**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
# FORM 10-Q

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

For the quarterly period ended March 31, 2019
Commission File Number 001-33289

# ENSTAR GROUP LIMITED
*(Exact name of Registrant as specified in its charter)*

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

**Windsor Place, 3rd Floor, 22 Queen Street, Hamilton HM JX, Bermuda**
(Address of principal executive offices, including zip code)
Registrant's telephone number, including area code: **(441) 292-3645**

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

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

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

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

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

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

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

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

As at May 7, 2019, the registrant had outstanding 17,971,679 voting ordinary shares and 3,509,682 non-voting convertible ordinary shares, each par value $1.00 per share.

**Enstar Group Limited**

**Quarterly Report on Form 10-Q**
**For the Period Ended March 31, 2019**

## Table of Contents

# PART I — FINANCIAL INFORMATION

## ITEM 1. *FINANCIAL STATEMENTS*

# ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
## As of March 31, 2019 (unaudited) and December 31, 2018

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| | (expressed in thousands of U.S. dollars, except share data) | |
| **ASSETS** | | |
| Short-term investments, trading, at fair value | $ 76,060 | $ 114,116 |
| Fixed maturities, trading, at fair value | 7,317,054 | 7,248,793 |
| Fixed maturities, available-for-sale, at fair value (amortized cost: 2019 — $142,675; 2018 — $151,433) | 146,575 | 151,609 |
| Funds held - directly managed | 1,288,210 | 1,198,154 |
| Equities, at fair value | 400,420 | 367,125 |
| Other investments, at fair value | 2,324,345 | 1,957,757 |
| Equity method investments | 221,023 | 204,507 |
| Total investments (*Note 3* and *Note 8*) | 11,773,687 | 11,242,061 |
| Cash and cash equivalents | 718,050 | 602,096 |
| Restricted cash and cash equivalents | 427,601 | 380,488 |
| Premiums receivable | 719,979 | 787,468 |
| Deferred tax assets *(Note 17)* | 9,062 | 10,124 |
| Prepaid reinsurance premiums | 208,558 | 198,990 |
| Reinsurance balances recoverable *(Note 5)* | 1,551,190 | 1,290,072 |
| Reinsurance balances recoverable, at fair value *(Note 5* and *Note 8)* | 735,257 | 739,591 |
| Funds held by reinsured companies | 919,738 | 321,267 |
| Deferred acquisition costs | 195,733 | 121,101 |
| Goodwill and intangible assets *(Note 11)* | 218,160 | 218,725 |
| Other assets | 581,236 | 644,287 |
| TOTAL ASSETS | $ 18,058,251 | $ 16,556,270 |
| **LIABILITIES** | | |
| Losses and loss adjustment expenses *(Note 7)* | $ 7,248,229 | $ 6,535,449 |
| Losses and loss adjustment expenses, at fair value *(Note 7* and *Note 8)* | 2,847,793 | 2,874,055 |
| Policy benefits for life and annuity contracts *(Note 9)* | 100,682 | 105,080 |
| Unearned premiums | 951,042 | 842,618 |
| Insurance and reinsurance balances payable | 455,738 | 388,086 |
| Deferred tax liabilities *(Note 17)* | 9,204 | 10,542 |
| Debt obligations *(Note 12)* | 1,103,790 | 861,539 |
| Other liabilities | 605,263 | 566,369 |
| TOTAL LIABILITIES | 13,321,741 | 12,183,738 |
| **COMMITMENTS AND CONTINGENCIES *(Note 19)*** | | |
| **REDEEMABLE NONCONTROLLING INTEREST *(Note 13)*** | 456,346 | 458,543 |
| **SHAREHOLDERS’ EQUITY *(Note 14)*** | | |
| Ordinary shares (par value $1 each, issued and outstanding 2019: 21,467,515; 2018: 21,459,997): | | |
| Voting Ordinary shares (issued and outstanding 2019: 17,957,833; 2018: 17,950,315) | 17,958 | 17,950 |
| Non-voting convertible ordinary Series C Shares (issued and outstanding 2019 and 2018: 2,599,672) | 2,600 | 2,600 |
| Non-voting convertible ordinary Series E Shares (issued and outstanding 2019 and 2018: 910,010) | 910 | 910 |
| Preferred Shares: | | |
| Series C Preferred Shares (issued and held in treasury 2019 and 2018: 388,571) | 389 | 389 |
| Series D Preferred Shares (issued and outstanding 2019 and 2018: 16,000) | 400,000 | 400,000 |
| Series E Preferred Shares (issued and outstanding 2019 and 2018: 4,400) | 110,000 | 110,000 |
| Treasury shares, at cost (Series C Preferred shares 2019 and 2018: 388,571) | (421,559) | (421,559) |
| Additional paid-in capital | 1,809,107 | 1,804,664 |
| Accumulated other comprehensive income | 13,279 | 10,440 |
| Retained earnings | 2,335,028 | 1,976,539 |
| Total Enstar Group Limited Shareholders’ Equity | 4,267,712 | 3,901,933 |
| Noncontrolling interest | 12,452 | 12,056 |
| TOTAL SHAREHOLDERS’ EQUITY | 4,280,164 | 3,913,989 |
| TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS’ EQUITY | $ 18,058,251 | $ 16,556,270 |

