidiaries a 2% commission on all amounts ceded as well as a 20% profit commission. For the year ended December 31, 2012, the Atrium subsidiaries ceded $67.3 million (2011 - $56.9 million) of premiums written and earned and losses of $39.8 million (2011 - $47.7 million) were incurred under these quota share agreements.

On October 1, 2007, the Company entered into reinsurance agreements with Valiant Insurance Company ("Valiant"), a Delaware-domiciled insurance company that is wholly owned by Valiant Insurance Group, Inc. ("VIG") a former subsidiary of Arden Holdings. These agreements included a pro-rata reinsurance agreement, whereby Arden Re assumed a 75% quota share of all business written by Valiant, provided that the business written is not being indemnified by other reinsurers. The Company pays Valiant a 30% commission on all premiums ceded. For the year ended December 31, 2012, Valiant ceded negative $0.6 million (2011: $0.9 million) and negative $0.6 million (2011: $16.0 million) of premiums written and earned, respectively and losses of $12.1 million (2011: $10.6 million) were incurred under the quota share agreement.

On October 1, 2007, the Company entered into a stop loss reinsurance agreement with Valiant. Under the terms of the agreement, the Company would indemnify Valiant for incurred losses that exceed 80% of Valiant's net earned premium. The Company would receive 5% of Valiant's net earned premium on the reinsured business as premium. For the year ended December 31, 2011, the Company received no premiums from Valiant, and incurred no losses.

On October 1, 2007, the Company agreed to guarantee Valiant's third party reinsurance recoverable balances. Under the terms of the agreement Arden Re agreed to pay Valiant for all third party reinsurance recoveries that are 90 days overdue. In return, the Company was entitled to receive quarterly premium payments based on a percentage of Valiant's total reinsurance recoverable at the end of each quarter. For the year ended December 31, 2011, the Company received no premiums from Valiant under this agreement as Valiant had not entered into any third party reinsurance arrangements during the applicable period.

On November 25, 2008 the Company entered into reinsurance agreements with Valiant Specialty Insurance Company ("Valiant Specialty"), a Delaware-domiciled insurance company that is wholly owned by VIG. These agreements included a pro-rata reinsurance agreement, whereby Arden Re assumed a 75% quota share of all business written by Valiant Specialty, provided that the business written is not being indemnified by other reinsurers. The Company pays Valiant Specialty a 30% commission on all premiums ceded. For the year ended December 31, 2012, Valiant Specialty ceded $nil (2011: $20 thousand) and $nil (2011: $0.3 million) of premiums written and earned, respectively and $0.1 million (2011: $0.1 million) of losses were incurred under the quota share agreement.

On November 25, 2008, the Company entered into a stop loss reinsurance agreement with Valiant Specialty. Under the terms of the agreement, the Company would indemnify Valiant Specialty for incurred losses that exceed 80% of Valiant Specialty's net earned premium. The Company would receive 5% of Valiant Specialty's net earned premium on the reinsured business as premium. For the year ended December 31, 2011, the Company received no premiums from Valiant Specialty, and incurred no losses.

On November 25, 2008, the Company agreed to guarantee Valiant Specialty's third party reinsurance recoverable balances. Under the terms of the agreement Arden Re agreed to pay Valiant Specialty for all third party reinsurance recoveries that are 90 days overdue. In return, the Company is entitled to receive quarterly premium payments based on a percentage of Valiant Specialty's total reinsurance recoverable at the end of each quarter. For the year ended December 31, 2011, the Company received no premiums from Valiant Specialty under this agreement as Valiant Specialty had not entered into any third party reinsurance arrangements during the applicable period.

On July 1, 2010, Arden Holdings executed an agreement to sell the stock of VIG for which the sale closed on November 8, 2010. In connection with this sale the pro-rata reinsurance agreements with Valiant and Valiant Specialty were terminated and cancelled on a run-off basis effective November 5, 2010. In addition, the stop loss reinsurance agreements with Valiant and Valiant Specialty and the guarantee of Valiant's third party reinsurance recoverable balances were commuted effective October 31, 2010. These commutations resulted in a payment to Valiant and Valiant Specialty of $0.6 million in 2010.

On November 5, 2010, following the sale of VIG the Company entered into an excess of loss reinsurance agreement with Valiant and Valiant Specialty. Under the terms of this agreement Arden Re agreed to indemnify Valiant and Valiant Specialty for net loss payments that are in excess of net loss reserves at the date of closing and for net loss payments that are in excess of 62.5% of net unearned premiums as at the date of closing. In addition, Arden Re agreed to indemnify Valiant and Valiant Specialty for net loss payments in excess of 60% of net earned premiums for policies written by Valiant and Valiant Specialty prior to the closing date but incepting after the closing date. There was $1.0 million of losses incurred related to these indemnifications for the year ended December 31, 2012 and nil for December 31, 2011.

c) Balance due to Arden Holdings Ltd. The intercompany balance due to Arden Holdings is unsecured and non-interest bearing. The amount is due upon demand.

14. Shareholders' equity

In February 2012, the Company increased its authorized share capital from $1.0 million to $10.0 million and increased the par value of its common shares from $1.00 per share to $10.00 per share. The increase in share capital was funded by converting retained earnings to share capital.

In May 2012, the Company repurchased 640,000 of its common shares for cash in the amount of $800.0 million from its parent, Arden Holdings Ltd.

In December 2012, the Company repurchased 106,000 of its common shares for cash in the amount of $106.0 million from its parent, Arden Holdings Ltd.

15. Statutory requirements and dividend restrictions

Arden Re's ability to pay dividends and make capital distributions is subject to certain regulatory restrictions. Under the Insurance Act 1978, amendments thereto and Related Regulations of Bermuda (the "Act"), Arden Re is required to prepare statutory consolidated financial statements and to file in Bermuda a statutory financial return. The Act also requires Arden Re to maintain certain measures of solvency and liquidity. At December 31, 2012, the statutory capital and surplus of Arden Re was $241.9 million (2011 - $1,100.6 million) which exceeds the statutory capital and surplus required to be maintained under the Act.

Under the Act, Arden Re is classified as a Class 4 insurer, and is therefore restricted as to the payment of dividends in the amount of 25% of the prior year's statutory capital and surplus, unless at least two members of the Board of Directors attest that a dividend in excess of this amount would not cause Arden Re to fail to meet its relevant margins. During 2012, Arden Re declared dividends of $136.0 million (2011 - $260.0 million).

In 2008, the Bermuda Solvency Capital Requirement ("BSCR") was enacted in Bermuda, which included, among other things, a standard mathematical model designed to give the Bermuda Monetary Authority ("BMA") more advanced methods for determining an insurer's capital adequacy. Underlying the BSCR is the philosophy that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the minimum solvency margin otherwise prescribed under the Insurance Act. The BMA requires all Class 4 insurers to maintain their capital at a target level which is set at 120% of the minimum amount calculated in accordance with the BSCR or an approved in-house model.

The principal differences in Bermuda between statutory basis consolidated financial statements and consolidated financial statements prepared in accordance with U.S. GAAP are that statutory consolidated financial statements do not reflect deferred acquisition costs or prepaid assets. Also, reinsurance assets and liabilities are presented net of reinsurance and there is no cash flow statement.

The Company's Zurich branch has no statutory filing requirement at, or for, the year-end December 31, 2012.

(Expressed in thousands of United States dollars, except share amounts)

16. Taxation

The Company provides for income taxes based upon amounts reported in the consolidated financial statements and the provisions of currently enacted tax laws. The Company is registered in Bermuda and is subject to Bermuda law with respect to taxation. Under current Bermuda law, the Company is not taxed on any Bermuda income or capital gains taxes and has received an undertaking from the Bermuda Minister of Finance that, in the event of any Bermuda income or capital gains taxes being imposed, the Company will be exempt from those taxes until March 2035.

The Company's Swiss branch is subject to both Swiss Federal tax and Zurich Cantonal tax. The income tax benefit is all current and is all attributable to the Zurich branch.

Reconciliation between the expected tax rate of zero under Bermuda law and the actual tax expense per the consolidated financial statements is as follows:

	Year ended December 31 2012	Year ended December 31 2011
Computed expected tax expense	$ —	$ —
Foreign taxes at local expected rates	159	460
Actual income tax expense	$ 159	$ 460

17. Subsequent events

The Company has evaluated subsequent events through March 21, 2013, the date these financial statements were available to be issued, and concluded that there are no material subsequent events requiring recognition or disclosure.

Ernst & Young Ltd.
#3 Bermudiana Road
Hamilton HM 11, Bermuda
P.O. Box 463,
Hamilton, HM BX, Bermuda

Direct: +1 441 295 7000
Direct Fax: +1 441 295 5193
www.ey.com/bermuda

Report of Independent Auditors

The Shareholders
Arden Reinsurance Company Ltd.

We have audited the accompanying consolidated financial statements of Arden Reinsurance Company Ltd., which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the years ended December 31 2012 and 2011, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arden Reinsurance Company Ltd. as of December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for the years ended December 31 2012 and 2011 in conformity with U.S. generally accepted accounting principles.

Ernst & Young Ltd.

March 21, 2013

Exhibit 99.2

ARDEN REINSURANCE COMPANY LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2013 and December 31, 2012

	June 30, 2013	December 31, 2012
	(expressed in thousands of U.S. dollars)	
Assets		
Fixed maturity investments, at fair value (amortized cost 2013: $96,738; 2012: $229,548)	$ 94,475	$ 227,988
Other investments, at fair value	2,753	3,612
Total investments	**97,228**	**231,600**
Cash and cash equivalents	38,936	28,388
Premiums receivable	116,560	146,985
Accrued investment income	197	359
Deferred acquisition costs	10	40
Prepaid reinsurance premiums	10,312	33,956
Paid losses recoverable	5,653	3,937
Loss reserves recoverable	349,211	379,603
Other assets	180	44
Balance due from Arden Holdings Ltd.	227	151
Receivable for investments sold	5,604	—
Total assets	**$ 624,118**	**$ 825,063**
Liabilities		
Reserve for losses and loss adjustment expenses	$ 454,798	$ 474,915
Unearned premiums	10,412	26,852
Reinsurance premiums payable	59,304	80,325
Other liabilities	341	943
Total liabilities	**524,855**	**583,035**
Shareholder's Equity		
Ordinary share capital (*Authorized 100,000 common shares, 2013: par value $10.00, 103,700 shares issued; 2012: par value $10.00, 254,000 shares issued*)	1,037	2,540
Additional paid-in capital	196,203	254,700
Deficit	(97,977)	(15,212)
Total shareholder's equity	**99,263**	**242,028**
Total liabilities & shareholder's equity	**$ 624,118**	**$ 825,063**

See accompanying notes to the unaudited condensed consolidated financial statements

ARDEN REINSURANCE COMPANY LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Six Month Periods Ended June 30, 2013 and 2012

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(expressed in thousands of U.S. dollars)	
Revenues		
Gross premium written	$ 24,630	$ 185,997
Reinsurance premium ceded	(2,114)	(242,637)
Net premium written	22,516	(56,640)
Change in net unearned premiums	(7,202)	179,871
Net premiums earned	15,314	123,231
Other underwriting income	40	—
Net investment income	371	7,710
Net realized gains on investments	782	31,518
Net unrealized losses on investments	(628)	(12,086)
Net foreign exchange gains (losses)	174	(1,634)
Total revenues	**16,053**	**148,739**
Expenses		
Net losses and loss adjustment expenses	16,954	44,073
Acquisition costs	1,720	18,913
General and administrative expenses	105	(32,874)
Total expenses	**18,779**	**30,112**
(Loss) income before income taxes	**(2,726)**	**118,627**
Income tax expense	40	—
Net (loss) income	**$ (2,766)**	**$ 118,627**

See accompanying notes to the unaudited condensed consolidated financial statements

ARDEN REINSURANCE COMPANY LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Month Periods Ended June 30, 2013 and 2012