See accompanying notes to the unaudited condensed consolidated financial statements

**ENSTAR GROUP LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**
**For the Three Months Ended March 31, 2019 and 2018**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| | (expressed in thousands of U.S. dollars, except share and per share data) | |
| INCOME | | |
| Net premiums earned | $ 335,287 | $ 170,219 |
| Fees and commission income | 6,681 | 8,331 |
| Net investment income | 78,696 | 66,319 |
| Net realized and unrealized gains (losses) | 460,791 | (143,030) |
| Other income | 5,812 | 1,943 |
| | 887,267 | 103,782 |
| EXPENSES | | |
| Net incurred losses and loss adjustment expenses | 312,404 | 19,534 |
| Life and annuity policy benefits | 96 | (46) |
| Acquisition costs | 93,788 | 30,108 |
| General and administrative expenses | 112,074 | 95,260 |
| Interest expense | 11,036 | 8,011 |
| Net foreign exchange gains (losses) | (3,850) | 5,868 |
| | 525,548 | 158,735 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 361,719 | (54,953) |
| Income tax expense | (4,749) | (172) |
| Earnings from equity method investments | 8,772 | 14,697 |
| NET EARNINGS (LOSS) | 365,742 | (40,428) |
| Net loss (earnings) attributable to noncontrolling interest | 2,148 | (782) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED | 367,890 | (41,210) |
| Dividends on preferred shares | (9,139) | — |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ 358,751 | $ (41,210) |
| | | |
| Earnings (Loss) per ordinary share attributable to Enstar Group Limited: | | |
| Basic | $ 16.71 | $ (2.12) |
| Diluted | $ 16.57 | $ (2.12) |
| Weighted average ordinary shares outstanding: | | |
| Basic | 21,463,499 | 19,409,021 |
| Diluted | 21,645,862 | 19,602,512 |

See accompanying notes to the unaudited condensed consolidated financial statements

**ENSTAR GROUP LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**For the Three Months Ended March 31, 2019 and 2018**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| | (expressed in thousands of U.S. dollars) | |
| NET EARNINGS (LOSS) | $ 365,742 | $ (40,428) |
| | | |
| Other comprehensive income, net of tax: | | |
| Unrealized holding gains (losses) on fixed income available-for-sale investments arising during the period | 3,663 | (346) |
| Reclassification adjustment for net realized gains included in net earnings | 61 | 30 |
| Unrealized gains (losses) arising during the period, net of reclassification adjustments | 3,724 | (316) |
| Total cumulative translation adjustment | (801) | 1,225 |
| Total other comprehensive income | 2,923 | 909 |
| | | |
| Comprehensive income (loss) | 368,665 | (39,519) |
| Comprehensive (income) loss attributable to noncontrolling interest | 2,064 | (756) |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED | $ 370,729 | $ (40,275) |

See accompanying notes to the unaudited condensed consolidated financial statements

# ENSTAR GROUP LIMITED
## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
## For the Three Months Ended March 31, 2019 and 2018