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
	(expressed in thousands of U.S. dollars)	
Cash flows provided by (used in) operating activities:		
Net (loss) income	$ (2,766)	$ 118,627
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized gains on investments	(783)	(32,084)
Net amortization on investments	—	1,577
Net unrealized losses on investments	628	12,086
Depreciation	360	(27,084)
Other items	227	1,670
Changes in:		
Premium receivable	30,425	43,577
Accrued investment income	163	5,311
Prepaid reinsurance premiums	23,642	(153,087)
Loss reserves recoverable	28,676	(335,336)
Other assets	(235)	2,428
Reserve for losses and loss adjustment expenses	(20,117)	(26,605)
Unearned premiums	(16,440)	(26,683)
Reinsurance premiums payable	(21,021)	117,650
Accounts payable and accrued liabilities	(548)	(7,027)
Net cash provided by (used in) operating activities	22,211	(304,980)
Cash flows (used in) provided by investing activities:		
Purchase of fixed maturity investments	—	(1,068,743)
Sales and maturities of fixed maturity investments	132,662	2,134,759
Net (purchases) sales of short term investments	—	100,199
Net purchase of other investments	1,505	186,866
Net change in receivables for investments sold	(5,604)	(64,832)
Purchase of fixed assets	—	29,992
Net cash provided by investing activities	128,563	1,318,241
Cash flows used in financing activities:		
Dividends	—	(136,000)
Distribution of capital	(140,000)	(800,000)
Net cash used in financing activities	(140,000)	(936,000)
Effect of exchange rate changes on cash and cash equivalents	(226)	(1,039)
Net increase in cash and cash equivalents	10,548	76,222
Cash and cash equivalents, beginning of period	28,388	61,166
Cash and cash equivalents, end of period	$ 38,936	$ 137,388

See accompanying notes to the unaudited condensed consolidated financial statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013 and December 31, 2012
(Tabular information expressed in thousands of U.S. dollars)

1. BASIS OF PREPARATION AND CONSOLIDATION

The Company's condensed consolidated financial statements have not been audited. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. Results of operations for subsidiaries acquired are included from the dates of their acquisition by the Company. The results of operations for any interim period are not necessarily indicative of the results for a full year. Inter-company accounts and transactions have been eliminated. In these notes, the terms "we," "us," "our," or "the Company" refer to Arden Reinsurance Company Ltd. The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012.

2. SALE OF ARDEN RE SHARE CAPITAL

On June 5, 2013, Arden Holdings Ltd. ("Arden Holdings") entered into a definitive agreement with two subsidiaries of Enstar Group Limited ("Enstar") under which Enstar agreed to acquire the entire issued share capital of the Company. The purchase price for the Company is approximately $79.6 million. As at June 30, 2013, completion of the transaction remained conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. Enstar subsequently announced that Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, "Trident") had acquired a 40% interest in the holding company for the acquisition subsidiary on July 3, 2013 and had agreed to provide 40% of the purchase price and related expenses for the acquisition of the Company. On September 9, 2013, Arden Holdings completed its sale of the Company's entire issued share capital to Enstar's wholly-owned subsidiary and Trident.

In addition, on June 5, 2013, Arden Holdings entered into a definitive agreement with two subsidiaries of Enstar under which Enstar agreed to acquire the entire issued share capital of Atrium Underwriting Group Limited ("Atrium"), which is also a subsidiary of Arden Holdings. The Company provides reinsurance to Atrium. The two transactions are governed by separate purchase agreements and Enstar's acquisition of the Company was not conditioned on its acquisition of Atrium.

3. INVESTMENTS

Fixed Maturities

The estimated fair values of the Company's investments in fixed maturity investments classified as trading securities were as follows:

	June 30, 2013	December 31, 2012
U.S. government and government agencies	$ 66,548	$ 122,824
Non-U.S. governments	—	65,909
Residential mortgage-backed securities	27,531	39,051
Asset-backed securities	396	204
Total	$ 94,475	$ 227,988

4. INVESTMENTS — (cont'd)

The following tables summarize the composition of the fixed maturity investment portfolio by investment ratings assigned by rating agencies:

As at June 30, 2013	Fair Value	% of Total Fair Value
AA/Aa	$94,079	99.6%
C	100	0.1%
D	296	0.3%
	$94,475	100.0%

As at December 31, 2012	Fair Value	% of Total Fair Value
AA/Aa	$227,784	99.8%
C	118	0.1%
D	86	0.1%
	$227,988	100.0%

Other Investments

The estimated fair value of the Company's investments in hedge funds as at June 30, 2013 and December 31, 2012 was $2,753 and $3,612, respectively. The hedge funds include the Company's investment in credit, long and short equity, distressed capital, event-driven and other multi-strategy funds. These investments utilize a variety of different investment approaches, designed to maximize diversity. The fair values for the hedge funds are determined by management using the net asset values provided by the third party administrators of these funds. The hedge funds are subject to restrictions on redemptions which are determined by the governing documents and may limit the Company's ability to liquidate its investments in these funds. The hedge funds are not currently eligible for redemption due to imposed lock-up periods of three years from the time of the Company's initial investment. Once eligible, redemptions will be permitted quarterly with 90 days' notice. The first investment in the funds will be eligible for redemption in March 2014.

At June 30, 2013, the hedge fund investments were subject to side-pockets. Management has not made any adjustments to the fair value estimate reported by the fund managers for the side-pocketed investments.

4. INVESTMENTS — (cont'd)

Fair Value of Financial Instruments

The Company determines the fair value of its fixed maturity investments in accordance with current accounting guidance, which defines fair value and establishes a fair value hierarchy based on inputs to the various valuation techniques used for each fair value measurement. The use of valuation techniques for any given investment requires a significant amount of judgment and consideration of factors specific to the underlying investment. The Company estimates the estimated fair value of each individual security utilizing the highest level of inputs available. Current accounting guidance establishes three levels in the hierarchy as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs are other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable inputs for the asset or liability.

The following is a summary of valuation techniques or models the Company uses to measure fair value by asset and liability classes.

Fixed Maturities Investments

The Company uses quoted values and other data provided by an independent pricing service and its third party investment managers in determining fair values for its fixed maturity investments. Pricing from third party pricing services are sourced from multiple vendors. Each source has its own proprietary method for determining fair value of any security that is not actively traded. In general, the methods involve the use of "matrix pricing" in which the independent pricing sources use observable market inputs including, but not limited to, yield curves, trade execution data, market spreads, cash flows, credit risks and benchmarking like securities to determine a reasonable fair value.

The following describes the techniques generally used to determine the fair values of the Company's fixed maturities by asset class:

U.S. government and government agencies - These securities consist primarily of bonds issued by the U.S. Department of Treasury and mortgage agencies such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The fair values of highly liquid U.S. Treasuries are based on quoted prices in active markets using real time trading systems and are classified within Level 1. The fair values of U.S. government agency securities are priced using yield curves, credit spreads and interest rate volatilities. These are considered to be observable market inputs and therefore the fair values of U.S. government agency securities are classified in Level 2.

Non-U.S. governments - These securities consist of securities issued primarily by governments, provinces, agencies and supranationals, as well as debt issued by financial institutions that is guaranteed by a non-U.S. government. The fair values of highly liquid European and Canadian Sovereign debt are based on quoted prices in active markets and are classified in Level 1. Other Non-U.S. government securities are priced using observable inputs, such as yield curves, credit spreads and interest rate volatilities and are classified in Level 2.

Residential mortgage-backed securities - These securities consists of residential mortgage-backed securities originated by both agencies and non-agencies. The fair values of these securities are determined through the use of pricing models which evaluate the underlying collateral performance, and obtain prices from market makers and live trading systems. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers to estimate fair value. These are considered observable market inputs and the fair value of these securities are classified within Level 2.

Asset-backed securities - These securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The fair values of asset-backed securities are priced through the use of various models which evaluate the underlying collateral performance, as well as obtaining prices from market makers and live trading systems. As the significant inputs used to price these securities are observable market inputs, the fair values of asset-backed securities are classified in Level 2.

4. INVESTMENTS — (cont'd)

Other Investments

Hedge funds - The fair value of the hedge funds is generally determined on the basis of the net valuation criteria established by the managers of the investments. The Company believes the published net asset value represents the fair value that market participants would apply to an interest in the fund. Some of the hedge funds are subject to restrictions on redemptions and sale which are determined by the governing documents and limit the Company's ability to liquidate these investments in the short-term. The Company obtains the audited financial statements for every hedge fund annually and regularly reviews and discusses fund performance with fund managers to corroborate the reasonableness of the published net asset value. Due to the restrictions on redemptions and sale of these investments, the Company's hedge funds have been classified in Level 3.

Fair Value Measurements

As at June 30, 2013 and December 31, 2012, the Company has categorized its investments that are recorded at fair value among levels as follows:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
U.S. government and government agencies	$ —	$66,548	$ —	$66,548
Residential mortgage-backed securities	—	27,531	—	27,531
Asset-backed securities	—	396	—	396
Other investments	—	—	2,753	2,753
Total	$ —	$94,475	$2,753	$97,228

4. INVESTMENTS — (cont'd)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
U.S. government and government agencies	$122,824	$ —	$ —	$122,824
Non-U.S. governments		65,909		65,909
Residential mortgage-backed securities	—	39,051	—	39,051
Asset-backed securities	—	204	—	204
Other investments	—	—	3,612	3,612
Total	$122,824	$105,164	$3,612	$231,600

The following table presents a reconciliation of the beginning and ending balances for the hedge funds, included in other investments that are measured at fair value using Level 3 inputs as at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Beginning balance as of January 1	$ 3,612	$ 147,931
Transfers in/(out) of Level 3 assets, at fair value		
Purchases	—	—
Sales	—	(152,467)
Net realized and unrealized gains (losses) included in earnings		
Net realized (losses) gains	(977)	17,573
Net unrealized gains (losses)	118	(9,425)
Ending balance	$ 2,753	$ 3,612

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in whether or not valuation inputs are observable may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/or out as of the beginning of the quarter in which the reclassifications occur. There were no transfers in or out of Levels 1, 2 or 3 for the six months ended June 30, 2013.

4. REINSURANCE CEDED

The effects of reinsurance ceded on premiums written and earned during the six months ended June 30, 2013 and year ended December 31, 2012, respectively, were as follows:

	June 30, 2013	December 31, 2012
Net premiums written		
Direct	$ 7,109	$ 5,624
Assumed	17,521	122,476
Ceded	(2,114)	(122,262)
	$ 22,516	$ 5,838
Net premiums earned		
Direct	22,516	13,997
Assumed	16,439	263,061
Ceded	(23,641)	(106,042)
	$ 15,314	$ 171,016

The Company uses reinsurance ceded contracts to reduce its exposure to risk of loss on certain reinsurance contracts. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains primarily liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. As at June 30, 2013 and December 31, 2012, reinsurance loss reserves recoverable amounted to $349.2 million and $379.6 million, respectively.

5. RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserve for losses and loss adjustment expenses is an estimate which is subject to material variability. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by the receipt of additional claim information, changes in judicial interpretation of contracts or significant differences in the severity or frequency of claims from historical trends. Also, the Company does not have the benefit of its own historical loss experience due to its short operating history. Accordingly, the Company's reserves for losses and loss adjustment expenses may be subject to greater variability than a more mature company.

Loss and loss adjustment expenses reserve estimates are based on all relevant information available to the Company. The Company believes that the reserve for losses and loss adjustment expenses is sufficient to cover losses that fall within coverages assumed by the Company; however, there can be no assurance that actual losses will not exceed the Company's total reserves for losses and loss adjustment expenses.

The table below provides a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the six months ended June 30, 2013 and 2012. Losses incurred and paid are reflected net of reinsurance recoverables.