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (expressed in thousands of U.S. dollars) | |
| **Share Capital — Voting Ordinary Shares** | | |
| Balance, beginning of period | $ 17,950 | $ 16,402 |
| Issue of shares | 8 | 11 |
| Balance, end of period | $ 17,958 | $ 16,413 |
| **Share Capital — Non-Voting Convertible Ordinary Series C Shares** | | |
| Balance, beginning and end of period | $ 2,600 | $ 2,600 |
| **Share Capital — Non-Voting Convertible Ordinary Series E Shares** | | |
| Balance, beginning and end of period | $ 910 | $ 405 |
| **Share Capital — Series C Convertible Participating Non-Voting Preferred Shares** | | |
| Balance, beginning and end of period | $ 389 | $ 389 |
| **Share Capital — Series D Preferred Shares** | | |
| Balance, beginning and end of period | $ 400,000 | $ — |
| **Share Capital — Series E Preferred Shares** | | |
| Balance, beginning and end of period | $ 110,000 | $ — |
| **Treasury Shares (Series C Preferred shares)** | | |
| Balance, beginning and end of period | $ (421,559) | $ (421,559) |
| **Additional Paid-in Capital** | | |
| Balance, beginning of period | $ 1,804,664 | $ 1,395,067 |
| Issue of voting ordinary shares | 466 | (94) |
| Amortization of share-based compensation | 3,977 | 5,651 |
| Balance, end of period | $ 1,809,107 | $ 1,400,624 |
| **Accumulated Other Comprehensive Income (Loss)** | | |
| Balance, beginning of period | $ 10,440 | $ 10,468 |
| Currency translation adjustment | | |
| Balance, beginning of period | 10,986 | 11,171 |
| Change in currency translation adjustment | (803) | 1,229 |
| Balance, end of period | 10,183 | 12,400 |
| Defined benefit pension liability | | |
| Balance, beginning and end of period | (987) | (3,143) |
| Unrealized gains (losses) on available-for-sale investments | | |
| Balance, beginning of period | 441 | 2,440 |
| Change in unrealized gains (losses) on available-for-sale investments | 3,642 | (294) |
| Balance, end of period | 4,083 | 2,146 |
| Balance, end of period | $ 13,279 | $ 11,403 |
| **Retained Earnings** | | |
| Balance, beginning of period | $ 1,976,539 | $ 2,132,912 |
| Net earnings (losses) attributable to Enstar Group Limited | 365,742 | (40,428) |
| Net loss (earnings) attributable to noncontrolling interest | 2,148 | (782) |
| Dividends on preferred shares | (9,139) | — |
| Change in redemption value of redeemable noncontrolling interests | (262) | (369) |
| Cumulative effect of change in accounting principle | — | (1,573) |
| Balance, end of period | $ 2,335,028 | $ 2,089,760 |
| **Noncontrolling Interest (excludes Redeemable Noncontrolling Interest)** | | |
| Balance, beginning of period | $ 12,056 | $ 9,264 |
| Contribution of capital | — | 49 |
| Net earnings attributable to noncontrolling interest | 396 | (37) |
| Balance, end of period | $ 12,452 | $ 9,276 |

See accompanying notes to the unaudited condensed consolidated financial statements