	Six Months Ended June 30,	
	2013	2012
Gross reserves for losses and loss expenses, beginning of year	$ 474,915	$ 563,997
Loss reserves recoverable, beginning of year	379,603	41,448
Total net reserves for losses and loss expenses	95,312	522,549
Net losses incurred related to:		
Current period	17,114	44,489
Prior periods	(160)	(416)
Total net incurred losses	16,954	44,073
Net paid losses related to:		
Current period	2,029	603
Prior periods	(4,373)	(93,428)
Total net paid losses	(2,344)	(92,645)
Effect of foreign exchange movements	(4,335)	1,055
Net reserves for losses and loss expenses ceded under loss portfolio transfer	—	(399,788)
Total net reserves for losses and loss expenses, end of period	105,587	75,244
Loss reserves recoverable, end of period	349,211	411,828
Gross reserves for losses and loss expenses, end of period	$ 454,798	$ 487,072

6. COMMITMENTS AND CONTINGENCIES

Concentrations of credit risk

Concentration of credit risk with respect to reinsurance recoverable balances is limited due to the number of reinsurers used on the Company's reinsurance programs. As at June 30, 2013, one reinsurer accounted for approximately 72% of the reinsurance balances recoverable. This reinsurance recoverable balance is fully collateralized by cash and investments held in a trust under the terms of the loss portfolio transfer reinsurance agreement with Ariel Indemnity Limited. Another six reinsurers account for 20% of the reinsurance balances recoverable; all of these reinsurers are either rated A- or better by A.M. Best or fully collateralized.

Acquisitions

As discussed above in Note 2, as at June 30, 2013, the sale by Arden Holdings of the Company's entire issued share capital was subject to a definitive agreement with subsidiaries of Enstar.

7. SUBSEQUENT EVENT

As stated above in Note 2, on September 9, 2013, Arden Holdings completed its sale of the Company's entire issued share capital to Enstar's wholly-owned subsidiary and Trident.

Exhibit 99.3

ATRIUM UNDERWRITING GROUP LIMITED

31 DECEMBER 2012

ATRIUM UNDERWRITING GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders
Atrium Underwriting Group Limited:

We have audited the accompanying consolidated balance sheet of Atrium Underwriting Group Limited and subsidiaries ("the Company") as of December 31, 2012, and the related consolidated profit & loss account for the year then ended. These consolidated financial statements are the responsibility of the Company's management and the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

UK Generally Accepted Accounting Practice ('UK GAAP') requires that financial statements be presented with comparative financial information. These consolidated financial statements have been prepared solely for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X. Accordingly no comparative financial information is presented.

In our opinion, except for the omission of comparative financial information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atrium Underwriting Group Limited and subsidiaries as of December 31, 2012, and the consolidated results of their operations for the year then ended in conformity with UK GAAP.

Accounting policies generally accepted in the UK vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 24 to the consolidated financial statements.

Ernst & Young LLP
London, England
February 11, 2014

ATRIUM UNDERWRITING GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2012 $ 000
Gross premiums written	2	155,197
Outward reinsurance premiums	2	(104,139)
Net premiums written		51,058
Change in the gross provision for unearned premiums	2	(1,854)
Change in the provision for unearned premiums, reinsurers' share	2	(511)
Change in the net provision for unearned premiums		(2,365)
Earned premiums, net of reinsurance		48,693
Allocated investment return transferred from the non-technical account	4	4,968
Other technical income	3	28,392
Claims paid		
Gross amount	2	(65,852)
Reinsurers' share	2	22,004
Net claims paid		(43,848)
Change in the provision for claims		
Gross amount	2	13,277
Reinsurers' share	2	43,090
Net change in provision for claims		56,367
Claims incurred, net of reinsurance		12,519
Net operating expenses	5	(39,327)
Balance on the technical account for general business		55,245

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

NON-TECHNICAL ACCOUNT

	Note	2012 $ 000
Balance on the general business technical account		**55,245**
Investment income	4	**4,648**
Unrealised gain on investments	4	**2,053**
Investment expenses and charges	4	**(691)**
Unrealised losses on investments	4	**(884)**
Allocated investment return transferred to the general business technical account	4	**(4,968)**
Other charges, including amortisation		**(23,488)**
Profit on ordinary activities before tax		**31,915**
Tax on profit on ordinary activities	10	**(3,483)**
Profit on ordinary activities after tax		**28,432**

The profit and loss account relates entirely to continuing activities.

There are no recognised gains and losses other than the profit or loss for the period, therefore, no statement of total recognised gains or losses has been presented.

ATRIUM UNDERWRITING GROUP LIMITED

CONSOLIDATED BALANCE SHEET
at 31 December 2012

	Note	2012 $ 000
Assets		
Intangible assets		
Goodwill		7,264
Purchased syndicate capacity		4,562
	12	11,826
Investments		
Tangible assets	13	279
Financial investments	14	278,603
Deposits with ceding undertakings	14	353
		279,235
Reinsurers' share of technical provisions		
Provision for unearned premiums	2	3,524
Claims outstanding	2	90,238
	17	93,762
Debtors		
Arising out of direct insurance operations - owed by intermediaries		54,991
Arising out of reinsurance operations		70,152
Other debtors		11,154
	15	136,297
Other assets		
Cash at bank		44,256
		44,256
Prepayments and accrued income		
Deferred acquisition costs	16	18,072
Other prepayments and accrued income		24,562
		42,634
Total assets		608,010

ATRIUM UNDERWRITING GROUP LIMITED

CONSOLIDATED BALANCE SHEET
at 31 December 2012

	Note	2012 $ 000
Liabilities		
Capital and reserves		
Called up share capital	18	**24,702**
Profit and loss account	19	**35,280**
Share premium account		**2,160**
Merger reserve	19	—
Total shareholders funds	19	**62,142**
Technical provisions		
Provision for unearned premiums	2	**62,546**
Claims outstanding	2	**250,319**
	17	**312,865**
Provisions for other risk and charges	10	**33,633**
Deposits received from reinsurers		**165**
Creditors		
Arising out of direct insurance operations		**23,446**
Arising out of reinsurance operations		**145,417**
Other creditors including taxation and social security		**14,764**
	20	**183,627**
Accruals and deferred income		**15,578**
Total liabilities		**608,010**

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

1. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared solely for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X. The financial statements have been prepared in accordance with UK Generally Accepted Accounting Policies ('UK GAAP') and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006, (the ABI SORP).

The syndicates in which the Atrium Group participates are managed and controlled by their respective managing agents. The accounting information in respect of these participations has been provided by the managing agents and has been audited by their respective syndicate auditors. Information in respect of the Atrium Group's participations on the managed syndicates is available direct from the syndicate accounting records. UK GAAP requires that financial statements be presented with comparative financial information. As these financial statements have been prepared solely for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X, no comparative financial information is presented. See note 24 for reconciliation between UK GAAP and US GAAP.

As a wholly owned subsidiary of Arden Holdings Limited ('AHL') throughout the year, the Company has applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement and also applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties.

The Atrium Group's functional and presentational currency is US Dollars.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities in which the Atrium Group directly or indirectly has the power to govern the operating and financial policies in order to gain economic benefits. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Subsidiaries are consolidated from the date control is gained and cease to be consolidated from the date control is transferred out.

For each syndicate in which the Atrium Group participates, the Atrium Group's proportion of the syndicate income and expenses has been reflected in its consolidated income statement and the Atrium Group's proportion of the syndicate's assets and liabilities has been reflected in its Consolidated Balance Sheet. Syndicate assets are held subject to trust deeds for the benefit of the syndicate's insurance creditors.

All inter-company balances, profits and transactions are eliminated.

(c) Premiums

Written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Outwards reinsurance premiums are allocated by the managing agent of each syndicate to reflect the protection purchased by each year of account.

(d) Unearned premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. The specific basis adopted by each individual syndicate is determined by the relevant managing agency.

(e) Claims

Claims incurred comprise the estimated cost of all claims occurring during the period, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous periods.

The provision for claims outstanding is made on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. The estimation process will vary from managing agent to managing agent but is likely to include the use of statistical projections based on previous claims history, case by case reviews of notified losses, and the use of security ratings to help assess the financial ability of reinsurers to pay reinsurance recoveries anticipated of them.

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later periods.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate were to be unable to meet its obligations and other elements of the Lloyd’s chain of security were to fail, then the members of the closed underwriting year would have to settle outstanding claims. The Directors consider that the likelihood of such failure of the reinsurance to close is extremely remote and, therefore, the reinsurance to close has been deemed to settle liabilities outstanding at the closure of the underwriting account and no further provision is made for any potential variation in the ultimate liability of that year of account.

(f) Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(g) Unexpired risks

Provision is made where the cost of claims and expenses arising after the end of the financial period from contracts concluded before that date is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable. The assessment of whether a provision is necessary is made on a syndicate by syndicate basis, using information supplied by the respective managing agents.

(h) Share based incentive schemes

During the financial year, Arden Holdings Limited ('AHL') operated a number of executive and employee share based incentive schemes for the staff and directors of the Atrium Group. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which it was granted. The expense which is recharged from AHL is recognised in the profit and loss account over the performance period of the share based incentive scheme.

The fair value of the equity-settled transactions granted was set by the Board of Directors of AHL.

(i) Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

(j) Pensions

The Atrium Group incurs pension costs from a defined contribution scheme, which is operated by Atrium Group Services Limited. Certain Directors and staff have personal pension arrangements to which the Atrium Group contributes. Contributions are charged to the profit and loss account as they become payable in accordance with rules of the schemes.

(k) Investment income and expenses

Interest income and investment expenses are recognised on an accruals basis.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years that have been realised during the year and are reported as realised gains and losses in the current profit and loss account.

Investment return, comprising investment income, realised and unrealised gains and losses, and investment expenses, is included initially within the non-technical account. Investment return on the Atrium Group's share of syndicate investments is allocated from the non-technical account to the technical account - general business so as to reflect that the Atrium Group's investments are supporting its underwriting activities.

(l) Other technical income

Other technical income consists of net retained agency fees receivable and profit commissions. Profit commissions are earned in line with the annual accounting results of the managed syndicates.

Under annual accounting, underwriting results relating to a particular year of account are recognised during the three years in which that year of account is normally open, in line with the earnings pattern of the insurance business attaching to the year.

(m) Income tax

The tax expense represents the sum of the current tax and deferred tax.

Current income tax: the current tax charge is based on the taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax: deferred income tax is generally provided in full, on timing differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply when the related tax is payable or receivable.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be used. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all of part or the asset to be recovered.

(n) Investments

Investments are stated at their current values at the end of the year. Listed investments are included in the balance sheet at market value. Unlisted investments are stated at an estimate of market value determined by the managing agents of the relevant syndicates. Deposits with credit institutions are included at cost.

(o) Intangible assets

Syndicate participations

Managed syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 20 years less any accumulated impairment losses. Third party syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of three years. Amortisation is charged from the beginning of the first accounting period following acquisition, when the asset becomes available for use.

Managed syndicate capacity is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The amount of any impairment is charged to the income statement in the year in which the impairment arises.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. In the case of goodwill arising on the acquisition of a Lloyd's managing agency or corporate member amortisation is charged from the first accounting period following acquisition.

(p) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of all tangible fixed assets, in equal annual installments over their estimated useful lives at the following rates:

Fixtures, fittings and equipment	20% per annum
Computer equipment	33 1/3% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(q) Foreign currencies

Items in the profit and loss account have been translated into the local currency of US Dollars at the average rate for the quarter in which the transaction takes place, whilst the Balance Sheet has been translated at the exchange rate on the balance sheet date as per the following table, with translation differences being recognised through the 'non-technical' account:

	Balance sheet rate at 31 December 2012	Average rate for Quarter 1 2012	Average rate for Quarter 2 2012	Average rate for Quarter 3 2012	Average rate for Quarter 4 2012
Sterling	1.6168	1.5710	1.5836	1.5799	1.6060
Euro	1.3218	1.3110	1.2851	1.2514	1.2971
Canadian dollars	1.0034	0.9982	0.9906	1.0045	1.0090
Singapore dollars	0.8173	0.7911	0.7916	0.8019	0.8179

All other exchange differences are included in the technical account.