**ENSTAR GROUP LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the Three Months Ended March 31, 2019 and 2018**

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| | (expressed in thousands of U.S. dollars) | |
| OPERATING ACTIVITIES: | | |
| Net earnings (loss) | $ 365,742 | $ (40,428) |
| Adjustments to reconcile net earnings (loss) to cash flows provided by (used in) operating activities: | | |
| Realized losses (gains) on sale of investments | (270) | 5,978 |
| Unrealized losses (gains) on investments | (460,521) | 137,052 |
| Depreciation and other amortization | 7,900 | 7,576 |
| Earnings from equity method investments | (8,772) | (14,697) |
| Sales and maturities of trading securities | 1,486,423 | 904,977 |
| Purchases of trading securities | (1,379,411) | (1,733,720) |
| Other non-cash items | 4,687 | 6,363 |
| Changes in: | | |
| Reinsurance balances recoverable | (256,706) | (347,798) |
| Funds held by reinsured companies | (598,471) | (639,394) |
| Losses and loss adjustment expenses | 685,834 | 1,587,609 |
| Policy benefits for life and annuity contracts | (2,304) | (2,980) |
| Insurance and reinsurance balances payable | 67,653 | 119,830 |
| Unearned premiums | 108,424 | 128,973 |
| Premiums receivable | 67,489 | — |
| Other operating assets and liabilities | 19,441 | (193,555) |
| Net cash flows provided by (used in) operating activities | 107,138 | (74,214) |
| INVESTING ACTIVITIES: | | |
| Sales and maturities of available-for-sale securities | 5,839 | 22,700 |
| Purchase of available-for-sale securities | (147) | (5,039) |
| Purchase of other investments | (225,961) | (275,862) |
| Proceeds from other investments | 58,980 | 32,276 |
| Purchase of equity method investments | (9,762) | — |
| Other investing activities | (1,956) | (4,304) |
| Net cash flows used in investing activities | (173,007) | (230,229) |
| FINANCING ACTIVITIES: | | |
| Dividends on preferred shares | (9,139) | — |
| Contribution by noncontrolling interest | — | 49 |
| Receipt of loans | 344,000 | 345,400 |
| Repayment of loans | (102,000) | (132,938) |
| Net cash flows provided by financing activities | 232,861 | 212,511 |
| EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS | (3,925) | 15,059 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 163,067 | (76,873) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 982,584 | 1,212,836 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 1,145,651 | $ 1,135,963 |
| **Supplemental Cash Flow Information:** | | |
| Income taxes paid, net of refunds | $ 9 | $ 2,461 |
| Interest paid | $ 14,215 | $ 10,530 |
| **Reconciliation to Consolidated Balance Sheets:** | | |
| Cash and cash equivalents | 718,050 | 652,827 |
| Restricted cash and cash equivalents | 427,601 | 483,136 |
| Cash, cash equivalents and restricted cash | $ 1,145,651 | $ 1,135,963 |

See accompanying notes to the unaudited condensed consolidated financial statements

ENSTAR GROUP LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019 and December 31, 2018

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Preparation*

These unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments consisting of normal recurring items considered necessary for a fair presentation under U.S. GAAP. The results of operations for any interim period are not necessarily indicative of results of the full year. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018. All significant inter-company transactions and balances have been eliminated. In these notes, the terms "we," "us," "our," or "the Company" refer to Enstar Group Limited and its consolidated subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings.

### *Use of Estimates*

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

- liability for losses and loss adjustment expenses ("LAE");
- liability for policy benefits for life contracts;
- reinsurance balances recoverable on paid and unpaid losses;
- Valuation allowances on reinsurance balances recoverable and deferred tax assets;
- impairment charges, including other-than-temporary impairments on investment securities classified as available-for-sale, and impairments on goodwill, intangible assets and deferred charge asset;
- gross and net premiums written and net premiums earned;
- fair value measurements of investments;
- fair value estimates associated with accounting for acquisitions;
- fair value estimates associated with loss portfolio transfer reinsurance agreements for which we have elected the fair value option; and
- redeemable noncontrolling interests.

### *New Accounting Standards Adopted in 2019*

*Accounting Standards Update ("ASU") 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

In February 2018, the Financial Accounting Standards Board (the "FASB") issued ASU 2018-02, which gives entities the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income (“AOCI”) that are deemed stranded in AOCI as a result of the Tax Cuts and Jobs Act (the "Tax Act") enacted in the United States at the end of 2017. The amendments in this guidance eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statement users. We adopted the new standard on January 1, 2019, and that adoption did not have a material impact on our consolidated financial statements and related disclosures.

*ASUs 2016-02, 2018-10, 2018-11 and 2019-01, Leases*

In February 2016, the FASB issued ASU 2016-02, which is codified in Accounting Standards Codification ("ASC") 842 - *Leases*, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. The ASU requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements. Subsequently, in July 2018, the FASB issued ASU 2018-10, which clarifies how to apply certain aspects of ASC 842. The amendments in the ASU address a number of issues in the new leases guidance, including (1) the rate implicit in the lease, (2) impairment of the net investment in the lease, (3) lessee reassessment of lease classification, (4) lessor reassessment of lease term and purchase options, (5) variable payments that depend on an index or rate, and (6) certain transition adjustments.

In July 2018, the FASB also issued ASU 2018-11, which adds a transition option for all entities and a practical expedient only for lessors to ASU 2016-02. The transition option, which we elected on adoption of the guidance, allows entities to choose not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840 - *Leases*, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard. This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option are still required to adopt the new leases standard using the modified retrospective transition method, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The practical expedient provides lessors with an option to not separate the non-lease components from the associated lease components when certain criteria are met and requires them to account for the combined component in accordance with the revenue recognition standard in ASC 606 if the associated non-lease components are the predominant components.

In addition, in March 2019, the FASB issued ASU 2019-01 to clarify that in the year of initial adoption of ASC 842, entities are not subject to the transition disclosure requirements in ASC 250-10-50-3 related to the effect of an accounting change on certain interim period financial information. Prior to this clarification, the transition guidance in ASC 842 only excluded the annual disclosures required in ASC 250-10-50-1(b)(2).

We adopted ASU 2016-02 and the related amendments on January 1, 2019 using the modified retrospective transition method as required by the standard and recognized a right-of-use asset and an offsetting lease liability of $51.6 million on our consolidated balance sheet, relating primarily to office space and facilities that we have leased to conduct our business operations. Refer to Note 19 - "Commitments and Contingencies" for further details.

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

Note 2 - "Significant Accounting Policies" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 describes accounting pronouncements that were not adopted as of December 31, 2018. Those pronouncements have not yet been adopted unless discussed above in "New Accounting Standards Adopted in 2019". In addition, the following relevant accounting pronouncement was issued by the FASB subsequent to the three months ended March 31, 2019 and is yet to be adopted.

*ASU 2019-04 - Codification Improvements to ASC 326 - Financial Instruments - Credit Losses, ASC 815 - Derivatives and Hedging and ASC 825 - Financial Instruments*

In April 2019, the FASB issued ASU 2019-04, which amends, (1) ASU 2016-13 on credit losses as codified in ASC 326, (2) ASU 2017-12 on hedging activities as codified in ASC 815, and (3) ASU 2016-01 on recognizing and measuring financial instruments as codified in ASC 825-10. The amendments in ASU 2019-04 clarify the scope and also address certain implementation issues related to these three standards. Specifically, the amendments clarify the scope of the credit losses standard and addresses issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments. With respect to the hedge accounting standard, the amendments address partial-term fair value hedges, fair value hedge basis adjustments and certain transition requirements. On recognizing and measuring financial instruments, the ASU addresses the scope of ASC 825, the requirement for re-measurement under ASC 820 when using the measurement alternative, certain disclosure requirements and which equity securities have to be remeasured at historical exchange rates.

The amendments to the credit losses and hedging standards have the same effective dates and transition requirements as the initial standards, unless an entity has already adopted those standards. For entities that have already adopted the credit losses standard, the amendments are effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted, and the amendments should be applied on a modified retrospective basis.

For entities that have already adopted ASU 2017-12, which we did during the quarter ended September 30, 2017, the amendments are effective as of the beginning of the next annual period which is January 1, 2020 for us, although early adoption is permitted. The ASU requires entities to either retrospectively apply the amendments as of the date they adopted ASU 2017-12, or prospectively, as of the date they adopt the amendments, with certain exceptions.

The amendments on recognizing and measuring financial instruments are effective for interim and annual reporting periods beginning after December 15, 2019 although early adoption is permitted for entities that have already adopted ASU 2016-01 which we did on January 1, 2018. The ASU requires entities to apply these amendments on a modified retrospective basis, except for those related to equity securities without readily determinable fair values that are measured using the measurement alternative, which entities are required to apply prospectively.

We expect to adopt ASU 2019-04 on January 1, 2020 using the modified retrospective approach required by the standard however, we do not expect that adoption to have a material impact on our consolidated financial statements and related disclosures in view of the composition of our current balance sheet, specifically our financial instruments within the scope of ASU 2016-01 and ASU 2016-13 as well as our existing hedging strategies which largely relate to net investment and cash flow hedging activities.

## 2. SIGNIFICANT NEW BUSINESS

*Zurich*

On April 16, 2019, we entered into a reinsurance transaction with Zurich Insurance Group ("Zurich"), pursuant to which we will reinsure certain of Zurich's U.S. asbestos and environmental liability insurance portfolios. In the transaction we will assume approximately $0.5 billion of gross reserves, relating to 1986 and prior year business. Completion of the transaction, which is expected to occur in 2019, is subject to, among other things, regulatory approvals and satisfaction of various other customary closing conditions.