2. SEGMENTAL ANALYSIS

2012	Gross Premiums Written $ 000	Gross Premiums Earned $ 000	Gross Claims Incurred $ 000	Gross Operating Expenses $ 000	Reinsurance Balance $ 000	Net Technical Result $ 000	Net Technical Provisions $ 000
Direct business							
Accident and health	**14,412**	**13,672**	**(5,762)**	**(5,958)**	**914**	**2,866**	**9,847**
Motor	**1,924**	**1,973**	**(1,287)**	**(859)**	**614**	**441**	**1,702**
Marine, aviation and transport	**58,168**	**59,050**	**(10,617)**	**(20,154)**	**(5,803)**	**22,476**	**57,511**
Fire and other damage to property	**36,530**	**35,146**	**(13,814)**	**(12,993)**	**(19,873)**	**(11,534)**	**45,911**
Third party liability	**27,959**	**27,196**	**(13,458)**	**(10,091)**	**(5,859)**	**(2,212)**	**73,295**
Other	**2,241**	**1,938**	**(681)**	**(621)**	**1,196**	**1,832**	**3,420**
Total direct	**141,234**	**138,975**	**(45,619)**	**(50,676)**	**(28,811)**	**13,869**	**191,686**
Reinsurance Business							
Reinsurance acceptances	**13,963**	**14,368**	**(6,956)**	**(2,035)**	**(7,218)**	**(1,841)**	**27,417**
	155,197	**153,343**	**(52,575)**	**(52,711)**	**(36,029)**	**12,028**	**219,103**
Other technical income						**28,392**	
Expenses eliminated on consolidation						**9,857**	
Allocated investment return						**4,968**	
Balance on technical account						**55,245**	

All premiums were concluded in the UK.

The geographic analysis of premiums by destination is as follows:

	2012 %
UK	3
Other EU countries	7
US	25
Other	65
	100

3. OTHER TECHNICAL INCOME

	2012 $ 000
Fee income	8,064
Commission income	20,206
Other Income	122
	28,392

4. INVESTMENT RETURN

	2012 $ 000
Investment income	
Income from investments	4,534
Net gains on the realisation of investments	—
Other interest	114
	4,648
Investment expenses and charges	
Investment management expenses	(295)
Net losses on the realisation of investments	(396)
	(691)
Net unrealised gains on investments	
Unrealised gains on investments	2,053
Unrealised losses on investments	(884)
	1,169
Total investment return	5,126

5. NET OPERATING EXPENSES

	2012 $ 000
Brokerage and other business acquisition expenses	35,861
Change in deferred acquisition costs	(1,218)
Foreign exchange (gain)/loss	(950)
Syndicate operating expenses	5,348
Direct operating expenses	1,549
	40,590
Reinsurance commissions receivable	(1,263)
	39,327

6. STAFF COSTS

	2012 $ 000
Wages and salaries	20,278
Profit related remuneration	8,573
Share based payments recharge	6,920
Social security costs	3,111
Defined pension contribution costs	2,888
	41,770
Recharged to external names	(16,669)
	25,101

As at the balance sheet date, there were pension contributions outstanding of $nil.

The average monthly number of persons including Executive Directors employed by the Atrium Group during the year was 142.

7. DIRECTORS EMOLUMENTS

The disclosure below relates to Directors within the Atrium Group.

	2012 $
Directors' emoluments	
Executive services	8,345,159
Pension contributions	737,460
	9,082,619

During 2012 11 Directors within the Atrium Group benefitted from the vesting of long term incentive plan awards. During 2012, certain Atrium Group Directors received share awards under the Arden Long Term Incentive Plan and received matching shares under the Arden Matching Share Plan.

	2012
Number of Atrium Group Directors who received share awards under the Arden Long Term Incentive Plan	**11**
Number of Atrium Group Directors who received share awards under the Arden Matching Share Plan	**11**
Number of Atrium Group Directors to whom retirement benefits are accruing under a defined contribution pension scheme	**12**
In respect of the highest paid group Director, the following emoluments were paid:	
Executive services	**$1,160,302**
Pension contribution	**95,100**
	$1,255,402

The highest paid Atrium Group Director received an award of restricted stock units under the Arden Long Term Incentive Plan and an award of shares under the Arden Matching Share Plan during the period.

8. SHARE BASED INCENTIVE SCHEMES

FRS 20 ‘Share-based payments’ requires all share-based payments that were granted after 7 November 2002, but that had not yet vested at 1 January 2005, to be expensed based on their fair value at the date of grant. The expense is recognised in the profit and loss account over the vesting period of the share-based payment.

AHL, the ultimate parent company, operates two share based incentive schemes for the employees of the Atrium Group, as set out below. Fair value was initially established with reference to a valuation study completed by an independent valuation firm, Duff & Phelps. For awards granted and vesting in 2011, AHL determined that fair value would be based on fully diluted book value per AHL share. The Directors are of the opinion that the recharge is not materially different from amounts that would be calculated under FRS 20.

Following acquisition of the Atrium Group by AHL, a new Long Term Incentive Plan (“LTIP”) share award scheme was established in 2008 and awards comprising conditional awards of shares in AHL were made in 2009, 2010 and 2011.

On 4 February 2010 AHL declared a dividend of $40 per share and on 19 January 2011 AHL declared a dividend of $33 per share. Under the terms of the AHL LTIP scheme, additional awards were made, attaching to the relevant unvested original award to reflect the values of those dividends.

On 3 June 2011 and on 29 February 2012 the 2008 and 2009 LTIP Awards respectively vested in full on satisfaction of performance conditions. In March 2011 further awards were made under the AHL LTIP scheme.

Awards made in 2009, 2010 and 2011 under the AHL LTIP scheme comprised a conditional award of shares in AHL. The grantee would only actually receive the shares if over a three year period they remained an employee of the Atrium Group and the performance conditions were satisfied, over the three years ending.

December 2011, 2012 and 2013 respectively, at which points, on evaluation of the performance criteria, the grantee would be given fully paid ordinary shares in AHL.

In July 2012 grantees of awards under the 2010 and 2011 AHL LTIP scheme were given a one-off opportunity to fix the value of their outstanding LTIP awards by reference to their market value, determined by the Board of AHL as being the diluted book value of $118.97 per share, and on vesting, subject to satisfaction of the performance conditions (see below), receive an entitlement to a deferred cash payment. The majority of grantees took the option to fix the value of their respective awards in deferred cash but a minority retained their original share-based award.

In July 2012 further awards were made under the AHL LTIP scheme. Under the terms of the scheme grantees received an award of an entitlement to a deferred fixed cash payment that they will receive if over a three year period they remain an employee of the Atrium Group and the performance conditions (see below) are met over the three years ending 31 December 2014.

The performance conditions are based on the Atrium Group's return on capital and therefore ensure that any rewards received are commensurate with the Atrium Group's performance over the performance period.

These are conditional Awards over 18,627 AHL shares in respect of the 2010 and 2011 LTIP Awards and entitlements to deferred cash payments of $12,275,368 under the 2010, 2011 and 2012 awards. Of the 136,128 outstanding share awards in the table below are 103,180 relating to these deferred cash payments.

Matching Share Plan (MSP)

The MSP was introduced in 2008 as a replacement for previous Atrium Group all employee share incentive plans which were in place prior to the acquisition of the Atrium Group by AHL. The MSP was made available to all permanent employees of the Atrium Group in 2008, 2009, 2010, 2011 and again in 2012. The MSP allows permanent employees to purchase annually the US$ equivalent value of up to £8,000 of AHL shares at unrestricted market value. The shares purchased are registered in an Atrium Group employee benefit trust with EES Trustees International Limited, with participating employees having full beneficial ownership of the shares.

For each AHL share purchased, AHL grant participating employees a matching award over further AHL shares on a one for one basis. Participating employees are only entitled to receive the matching award shares three years after grant if they remain an Atrium Group employee for the three year period.

AHL declared a dividend of $40 per share on 4 February 2010 and a further dividend of $33 per share on 19 January 2011. Under the terms of the MSP scheme, additional matching awards over further AHL shares were granted to reflect the value of those dividends in respect of the 2008, 2009 and 2010 MSP Matching Awards.

The 2008 and 2009 MSP Matching Awards vested in August 2011 and August 2012 respectively. Participants could either exercise their MSP Matching Awards, thereby acquiring the beneficial ownership of the relevant shares or alternatively, not exercise their option, thereby retaining their Matching Award as a Nil Cost Option.

There are conditional matching awards under the 2010, 2011 and 2012 MSP scheme over 22,286 AHL shares. 14,149 AHL shares are held in trust on behalf of participants and their spouses.

The Atrium Group has been recharged $6,920k during 2012 in respect of the above awards and is included within Staff costs (see Note 5).

Share Repurchase

In May 2012 the Board of AHL resolved to effect a mandatory repurchase of 63.76% of its issued and outstanding shares at a value of $112 per share.

In December 2012 the Board of AHL resolved to effect a mandatory repurchase of 26.34% of its issued and outstanding shares at a value of $140 per share.

The numbers of AHL shares noted above as held on trust on behalf of participants in the AHL LTIP and MSP schemes are stated after the share repurchase transactions.

These were the following movements in the number of share awards held by employees:

	Year ended 31 December 2012 Number	Weighted average fair value US$
Outstanding at 1 January	149,676	93.63
Granted	43,490	134.07
Dividend Adjustment	—	—
Vested	(46,530)	77.09
Forfeited	(10,505)	105.15
Outstanding at 31 December	136,131	112.63

9. AUDITORS REMUNERATION

	2012 $ 000
Audit of the financial statements	496
Non audit work	20
	516

10. TAX

(a) Tax on profit on ordinary activities

	2012 $ 000
The tax charge is made up as follows:	
Current tax:	12,783
UK corporation tax	
Tax underprovided (over) in previous years	(1,554)
	11,229
Foreign tax	523
Total current tax (note 10 (b))	11,752
Deferred tax:	
Origination and reversal of timing differences	(4,935)
Deferred tax underprovided/(over) in previous years	(309)
Effect of decreased tax rate	(3,025)
Total deferred tax (note 10 (c))	(8,269)
Tax on profit on ordinary activities	3,483

(b) Factors affecting the current tax charge

	$ 000
The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.5% . The differences are reconciled below:	
Profit on ordinary activities before tax	**31,915**
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5%	**7,819**
Effects of:	
Timing of underwriting profits	**4,558**
Other timing differences	**(12)**
Utilisation of tax losses brought forward	**—**
Tax overprovided in previous years	**(1,554)**
Foreign tax	**523**
Permanent differences	**418**
Current tax charge for period (note 10(a))	**11,752**

(c) Deferred tax

	$ 000
Balance at 1 January	**(41,902)**
Deferred tax credit (charge) in profit and loss account (note 10(a))	**8,269**
At 31 December	**(33,633)**
Analysis of deferred tax liability at 31 December:	
Provision for underwriting results	**(36,341)**
Other	**2,708**
	(33,633)

The deferred tax liability in respect of underwriting results relates to the underwriting results that have arisen on the 2010, 2011 and 2012 years of account. These results will be assessed to tax in 2013, 2014 and 2015 respectively.

(d) Factors affecting future tax charges

The Atrium Group profits are taxable in the UK under the standard rate of corporation tax being 24.5% for 2012.