*Maiden*

On March 1, 2019, we entered into a Master Agreement with Maiden Holdings, Ltd. ("Maiden Holdings") and Maiden Reinsurance Ltd. (“Maiden Re Bermuda”). Under the Master Agreement, Enstar and Maiden Re Bermuda agreed to enter into an Adverse Development Cover Reinsurance Agreement (“ADC Agreement”) pursuant to which Maiden Re Bermuda will cede and Enstar will reinsure 100% of the liability of Maiden Re Bermuda, as reinsurer, under Maiden Re Bermuda’s two existing quota share agreements with certain insurance companies owned directly or indirectly by AmTrust Financial Services, Inc. (“AmTrust”) for losses incurred on or prior to December 31, 2018 in excess of a $2.44 billion retention, as such figure may be adjusted based upon Maiden Re Bermuda’s final year end reserves for the underlying business, up to a $675 million limit. The premium payable by Maiden Re Bermuda to Enstar under the ADC Agreement will be $500 million. Completion of the transaction is subject to, among other things, regulatory approvals and satisfaction of various closing conditions. The transaction is expected to close in the second quarter of 2019.

*Amerisure*

On February 15, 2019, we entered into a loss portfolio transfer reinsurance agreement with Amerisure Mutual Insurance Company ("Amerisure") and Allianz Risk Transfer (Bermuda) Limited (“ART Bermuda”). In the transaction, Amerisure has agreed to cede, and each of Enstar and ART Bermuda has agreed to severally assume, a 50% quota share of the construction defect losses incurred by Amerisure and certain of its subsidiaries on or before December 31, 2012. At closing, Amerisure paid Enstar and ART Bermuda an aggregate premium of $125.0 million, which was adjusted for a broker commission and paid claims and recoveries from April 1, 2018, and Enstar's subsidiary assumed $60.0 million of net reserves in the transaction. This transaction closed in the second quarter.

*AmTrust RITC Transactions*

On February 14, 2019, we completed four RITC transactions with Syndicates 1206, 1861, 2526 and 5820 (collectively the "AmTrust RITC Transactions"), managed by AmTrust Syndicates Limited, under which we reinsured to close the 2016 and prior underwriting years. We assumed, among other items, gross loss reserves of £703.8 million ($897.1 million) and net loss reserves of £486.8 million ($620.4 million) relating to the portfolios in exchange for consideration of £539.9 million ($688.2 million) and recorded a deferred charge asset of $20.6 million. We have an investment in AmTrust, as described further in Note 18 - "Related Party Transactions".

## 3. INVESTMENTS

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

### *Fixed Maturity Investments*

*Asset Types*

The fair values of the underlying asset types of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, and the fixed maturity investments included within our funds held - directly managed balance were as follows:

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Short-term investments, trading | Fixed maturities, trading | Fixed maturities, available-for-sale | Fixed maturities, funds held - directly managed | Total |
| U.S. government and agency | $ 23,188 | $ 318,695 | $ 574 | $ 74,849 | $ 417,306 |
| U.K. government | 1,238 | 277,205 | — | — | 278,443 |
| Other government | 5,402 | 673,155 | 72,099 | 19,320 | 769,976 |
| Corporate | 43,662 | 4,343,019 | 71,846 | 645,488 | 5,104,015 |
| Municipal | — | 101,747 | 2,047 | 56,272 | 160,066 |
| Residential mortgage-backed | — | 342,891 | 9 | 86,105 | 429,005 |
| Commercial mortgage-backed | — | 645,751 | — | 238,373 | 884,124 |
| Asset-backed | 2,570 | 614,591 | — | 79,207 | 696,368 |
| Total fixed maturity and short-term investments | $ 76,060 | $ 7,317,054 | $ 146,575 | $ 1,199,614 | $ 8,739,303 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Short-term investments, trading | Fixed maturities, trading | Fixed maturities, available-for-sale | Fixed maturities, funds held - directly managed | Total |
| U.S. government and agency | $ 45,885 | $ 389,735 | $ 573 | $ 74,052 | $ 510,245 |
| U.K. government | 2,275 | 298,356 | — | — | 300,631 |
| Other government | 19,064 | 679,525 | 73,185 | 22,036 | 793,810 |
| Corporate | 44,900 | 4,081,793 | 75,359 | 637,788 | 4,839,840 |
| Municipal | — | 73,856 | 2,480 | 53,929 | 130,265 |
| Residential mortgage-backed | — | 682,962 | 12 | 90,583 | 773,557 |
| Commercial mortgage-backed | — | 488,598 | — | 224,465 | 713,063 |
| Asset-backed | 1,992 | 553,968 | — | 80,521 | 636,481 |
| Total fixed maturity and short-term investments | $ 114,116 | $ 7,248,793 | $ 151,609 | $ 1,183,374 | $ 8,697,892 |

Included within residential and commercial mortgage-backed securities as of March 31, 2019 were securities issued by U.S. governmental agencies with a fair value of $294.5 million (as of December 31, 2018: $656.6 million). Included within corporate securities as of March 31, 2019 were senior secured loans of $29.1 million (as of December 31, 2018: $20.4 million).