On 21 March 2012, the UK government announced as part of the Budget that the rate of corporation tax would be reduced by an additional 1% at 1 April 2012, from the 25% rate enacted as part of Finance Act 2011. The 24% rate was substantively enacted on 26 March 2012, and enacted on 17 July 2012 when Finance Bill 2012 received Royal Assent. It was also announced that a rate of corporation tax of 23% would apply from 1 April 2013, which was substantively enacted and enacted on 3 July 2012 and 17 July 2012 respectively. The closing deferred tax liability has taken into account the substantively enacted rate of corporation tax as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012

Furthermore, the Government announced in the Autumn Statement on 5 December 2012 that it intends to reduce the rate of corporation tax by a further 2% to 21% to apply from 1 April 2014. A further reduction of 1% to apply from 1 April 2015 was announced in the budget on 20 March 2013. The reduction to 20% has not been reflected in the closing deferred tax liability as it has not been substantively enacted at the balance sheet date. It is anticipated that the impact of this future change on the closing deferred tax position would be $1,335,000.

11. DIVIDENDS

Declared and paid during the year on ordinary shares	2012 $ 000
Equity dividends paid:	
Interim dividend	29,400

12. INTANGIBLE ASSETS

	Goodwill $ 000	Purchased syndicate capacity $ 000	Total $ 000
Cost			
At 1 January 2012	20,756	10,105	30,861
Disposals	—	—	—
At 31 December 2012	20,756	10,105	30,861
Amortisation			
At 1 January 2012	12,454	5,038	17,492
Amortisation on disposals	—	—	—
Provided during the year	1,038	505	1,543
At 31 December 2012	13,492	5,543	19,035
Net book value			
At 31 December 2012	7,264	4,562	11,826
At 1 January 2012	8,302	5,067	13,369

13. FIXED ASSETS

	Computer equipment $ 000	Office refurbishment $ 000	Fixtures, fittings & equipment $ 000	Total $ 000
Cost				
At 1 January 2012	7,614	413	210	8,237
Purchases	42	126	—	168
Disposals	(2)	(46)	—	(48)
At 31 December 2012	7,654	493	210	8,357
Depreciation				
At 1 January 2012	7,360	299	197	7,856
Depreciation on disposals	—	—	—	—
Provided during the year	172	38	12	222
At 31 December 2012	7,532	337	209	8,078
Net book value				
At 1 January 2012	254	114	13	381
At 31 December 2012	122	156	1	279

14. FINANCIAL INVESTMENTS

	2012 Historic Cost $ 000	2012 Market Value $ 000
Debt securities and other fixed income securities	248,844	249,856
Loans and deposits with credit institutions	10,600	10,667
Other investments	1,959	1,959
Money market balances	16,121	16,121
	277,524	278,603

Analysis of market value	2012 $ 000
Listed investments	249,856
Unlisted investments	12,626
Money market balances	16,121
	278,603

Disclosure of Fair Values in accordance with the fair value hierarchy

In accordance with the Amendments to FRS 29 Financial Instruments: Disclosures, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value is provided below.

The levels of the fair value hierarchy are defined by the standard as follows:

Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments,

Level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on observable market data,

Level 3 - fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair value of the Atrium Group's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Included within Level 1 of the hierarchy are the Atrium Group's share of Government bonds and Treasury bills which are measured based on quoted prices over which the Atrium Group has control.

Level 2 of the hierarchy contains the Atrium Group's share of U.S Government Agencies, Corporate Securities, Asset Backed Securities, Mortgage Backed Securities over which the Atrium Group has control. The fair value of these assets are based on prices obtained from both investment managers and investment custodians as discussed above. This level also include a disclosure of the Atrium Group's share of investments held by non managed syndicates. The directors have classified these holdings as Level 2 following discussions with the relevant managing agency.

The Atrium Group records the unadjusted price provided and validates the price through a number of methods, including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US Government Agencies and Corporate Securities are based on a limited number of transactions for those securities and as such the Atrium Group considers these instruments to have similar characteristics of those instruments classified as Level 2.

Having reviewed the Atrium Group's investments using the above criteria as valuation and pricing, the Directors are satisfied that there are no Level 3 investments.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the year, there were no transfers made between Level 1 and Level 2 of the fair value hierarchy.

	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total fair value $ 000
Financial assets:				
Government securities	112,109	49,455	—	161,564
Corporate	—	66,870	—	66,870
Asset backed securities	—	14,531	—	14,531
Mortgage backed securities	—	10,667	—	10,667
Deposits with ceding undertakings	—	353	—	353
Money market balances	16,121	—	—	16,121
Group Share of Non managed syndicate investments	—	8,850	—	8,850
	128,230	150,726	—	278,956

15. DEBTORS

	2012 $ 000
Amounts falling due within one year	
Arising out of direct insurance operations	
- owed by intermediaries	**54,934**
Arising out of reinsurance operations	**70,066**
Other debtors	**8,148**
	133,148
Amounts falling due after one year	
Arising out of direct insurance operations	
- owed by intermediaries	**57**
Arising out of reinsurance operations	**86**
Other debtors	**3,006**
	3,149
	136,297

16. DEFERRED ACQUISITION COSTS

	2012 $ 000
At 1 January	**16,854**
Change in deferred acquisition costs	**1,218**
At 31 December	**18,072**

17. TECHNICAL PROVISIONS

	Gross $ 000	Reinsurers' share $ 000	Net $ 000
Notified outstanding claims	**99,232**	**(72,876)**	**26,356**
Provision for Claims incurred but not reported	**148,595**	**(17,362)**	**131,233**
Claims handling expenses	**2,492**	**—**	**2,492**
Unearned premiums	**62,546**	**(3,524)**	**59,022**
	312,865	**(93,762)**	**219,103**

18. SHARE CAPITAL

	31 December 2012 Number	$ 000
Allotted, called up and fully paid ordinary shares	**17,060,405**	**24,702**

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

2012	Share Capital $ 000	Share Premium $ 000	Merger Reserve $ 000	Profit and loss account $ 000	Total $ 000
At 1 January 2012	24,702	2,160	6,281	29,967	63,110
Profit for the financial year	—	—	—	28,432	28,432
Reserve transfer (see below)	—	—	(6,281)	6,281	—
Dividend	—	—	—	(29,400)	(29,400)
At 31 December 2012	24,702	2,160	—	35,280	62,142

In 1998 in accordance with Section 131 of Companies Act 1985, and subsequently Section 612 of the Companies Act 2006, the $7.8 million premium on ordinary shares issued as part of the purchase of Atrium Cockell Group Limited ("ACGL") was recorded within the merger reserve. Following the dissolution of ACGL on 4 September 2012 this profit has been fully realised and transferred to the retained earnings.

20. CREDITORS

	2012 $ 000
Amounts falling due within one year	
Arising out of direct insurance operations	**23,446**
Arising out of reinsurance operations	**144,848**
Other creditors including taxation and social security	**14,491**
	182,785
Amounts falling due after one year	
Arising out of direct insurance operations	**—**
Arising out of reinsurance operations	**569**
Other creditors including taxation and social security	**273**
	842
	183,627

21. LEASES

	2012 $ 000
At 31 December, the Atrium Group had annual commitments under non-cancellable operating leases as set out below:	
Leases expiring within one year	**—**
Leases expiring between two and five years	**337**
Leases expiring more than five years	**1,081**

Of the commitments due under operating leases for the period to 31 December 2012, as at 31 December 2012, $866,000 will be reimbursed by the syndicates managed by the Atrium Group.

22. CONTINGENT LIABILITIES

Charge over assets

At 1 January 2013, the Atrium Group's participation in underwriting at Lloyd's is £106.8m, ($172.7m at year end exchange rates,) through ownership of its underwriting subsidiary Atrium 5 Limited (the continuing corporate member). The other underwriting subsidiaries (the ceasing corporate members) have not participated in underwriting at Lloyd's after the 2007 year of account.

On 28 November 2007, the ceasing corporate members and the continuing corporate member, entered into an interavailable Lloyd's Security and Trust Deed securing all monies due and to become due from each company to the Society of Lloyd's. On the same day the Company created a floating charge over all its assets to secure all monies due and to become due from the Company to Lloyd's under the terms of the Deed of Indemnity provided by the Company to Lloyd's in connection with the foregoing.

Under the terms of the interavailable Lloyd's Security and Trust Deed, the ceasing corporate members and the continuing corporate member gave undertakings to the Society of Lloyd's, supported by a commitment from the Company, that if one of them failed to meet any of its obligations to Lloyd's the others would assign to Lloyd's on demand their rights to current and future profits held in their Premium Trust Funds or contribute profits received out of their Trust Funds to the Central Fund of Lloyd's in each case until the amounts owed by the defaulting subsidiary were paid in full.

On 23 March 2010 the underwriting subsidiaries signed Deeds of Transition and new Trust Deeds to facilitate the implementation by the Society of Lloyd's of a new Trust Deed architecture. The changes made to the documentation related to streamlining and simplifying the administration of Funds at Lloyd's and do not have any financial impact on the Group.

On 26 May 2010, following closure of the 2007 year of account at which point the ceasing corporate members had no further participations on any syndicates at Lloyd's, they each entered into a Deed of Total Determination Release and Substitution whereby the interavailable Letter of Credit provided as a Lloyd's Deposit under the aforementioned Security and Trust Deed was replaced by a non-interavailable Letter of Credit provided by the continuing member. On the same date, in order to secure the release of the ceased members funds at Lloyd's, the ceasing corporate members entered into a Deed of Indemnity agreement with the Company by which the Company has given an undertaking to the Society of Lloyd's that if the ceasing corporate members failed to meet any of their obligations to Lloyd's in respect of US Federal Income and US Federal Excise tax liabilities as well as any tax liabilities in those jurisdictions where the ceased member underwrote insurance business, then the Company would meet those obligations in full.

23. SUBSEQUENT EVENT

Ultimate Holding Company

On 5 June 2013, AHL entered into a definitive agreement with two subsidiaries of Enstar Group Limited ("Enstar") under which Enstar agreed to acquire the entire issued share capital of the Atrium Group. As at 30 September 2013, completion of the transaction remained conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. Enstar subsequently announced that Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, "Trident") had acquired a 40% interest in the holding company for the acquisition subsidiary on 3 July 2013 and had agreed to provide 40% of the purchase price and related expenses for the acquisition of the Atrium Group.

The parties to the definitive purchase agreement for the acquisition entered into a deed of variation on 21 November 2013, which provided, among other things, for the payment of a $25.0 million pre-completion dividend from Atrium to AHL and a corresponding $25.0 million reduction in the purchase price (bringing the total purchase price from $183.0 million to $158.0 million). The transaction was completed on 25 November 2013.

In addition, on 5 June 2013, AHL entered into a definitive agreement with two subsidiaries of Enstar under which Enstar agreed to acquire the entire issued share capital of Arden Reinsurance Company Limited "Arden Re"), which is also a subsidiary of AHL. Arden Re is a Bermuda-based reinsurance company that provides reinsurance to Atrium's corporate name. The two transactions are governed by separate purchase agreements and Enstar's acquisition of the Atrium Group was not conditioned on its acquisition of Arden Re. On 9 September 2013, Arden Holdings completed its sale of Arden Re's entire issued share capital to Enstar's wholly-owned subsidiary and Trident.

24. SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM ("UK GAAP") AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA ("US GAAP")

The Atrium Underwriting Group Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the profit for the period after taxation, as determined under UK GAAP, are set out in the tables below:

a) Profit for the 12 months ending 31 December

Income Statement

		2012 $ 000
UK GAAP profit for the period after taxation		**28,432**
US GAAP adjustments:		
i) Amortisation of goodwill and purchased capacity	1,543	
ii) DAC adjustment	(323)	
iii) Taxation	282	
Total US GAAP Adjustments		1,502
Amount treated as OCI		
iv) Unrealised (gains)/losses		132
Net income under US GAAP		**30,066**

Comprehensive Income

	2012 $ 000
Profit in accordance with US GAAP	**30,066**
Amount transferred from Income Statement	
iv) Unrealised (gains)/losses	(132)
Comprehensive income in accordance with US GAAP	**29,934**

i) Amortisation of goodwill and purchased capacity

Under UK GAAP goodwill arising on acquisitions and purchased syndicate capacity is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. Under US GAAP goodwill and purchased capacity is not automatically amortised but reviewed, annual or more frequently if impairment indicators exist, for impairment instead. We have carried out an impairment review and no write down is required.

ii) DAC adjustment

Under UK GAAP the ABI SORP allows deferral of direct and indirect costs arising in the acquisition of insurance contracts. Under US GAAP insurance entities are required to capitalise certain acquisition costs directly related to successful insurance contracts. Indirect costs are required to be expensed as incurred.

iii) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

	2012 $ 000
US GAAP Taxation adjustments	
Current taxation	328
Deferred taxation	(610)
	(282)

UK entities are taxed locally level with reference to their UK GAAP taxable profits. Adjustments made to present the consolidated results of the group under US GAAP are both presentational and numerical. To the extent that a temporary difference exists due to adjustments made, deferred tax has been recognised under US GAAP principles. The tax impact in the year is either in the profit and loss account or Other Comprehensive Income for US GAAP purposes, following where the underlying item to which the tax relates is accounted for. This is with the exception of the impact of tax rate changes, which are provided in the profit and loss account

iv) Amortisation adjustment and unrealised (gains)/losses re investments

Under UK GAAP investments are stated at their current values at the end of the period. Unrealised gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the period. Unrealised gains and losses are included within investment return in the Profit and Loss Account.

Under US GAAP these investments are classified as available-for-sale and are carried at fair value, with unrealized gains and losses excluded from net earnings and reported as a separate component of accumulated Other Comprehensive Income. Amortization of premium or discount is recognized using the effective yield method and included in net investment income.

b) Balance Sheet as at 31 December 2012

	2012 $ 000
UK GAAP shareholders' equity interest	**62,142**
US GAAP adjustments:	
Amortisation of goodwill and purchased capacity	19,035
DAC adjustment	(2,243)
v) Taxation	34
Total US GAAP Adjustments	16,826
Net shareholders equity interest under US GAAP	**78,968**

v) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

	2012 $ 000
US GAAP Taxation adjustments	
Current taxation	0
Deferred taxation	(34)
	(34)

The position presented in the table above represents the cumulative impact of GAAP differences as at each balance sheet date, being due to temporary differences arising on differences between UK GAAP and US GAAP for DAC, purchased syndicate capacity amortisation, and amortisation adjustments regarding investments.

c) Cashflow Statement For the 12 months to 31 December 2012

As a wholly owned subsidiary the Company applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement for UK GAAP reporting purposes. Attached is the US GAAP cashflow statement.

Cash flows provided by operating activities:	
Net income	29,934
Adjustments to reconcile net income to net cash provided by operating activities:	
Net realized investment (gains) losses	(110)
Net unrealised investment (gains) losses	0
Net realized investment gains on foreign exchange	(950)
Net amortization on fixed maturity and short-term investments	1,299
Depreciation	222
Change in:	
Deposits with ceding companies	52
Premiums receivable - third party	(1,393)
Premiums receivable - intercompany	(3,344)
Accrued investment income	(102)
Deferred acquisition costs - third party	(705)
Prepaid reinsurance - third party	297
Prepaid reinsurance - intercompany	232
Paid losses recoverable - third party	924
Paid losses recoverable - intercompany	(12,805)
Loss reserve recoverable - third party	7,397
Loss reserve recoverable - intercompany	(15,027)
Other assets	(10,053)
Reserve for losses and loss adj exp - third pary	(48,475)
Unearned premiums - third party	1,471
Reinsurance premiums payable - third party	(4,313)
Reinsurance premiums payable - intercompany	28,778

Losses payable - third party	(1,770)
Intercompany receivable/payable	3,134
Deferred tax asset	(728)
Deferred tax liability	(8,142)
Current taxes recoverable	(8,256)
Current taxes payable	11,327
Other liabilites	(4,342)
Accounts payable and accrued expenses	5,728
Net cash provided by operating activities	(29,717)
Cash flows used in investing activities:	
Purchases of fixed maturity investments	(158,280)
Sales and maturities of fixed maturity investments	94,498
Net purchases of short-term investments	(1,647)
Net sale of other investments	55,607
Net purchase of fixed assets	(120)
Net cash used in investing activities	(9,942)
Cash flows provided by financing activities:	
Dividends to parent	(29,400)
Net cash provided by financing activities	(29,400)
Effect of exchange rate changes on cash and cash equivalents	(2,136)
Net decrease in cash and cash equivalents	(71,195)
Cash and cash equivalents - beginning of year	134,015
Cash and cash equivalents - end of year	62,821

Cash and cash equivalent is made up of cash of $44,256k, money market balances of $16,121k and investments of $2,444k maturing within 90 days of the balance sheet date.

Exhibit 99.4

ATRIUM UNDERWRITING GROUP LIMITED

FINANCIAL STATEMENTS
NINE MONTHS to 30 SEPTEMBER 2013

ATRIUM UNDERWRITING GROUP LIMITED

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the nine months ending 30 September 2013 and 2012

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2013 $ 000	2012 $ 000
Gross premiums written	2	**119,813**	121,283
Outward reinsurance premiums	2	**(57,070)**	(85,160)
Net premiums written		**62,743**	36,123
Change in the gross provision for unearned premiums	2	**(7,034)**	(7,927)
Change in the provision for unearned premiums, reinsurers' share	2	**251**	(326)
Change in the net provision for unearned premiums		**(6,783)**	(8,253)
Earned premiums, net of reinsurance		**55,960**	27,870
Allocated investment return transferred from the non-technical account	4	**(268)**	4,609
Other technical income	3	**20,196**	20,711
Claims paid			
Gross amount	2	**(54,580)**	(50,365)
Reinsurers' share	2	**37,402**	10,783
Net claims paid		**(17,178)**	(39,582)
Change in the provision for claims			
Gross amount	2	**10,693**	12,816
Reinsurers' share	2	**(1,248)**	44,557
Net change in provision for claims		**9,445**	57,373
Claims incurred, net of reinsurance		**(7,733)**	17,791
Net operating expenses	5	**(32,577)**	(28,845)
Balance on the technical account for general business		**35,578**	42,136

ATRIUM UNDERWRITING GROUP LIMITED

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the nine months ending 30 September 2013 and 2012

NON-TECHNICAL ACCOUNT

	Note	2013 $ 000	2012 $ 000
Balance on the general business technical account		**35,578**	42,136
Investment income	4	**3,369**	3,413
Unrealised gain on investments	4	**136**	2,749
Investment expenses and charges	4	**(719)**	(483)
Unrealised losses on investments	4	**(2,953)**	(843)
Allocated investment return transferred to the general business technical account	4	**268**	(4,609)
Other charges, including amortisation		**(16,141)**	(16,399)
Profit on ordinary activities before tax		**19,538**	25,964
Tax on profit on ordinary activities	7	**(3,319)**	(7,281)
Profit on ordinary activities after tax		**16,219**	18,683

The profit and loss account relates entirely to continuing activities.

There are no recognised gains and losses other than the profit or loss for the period, therefore, no statement of total recognised gains or losses has been presented.

UNAUDITED CONSOLIDATED BALANCE SHEET
at 30 September 2013 (comparatives 31 December 2012)

	Note	2013 $ 000	2012 $ 000
Assets			
Intangible assets			
Goodwill		**6,486**	7,264
Purchased syndicate capacity		**4,183**	4,562
	8	**10,669**	11,826
Investments			
Tangible assets		**1,019**	279
Financial investments	9	**253,587**	278,603
Deposits with ceding undertakings	9	**573**	353
		255,179	279,235
Reinsurers' share of technical provisions			
Provision for unearned premiums	2	**3,776**	3,524
Claims outstanding	2	**82,689**	90,238
	12	**86,465**	93,762
Debtors			
Arising out of direct insurance operations - owed by intermediaries		**42,060**	54,991
Arising out of reinsurance operations		**105,450**	70,152
Other debtors		**5,211**	11,154
	10	**152,721**	136,297
Other assets			
Cash at bank		**78,236**	44,256
		78,236	44,256
Prepayments and accrued income			
Deferred acquisition costs	11	**20,160**	18,072
Other prepayments and accrued income		**20,318**	24,562
		40,478	42,634
Total assets		**623,748**	608,010

ATRIUM UNDERWRITING GROUP LIMITED

UNAUDITED CONSOLIDATED BALANCE SHEET
at 30 September 2013 (comparatives 31 December 2012)

	Note	2013 $ 000	2012 $ 000
Liabilities			
Capital and reserves			
Called up share capital		**24,702**	24,702
Profit and loss account		**51,504**	35,280
Share premium account		**2,161**	2,160
Merger reserve			—
Total shareholders funds		**78,367**	62,142
Technical provisions			
Provision for unearned premiums	2	**69,580**	62,546
Claims outstanding	2	**233,036**	250,319
	12	**302,616**	312,865
Provisions for other risk and charges	7	**21,940**	33,633
Deposits received from reinsurers		**172**	165
Creditors			
Arising out of direct insurance operations		**11,375**	23,446
Arising out of reinsurance operations		**180,412**	145,417
Other creditors including taxation and social security		**19,125**	14,764
	13	**210,912**	183,627
Accruals and deferred income		**9,741**	15,578
Total liabilities		**623,748**	608,010

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

1. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared solely for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X. The financial statements have been prepared in accordance with UK Generally Accepted Accounting Policies ('UK GAAP') and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006, (the ABI SORP). See note 16 for reconciliation between UK GAAP and US GAAP.

The syndicates in which the Atrium Group participates are managed and controlled by their respective managing agents. The accounting information in respect of these participations has been provided by the managing agents and has been audited by their respective syndicate auditors. Information in respect of the Atrium Group's participations on the managed syndicates is available direct from the syndicate accounting records.

As a wholly owned subsidiary of Arden Holdings Limited (AHL), the Company has applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement.

As a wholly owned subsidiary of AHL, the Company has applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties.

The Atrium Group's functional and presentational currency is US Dollars.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are those entities in which the Atrium Group directly or indirectly has the power to govern the operating and financial policies in order to gain economic benefits. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Subsidiaries are consolidated from the date control is gained and cease to be consolidated from the date control is transferred out.

For each syndicate in which the Atrium Group participates, the Atrium Group's proportion of the syndicate income and expenses has been reflected in its consolidated income statement and the Atrium Group's proportion of the syndicate's assets and liabilities has been reflected in its Consolidated Balance Sheet. Syndicate assets are held subject to trust deeds for the benefit of the syndicate's insurance creditors.