*Contractual Maturities*

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

| As of March 31, 2019 | Amortized Cost | Fair Value | % of Total Fair Value |
|---|---|---|---|
| One year or less | $ 408,671 | $ 401,606 | 4.6% |
| More than one year through two years | 477,168 | 473,004 | 5.4% |
| More than two years through five years | 1,958,078 | 1,955,798 | 22.4% |
| More than five years through ten years | 2,115,535 | 2,137,694 | 24.5% |
| More than ten years | 1,723,351 | 1,761,704 | 20.1% |
| Residential mortgage-backed | 424,195 | 429,005 | 4.9% |
| Commercial mortgage-backed | 884,640 | 884,124 | 10.1% |
| Asset-backed | 698,724 | 696,368 | 8.0% |
| | $ 8,690,362 | $ 8,739,303 | 100.0% |

*Credit Ratings*

The following table sets forth the credit ratings of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, and the fixed maturity investments included within our funds held - directly managed balance as of March 31, 2019:

| | Amortized Cost | Fair Value | % of Total | AAA Rated | AA Rated | A Rated | BBB Rated | Non-Investment Grade | Not Rated |
|---|---|---|---|---|---|---|---|---|---|
| U.S. government and agency | $ 415,689 | $ 417,306 | 4.8% | $ 417,243 | $ 63 | $ — | $ — | $ — | $ — |
| U.K. government | 261,213 | 278,443 | 3.2% | 644 | 277,799 | — | — | — | — |
| Other government | 769,300 | 769,976 | 8.8% | 308,413 | 198,228 | 55,991 | 171,579 | 35,765 | — |
| Corporate | 5,079,783 | 5,104,015 | 58.4% | 132,282 | 506,434 | 2,517,323 | 1,737,171 | 197,543 | 13,262 |
| Municipal | 156,818 | 160,066 | 1.8% | 12,284 | 81,059 | 49,814 | 16,909 | — | — |
| Residential mortgage-backed | 424,195 | 429,005 | 4.9% | 309,100 | 55,819 | 2,054 | 3,119 | 51,372 | 7,541 |
| Commercial mortgage-backed | 884,640 | 884,124 | 10.1% | 641,337 | 87,319 | 77,117 | 61,139 | 6,514 | 10,698 |
| Asset-backed | 698,724 | 696,368 | 8.0% | 302,491 | 99,371 | 164,249 | 110,806 | 18,111 | 1,340 |
| Total | $ 8,690,362 | $ 8,739,303 | 100.0% | $ 2,123,794 | $ 1,306,092 | $ 2,866,548 | $ 2,100,723 | $ 309,305 | $ 32,841 |
| % of total fair value | | | | 24.3% | 14.9% | 32.9% | 24.0% | 3.5% | 0.4% |

*Unrealized Gains and Losses Available-for-sale Fixed Maturity Investments*

The amortized cost and fair values of our fixed maturity investments classified as available-for-sale were as follows:

| As of March 31, 2019 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses (Non-OTTI) | Fair Value |
|---|---|---|---|---|
| U.S. government and agency | $ 574 | $ — | $ — | $ 574 |
| Other government | 69,918 | 2,730 | (549) | 72,099 |
| Corporate | 70,120 | 2,230 | (504) | 71,846 |
| Municipal | 2,054 | 4 | (11) | 2,047 |
| Residential mortgage-backed | 9 | — | — | 9 |
| | $ 142,675 | $ 4,964 | $ (1,064) | $ 146,575 |

| As of December 31, 2018 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses (Non-OTTI) | Fair Value |
|---|---|---|---|---|
| U.S. government and agency | $ 576 | $ — | $ (3) | $ 573 |
| Other government | 72,811 | 1,219 | (845) | 73,185 |
| Corporate | 75,535 | 1,006 | (1,182) | 75,359 |
| Municipal | 2,499 | — | (19) | 2,480 |
| Residential mortgage-backed | 12 | — | — | 12 |
| | $ 151,433 | $ 2,225 | $ (2,049) | $ 151,609 |