All inter-company balances, profits and transactions are eliminated.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

2. SEGMENTAL ANALYSIS

2013	Gross Premiums Written $ 000	Gross Premiums Earned $ 000	Gross Claims Incurred $ 000	Gross Operating Expenses $ 000	Reinsurance Balance $ 000	Net Technical Result $ 000	Net Technical Provisions $ 000
Direct business							
Accident and health	11,126	10,055	(4,844)	(3,635)	535	2,111	9,714
Motor	1,485	1,451	(1,083)	(524)	359	204	1,679
Marine, aviation and transport	44,906	43,429	(8,926)	(12,295)	(3,396)	18,812	56,736
Fire and other damage to property	28,201	25,849	(11,614)	(7,927)	(11,630)	(5,322)	45,292
Third party liability	21,584	20,002	(11,314)	(6,156)	(3,429)	(897)	72,307
Other	1,731	1,425	(573)	(379)	700	1,173	3,374
Total direct	109,033	102,211	(38,354)	(30,916)	(16,861)	16,080	189,102
Reinsurance Business							
Reinsurance acceptances	10,780	10,568	(5,533)	(1,241)	(4,224)	(430)	27,048
	119,813	112,779	(43,887)	(32,157)	(21,085)	15,650	216,150
Other technical income						20,196	
Allocated investment return						(268)	
Balance on technical account						35,578	

2012	Gross Premiums Written $ 000	Gross Premiums Earned $ 000	Gross Claims Incurred $ 000	Gross Operating Expenses $ 000	Reinsurance Balance $ 000	Net Technical Result $ 000	Net Technical Provisions $ 000
Direct business							
Accident and health	11,263	10,107	(4,144)	(3,350)	745	3,357	10,160
Motor	1,504	1,458	(926)	(483)	500	549	1,756
Marine, aviation and Transport	45,456	43,651	(7,637)	(11,332)	(4,728)	19,954	59,339
Fire and other damage to property	28,547	25,981	(9,937)	(7,306)	(16,190)	(7,452)	47,370
Third party liability	21,849	20,104	(9,680)	(5,674)	(4,773)	(24)	75,624
Other	1,752	1,433	(491)	(349)	974	1,567	3,529
Total direct	110,371	102,734	(32,815)	(28,494)	(23,472)	17,951	197,778
Reinsurance Business							
Reinsurance acceptances	10,912	10,622	(4,734)	(1,145)	(5,880)	(1,135)	28,288
	121,283	113,356	(37,549)	(29,639)	(29,352)	16,816	226,066
Other technical income						20,711	
Allocated investment return						4,609	
Balance on technical account						42,136	

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

2. SEGMENTAL ANALYSIS *(continued)*

All premiums were concluded in the UK. The geographic analysis of premiums by destination is as follows:

	2013 %	2012 %
UK	**3**	4
Other EU countries	**7**	6
US	**25**	33
Other	**65**	57
	100	100

3. OTHER TECHNICAL INCOME

	2013 $ 000	2012 $ 000
Fee income	**6,305**	5,841
Commission income	**13,671**	14,767
Other Income	**220**	103
	20,196	20,711

4. INVESTMENT RETURN

	2013 $ 000	2012 $ 000
Investment income		
Income from investments	**3,334**	3,308
Net gains on the realisation of investments	**—**	—
Other interest	**35**	105
	3,369	3,413
Investment expenses and charges		
Investment management expenses	**(211)**	(246)
Net losses on the realisation of investments	**(508)**	(237)
	(719)	(483)
Net unrealised gains on investments		
Unrealised gains on investments	**136**	2,749
Unrealised losses on investments	**(2,953)**	(843)
	(2,817)	1,906
Total investment return	**(167)**	4,836

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

5. NET OPERATING EXPENSES

	2013 $ 000	2012 $ 000
Brokerage and other business acquisition expenses	**29,217**	26,848
Change in deferred acquisition costs	**(2,088)**	(2,658)
Foreign exchange (gain)/loss	**(354)**	(637)
Syndicate operating expenses	**3,966**	4,341
Direct operating expenses	**1,416**	1,745
	32,157	29,639
Reinsurance commissions receivable	**420**	(794)
	32,577	28,845

6. SHARE BASED INCENTIVE SCHEMES

There were the following movements in the number of share awards held by employees:

	Period ended 30 September 2013 Number	Weighted average fair value US$	Period ended 30 September 2012 Number	Weighted average fair value US$
Outstanding at 1 January	**136,131**	**112.63**	149,676	93.63
Granted	—	—	30,323	118.97
Dividend Adjustment	—	—	—	—
Vested	—	—	—	—
Forfeited	—	—	(5,413)	101.69
Outstanding at 30 September	**136,131**	**112.63**	174,586	105.33

7. TAX

(a) Tax on profit on ordinary activities

	2013 $ 000	2012 $ 000
The tax charge is made up as follows:		
Current tax:		
UK corporation tax	**14,955**	10,155
Tax under provided (over) in previous years	**(34)**	2,827
	14,921	12,982
Foreign tax	**107**	690
Total current tax	**15,028**	13,672
Deferred tax:		
Origination and reversal of timing differences	**(9,889)**	(3,196)
Deferred tax under provided/(over) in previous years	—	—
Effect of decreased tax rate	**(1,820)**	(3,195)
Total deferred tax (note 8 (b))	**(11,709)**	(6,391)
Tax on profit on ordinary activities	**3,319**	7,281

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

(b) Deferred tax

	2013 $ 000	2012 $ 000
Balance at 1 January	**(33,649)**	(41,902)
Deferred tax credit (charge) in profit and loss account (note 8(a))	**11,709**	8,269
At 30 September	**(21,940)**	(33,633)
Analysis of deferred tax liability at 30 September:		
Provision for underwriting results	**(24,325)**	(36,341)
Other	**2,385**	2,708
	(21,940)	(33,633)

The deferred tax liability in respect of underwriting results relates to the underwriting results that have arisen on the 2011, 2012 and 2013 years of account. These results will be assessed to tax in 2014, 2015 and 2016 respectively.

8. INTANGIBLE ASSETS

	Goodwill $ 000	Purchased syndicate capacity $ 000	Total $ 000
Cost			
At 1 January 2013	20,756	10,105	30,861
Disposals	—	—	—
At 30 September 2013	20,756	10,105	30,861
Amortisation			
At 1 January 2013	13,492	5,543	19,035
Amortisation on disposals	—	—	—
Provided during the year	778	379	1,157
At 30 September 2013	14,270	5,922	20,192
Net book value			
At 30 September 2013	6,486	4,183	10,669
At 1 January 2013	7,264	4,562	11,826

9. FINANCIAL INVESTMENTS

	2013 Historic Cost $ 000	2013 Market Value $ 000	2012 Historic Cost $ 000	2012 Market Value $ 000
Debt securities and other fixed income securities	**252,713**	**220,334**	248,844	249,856
Loans and deposits with credit institutions	**6,626**	**6,590**	10,600	10,667
Other investments	—	—	1,959	1,959
Money market balances	**26,663**	**26,663**	16,121	16,121
	286,002	**253,587**	277,524	278,603

Analysis of market value	2013 $ 000	2012 $ 000
Listed investments	**220,334**	249,856
Unlisted investments	**6,590**	12,626
Money market balances	**26,663**	16,121
	253,587	278,603

Disclosure of Fair Values in accordance with the fair value hierarchy

In accordance with the Amendments to FRS 29 Financial Instruments: Disclosures, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value is provided below.

The levels of the fair value hierarchy are defined by the standard as follows:

Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments,

Level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on observable market data,

Level 3 - fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair value of the Atrium Group's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Included within Level 1 of the hierarchy are the Atrium Group's share of Government bonds and Treasury bills which are measured based on quoted prices over which the Atrium Group has control.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

Level 2 of the hierarchy contains the Atrium Group's share of U.S Government Agencies, Corporate Securities, Asset Backed Securities, Mortgage Backed Securities over which the Atrium Group has control. The fair value of these assets are based on prices obtained from both investment managers and investment custodians as discussed above. This level also include a disclosure of the Atrium Group's share of investments held by non managed syndicates. The directors have classified these holdings as Level 2 following discussions with the relevant managing agency.

The Atrium Group records the unadjusted price provided and validates the price through a number of methods, including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US Government Agencies and Corporate Securities are based on a limited number of transactions for those securities and as such the Atrium Group considers these instruments to have similar characteristics of those instruments classified as Level 2.

Having reviewed the Atrium Group's investments using the above criteria as valuation and pricing the Directors are satisfied that there are no Level 3 investments. In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the year, there were no transfers made between Level 1 and Level 2 of the fair value hierarchy.

30 September 2013	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total fair value $ 000
Financial assets :				
Government securities	73,929	50,004	—	123,933
Corporate	—	74,024	—	74,024
Asset backed securities	—	22,592	—	22,592
Mortgage backed securities	—	6,375	—	6,375
Deposits with ceding undertakings	—	573	—	573
Money market balances	26,663	—	—	26,663
Group Share of Non managed syndicate investments	—	—	—	—
	100,592	153,568	—	254,160

31 December 2012	Level 1 $ 000	Level 2 $ 000	Level 3 $ 000	Total fair value $ 000
Financial assets				
Government securities	112,109	49,455	—	161,564
Corporate	—	66,870	—	66,870
Asset backed securities	—	14,531	—	14,531
Mortgage backed securities	—	10,667	—	10,667
Deposits with ceding undertakings	—	353	—	353
Money market balances	16,121	—	—	16,121
Group Share of Non managed syndicate investments	—	8,850	—	8,850
	128,230	150,726	—	278,956

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

10. DEBTORS

	2013 $ 000	2012 $ 000
Amounts falling due within one year		
Arising out of direct insurance operations		
- owed by intermediaries	**42,007**	54,934
Arising out of reinsurance operations	**105,395**	70,066
Other debtors	**2,252**	8,148
	149,654	133,148
Amounts falling due after one year		
Arising out of direct insurance operations		
- owed by intermediaries	**53**	57
Arising out of reinsurance operations	**55**	86
Other debtors	**2,959**	3,006
	3,067	3,149
	152,721	136,297

11. DEFERRED ACQUISITION COSTS

	2013 $ 000	2012 $ 000
At 1 January	**18,072**	16,854
Change in deferred acquisition costs	**2,088**	1,218
At 30 September	**20,160**	18,072

12. TECHNICAL PROVISIONS

2013	Gross $ 000	Reinsurers' share $ 000	Net $ 000
Notified outstanding claims	**87,085**	**(66,610)**	**20,475**
Provision for Claims incurred but not reported	**143,646**	**(16,080)**	**127,566**
Claims handling expenses	**2,305**	—	**2,305**
Unearned premiums	**69,580**	**(3,775)**	**65,805**
	302,616	**(86,465)**	**216,151**

2012	Gross $ 000	Reinsurers' share $ 000	Net $ 000
Notified outstanding claims	99,232	(72,876)	26,356
Provision for Claims incurred but not reported	148,595	(17,362)	131,233
Claims handling expenses	2,492	—	2,492
Unearned premiums	62,546	(3,524)	59,022
	312,865	(93,762)	219,103

13. CREDITORS

	2013 $ 000	2012 $ 000
Amounts falling due within one year		
Arising out of direct insurance operations	**11,375**	23,446
Arising out of reinsurance operations	**180,412**	144,848
Other creditors including taxation and social security	**19,059**	14,491
	210,846	182,785
Amounts falling due after one year		
Arising out of direct insurance operations	—	—
Arising out of reinsurance operations	—	569
Other creditors including taxation and social security	**66**	273
	66	842
	210,912	183,627

14. CONTINGENT LIABILITIES

Charge over assets

At 1 January 2013, the Atrium Group's participation in underwriting at Lloyd's is £106.8 million (1 January 2012: £106.8 million), $172.4 million (2012: $172.7 million) at quarter end exchange rates, through ownership of its underwriting subsidiary Atrium 5 Limited, the group's corporate member.

15. SUBSEQUENT EVENTS

a) Dividend

The company declared and paid a dividend of $25 million on 20 November, 2013 to ordinary shareholders.

b) Ultimate Holding Company

On 5 June 2013, AHL entered into a definitive agreement with two subsidiaries of Enstar Group Limited ("Enstar") under which Enstar agreed to acquire the entire issued share capital of the Atrium Group. As at 30 September 2013, completion of the transaction remained conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. Enstar subsequently announced that Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, "Trident") had acquired a 40% interest in the holding company for the acquisition subsidiary on 3 July 2013 and had agreed to provide 40% of the purchase price and related expenses for the acquisition of the Atrium Group.

The parties to the definitive purchase agreement for the acquisition entered into a deed of variation on 21 November 2013, which provided, among other things, for the payment of a $25.0 million pre-completion dividend from Atrium to AHL and a corresponding $25.0 million reduction in the purchase price (bringing the total purchase price from $183.0 million to $158.0 million). The transaction was completed on 25 November 2013.

In addition, on 5 June 2013, AHL entered into a definitive agreement with two subsidiaries of Enstar under which Enstar agreed to acquire the entire issued share capital of Arden Reinsurance Company Limited ("Arden Re"), which is also a subsidiary of AHL. Arden Re is a Bermuda-based reinsurance company that provides reinsurance to Atrium's corporate name. The two transactions are governed by separate purchase agreements and Enstar's acquisition of the Atrium Group was not conditioned on its acquisition of Arden Re. On 9 September 2013, Arden Holdings completed its sale of Arden Re's entire issued share capital to Enstar's wholly-owned subsidiary and Trident.

16. SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM ("UK GAAP") AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA ("US GAAP")

The Atrium Underwriting Group Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the profit for the period after taxation, as determined under UK GAAP, are set out in the tables below:

a) Profit for the 9 months ending 30 September

Income Statement

		2013 $ 000		2012 $ 000
UK GAAP profit for the period after taxation		16,218		18,683
US GAAP adjustments:				
i) Amortisation of goodwill and purchased capacity	1,157		1149	
ii) DAC adjustment	(243)		(504)	
iii) Taxation	636		218	
Total US GAAP Adjustments		1,550		863
Amount treated as OCI				
iv) Unrealised (gains)/losses		3,972		(1,194)
Net income under US GAAP		**21,740**		**18,352**

Comprehensive Income

	2013 $ 000	2012 $ 000
Profit in accordance with US GAAP	21,740	18,352
Amount transferred from Income Statement		
iv) Unrealised (gains)/losses	(3,972)	1,194
Comprehensive income in accordance with US GAAP	**17,768**	**19,546**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

i) Amortisation of goodwill and purchased capacity

Under UK GAAP goodwill arising on acquisitions and purchased syndicate capacity is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. Under US GAAP goodwill and purchased capacity is not automatically amortised but reviewed, annual or more frequently if impairment indicators exist, for impairment instead. We have carried out an impairment review and no write down is required.

ii) DAC adjustment

Under UK GAAP the ABI SORP allows deferral of direct and indirect costs arising in the acquisition of insurance contracts. Under US GAAP insurance entities are required to capitalise certain acquisition costs directly related to successful insurance contracts. Indirect costs are required to be expensed as incurred.

iii) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

US GAAP Taxation adjustments	2013 $ 000	2012 $ 000
Current taxation	(162)	246
Deferred taxation	798	(28)
	636	218

UK entities are taxed locally level with reference to their UK GAAP taxable profits. Adjustments made to present the consolidated results of the group under US GAAP are both presentational and numerical. To the extent that a temporary difference exists due to adjustments made, deferred tax has been recognised under US GAAP principles. The tax impact in the year is either in the profit and loss account or Other Comprehensive Income for US GAAP purposes, following where the underlying item to which the tax relates is accounted for. This is with the exception of the impact of tax rate changes, which are provided in the profit and loss account

iv) Amortisation adjustment and unrealised (gains)/losses re investments

Under UK GAAP investments are stated at their current values at the end of the period. Unrealised gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the period. Unrealised gains and losses are included within investment return in the Profit and Loss Account.

Under US GAAP these investments are classified as available-for-sale and are carried at fair value, with unrealized gains and losses excluded from net earnings and reported as a separate component of accumulated Other Comprehensive Income.Amortization of premium or discount is recognized using the effective yield method and included in net investment income.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
For the nine months ending 30 September 2013 and 2012

b) Balance Sheet as at 30 September 2013 and 31 December 2012

	2013 $ 000	2012 $ 000
UK GAAP shareholders' equity interest	78,367	62,142
US GAAP adjustments:		
(i) Amortisation of goodwill and purchased capacity	20,192	19,035
(ii) DAC adjustment	(2,348)	(2,243)
(iii) Taxation	(528)	34
Total US GAAP Adjustments	17,316	16,826
Shareholders Funds under US GAAP	**95,682**	78,968

v) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

	2013 $ 000	2012 $ 000
US GAAP Taxation adjustments		
Current taxation	0	0
Deferred taxation	528	(34)
	528	(34)

The position presented in the table above represents the cumulative impact of GAAP differences as at each balance sheet date, being due to temporary differences arising on differences between UK GAAP and US GAAP for DAC, purchased syndicate capacity amortisation, and amortisation adjustments regarding investments

c) Cash Flow Statement For the 9 months to 30 September 2013 and 2012

As a wholly owned subsidiary the Company applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement for UK GAAP reporting purposes. Cash flow statements prepared on a US GAAP basis for the 9 months to 30 September 2013 and 2012 are set forth below.

	$,000 2013	$,000 2012
Cash flows provided by operating activities:		
Net income	17,768	19,546
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment gains	(249)	(64)
Net unrealised investment (gains) losses	0	0
Net realized investment gains on foreign exchange	(166)	(316)
Net amortization on fixed maturity and short-term investments	1,149	941
Depreciation	380	184
Change in:		
Deposits with ceding companies	(221)	(188)
Premiums receivable - third party	10,793	(4,909)

Premiums receivable – intercompany	(1,563)	(2,234)
Accrued investment income	(76)	(145)
Deferred acquisition costs - third party	(1,836)	(2,073)
Prepaid reinsurance - third party	(251)	94
Paid losses recoverable - third party	304	1,651
Paid losses recoverable - intercompany	(31,901)	(3,023)
Loss reserve recoverable - third party	891	5,400
Loss reserve recoverable - intercompany	6,657	(17,144)
Other assets	8,095	(2,041)
Reserve for losses and loss adjustment expenses - third party	(17,283)	(43,651)
Unearned premiums - third party	7,034	7,926
Reinsurance premiums payable - third party	322	(4,822)
Reinsurance premiums payable - intercompany	34,739	16,298
Losses payable - third party	(12,136)	(2,168)
Intercompany receivable/payable	(1,329)	551
Deferred tax asset	359	(110)
Deferred tax liability	(12,085)	(6,135)
Current taxes recoverable	(7,753)	(7,130)
Current taxes payable	14,175	15,500
Other liabilities	(604)	(5,192)
Accounts payable and accrued expenses	(5,836)	3,602
Net cash provided by operating activities	**8,656**	**(29,420)**

	$ 000 2013	$ 000 2012
Cash flows used in investing activities:		
Purchases of fixed maturity investments	(35,940)	(125,539)
Sales and maturities of fixed maturity investments	61,281	71,400
Net purchases of short-term investments	(4,350)	(229)
Net sale of other investments	8,849	0
Purchase of fixed assets	939	(40)
Net cash used in investing activities	**30,778**	**(2,160)**
Cash flows provided by financing activities:		
Dividends to parent	—	(29,400)
Net cash provided by financing activities	—	(29,400)
Effect of exchange rate changes on cash and cash equivalents	2,657	(2,310)
Net increase (decrease) in cash and cash equivalents	**42,091**	**(63,290)**
Cash and cash equivalents - beginning of year	62,821	134,015
Cash and cash equivalents - end of period	**104,912**	**70,725**

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 2013

The following preliminary unaudited pro forma condensed combined consolidated statement of earnings is based on the historical financial statements of Enstar and the consolidated results of Atrium Underwriting Group Ltd. ("Atrium") and Arden Reinsurance Company Ltd. ("Arden").

On November 25, 2013, Kenmare Holdings Ltd. ("Kenmare"), a wholly-owned subsidiary of Enstar, together with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (collectively, "Trident"), completed the acquisition of Atrium from Arden Holdings Ltd. The purchaser of Atrium, Alopuc Limited, is 100% owned by Northshore Holdings Limited ("Northshore"), which at the time of the closing was 60% owned by Kenmare and 40% owned by Trident. During 2014, Kenmare's and Trident's ownership interests were decreased modestly due to changes in Northshore's equity structure. On September 9, 2013, Kenmare and Trident, through Northshore, completed the acquisition of Arden from Arden Holdings Ltd.

The preliminary unaudited pro forma condensed combined consolidated statement of earnings for the year ended December 31, 2013 is presented as if Enstar had completed the acquisitions of Arden and Atrium as of January 1, 2013.

The preliminary unaudited pro forma condensed combined consolidated statement of earnings is presented for informational purposes only and does not necessarily reflect the historical results of the combined companies that actually would have occurred had the transactions been in effect during the period indicated or that may be obtained in the future.

The preliminary unaudited pro forma condensed combined consolidated statement of earnings should be read in conjunction with:

- Enstar's "Management's Discussion and Analysis of Financial Condition and Results of Operations" and historical financial statements, including the related notes, with respect to the year ended December 31, 2013 included in Enstar's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the SEC on March 3, 2014;
- Enstar's subsequent Quarterly Reports on Form 10-Q filed with the SEC;
- the historical financial statements of Arden included in Exhibits 99.1 and 99.2 to this Current Report on Form 8-K; and
- the historical financial statements of Atrium included in Exhibits 99.3 and 99.4 to this Current Report on Form 8-K.

Enstar Group Limited
Preliminary Unaudited Pro Forma Condensed Combined Consolidated Statement of Earnings
For the Year Ended December 31, 2013
(Expressed in thousands of U.S. dollars)

	Enstar	Arden	Arden Pro forma Adjustments	Atrium	Atrium Pro forma Adjustments	Pro forma Combined
INCOME						
Net premiums earned	$ 239,807	$15,314	$ —	$69,763	$ —	$ 324,884
Fees and commission income	12,817	40	—	24,971	—	37,828
Net investment income	93,295	371	—	3,547	—	97,213
Net realized and unrealized gains	70,651	154	—	1,326	—	72,131
	416,570	15,879	—	99,607	—	532,056
EXPENSES						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(163,672)	16,954	218(a)	9,402	—	(137,098)
Life and annuity policy benefits	78,354	—	—	—	—	78,354
Acquisition costs	23,199	1,720	—	32,515	—	57,434
Salaries and benefits	124,616	—	—	—	23,517(d)	148,133
General and administrative expenses	86,612	105	—	25,992	(21,653)(e),(f)	91,056
Interest expense	12,389	—	1,111(b)	—	3,105(g)	16,605
Net foreign exchange (gains) losses	(4,369)	(174)	—	213	—	(4,330)
	157,129	18,605	1,329	68,122	4,969	250,154
EARNINGS (LOSS) BEFORE INCOME TAXES	259,441	(2,726)	(1,329)	31,485	(4,969)	281,902
INCOME TAXES	(35,619)	(40)	—	(4,303)	—	(39,962)
NET EARNINGS (LOSS)	223,822	(2,766)	(1,329)	27,182	(4,969)	241,940
Less: Net (earnings) loss attributable to noncontrolling interest	(15,218)	—	1,236(c)	—	(10,127)(h)	(24,109)
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 208,604	$ (2,766)	$ (93)	$27,182	$ (15,096)	$ 217,831
Earning per share — basic	$ 12.62					$ 13.18
Earning per share — diluted	$ 12.49					$ 13.04
Weighted average ordinary shares outstanding — basic	16,523,369					16,523,369
Weighted average ordinary shares outstanding — diluted	16,703,442					16,703,442

1. Unaudited Pro Forma Adjustments

The unaudited pro forma financial information is not necessarily indicative of what the financial position and results from operations actually would have been had the transactions been completed as of January 1, 2013 and includes adjustments that are preliminary and may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined companies would have been, nor necessarily indicative of the financial position of the post-transaction periods.

The descriptions related to these preliminary unaudited pro forma adjustments are as follows:

		Increase (decrease) for Year Ended December 31, 2013 (dollars in thousands)
	Arden Pro Forma Adjustments	
(a)	Adjustment to amortize the fair value adjustment of intangible assets	$ (218)
(b)	Adjustment to reflect the interest expense on the drawdown of the Revolving Credit Facility	$ (1,111)
(c)	Adjustment to reflect the redeemable noncontrolling interest's 40% share of Arden's pro forma loss and cumulative adjustment entries	$ 1,236
	Atrium Pro Forma Adjustments	
(d)	Adjustment to reclassify salaries and benefits to conform presentation	$ (23,517)
(e)	Adjustment to remove salary and benefits from general and administrative expenses to conform presentation	$ 23,517
(f)	Adjustment to amortize the fair value adjustment of intangible assets	$ (1,864)
(g)	Adjustment to reflect the interest expense on the drawdown of the Revolving Credit Facility	$ (3,105)
(h)	Adjustment to reflect the redeemable noncontrolling interest's share of Atrium's pro forma earnings and cumulative adjustment entries	$ (10,127)