*Gross Unrealized Losses on Available-for-sale Fixed Maturity Investments*

The following tables summarize our fixed maturity investments classified as available-for-sale that are in a gross unrealized loss position:

| | 12 Months or Greater | | Less Than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| As of March 31, 2019 | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| **Fixed maturity investments, at fair value** | | | | | | |
| Other government | 3,570 | (318) | 6,260 | (231) | 9,830 | (549) |
| Corporate | 12,351 | (405) | 4,208 | (99) | 16,559 | (504) |
| Municipal | 1,683 | (11) | — | — | 1,683 | (11) |
| Total fixed maturity investments | $ 17,604 | $ (734) | $ 10,468 | $ (330) | $ 28,072 | $ (1,064) |

| | 12 Months or Greater | | Less Than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| As of December 31, 2018 | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| **Fixed maturity investments, at fair value** | | | | | | |
| U.S. government and agency | $ 573 | $ (3) | $ — | $ — | $ 573 | $ (3) |
| Other government | 7,351 | (345) | 11,000 | (500) | 18,351 | (845) |
| Corporate | 11,888 | (629) | 25,227 | (553) | 37,115 | (1,182) |
| Municipal | 1,783 | (18) | 283 | (1) | 2,066 | (19) |
| Residential mortgage-backed | 12 | — | — | — | 12 | — |
| Total fixed maturity investments | $ 21,607 | $ (995) | $ 36,510 | $ (1,054) | $ 58,117 | $ (2,049) |

As of March 31, 2019 and December 31, 2018, the number of securities classified as available-for-sale in an unrealized loss position was 55 and 88, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 43 and 42, respectively.

*Other-Than-Temporary Impairment on Available-for-sale Fixed Maturity Investments*

For the three months ended March 31, 2019 and 2018, we did not recognize any other-than-temporary impairment losses on our available-for-sale securities. We determined that no credit losses existed as of March 31, 2019 or December 31, 2018. A description of our other-than-temporary impairment process is included in Note 2 - "Significant Accounting Policies" in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018. There were no changes to our process during the three months ended March 31, 2019.

***Equity Investments***

The following table summarizes our equity investments:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Publicly traded equity investments in common and preferred stocks | $ 171,710 | $ 138,415 |
| Privately held equity investments in common and preferred stocks | 228,710 | 228,710 |
| | $ 400,420 | $ 367,125 |

Our publicly traded equity investments in common and preferred stocks predominantly trade on major exchanges and are managed by our external advisors. Our publicly traded equity investments are widely diversified, and there is no significant concentration in any specific industry.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. The market for these investments is illiquid, and there is no active market. Included within the above balance as of March 31, 2019 and December 31, 2018 is an indirect investment in AmTrust, with a fair value of $200.0 million and $200.0 million, respectively. Refer to Note 18 - "Related Party Transactions" for further information.

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

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Hedge funds | $ 979,270 | $ 852,584 |
| Fixed income funds | 587,093 | 403,858 |
| Equity funds | 374,249 | 333,681 |
| Private equity funds | 235,538 | 248,628 |
| CLO equities | 41,434 | 39,052 |
| CLO equity fund | 40,348 | 37,260 |
| Private credit funds | 53,258 | 33,381 |
| Other | 13,155 | 9,313 |
| | $ 2,324,345 | $ 1,957,757 |

The valuation of our other investments is described in Note 8 - "Fair Value Measurements". Due to a lag in the valuations of certain funds reported by the managers, we may record changes in valuation with up to a three-month lag. We regularly review and discuss fund performance with the fund managers to corroborate the reasonableness of the reported net asset values and to assess whether any events have occurred within the lag period that would affect the valuation of the investments. The following is a description of the nature of each of these investment categories:

- *Hedge funds* may invest in a wide range of instruments, including debt and equity securities, and utilize various sophisticated strategies to achieve their objectives. We invest in a mixture of fixed income, equity and multi-strategy hedge funds. The hedge funds in which we invest have various imposed lock-up periods of up to three years and redemption terms, predominantly 60 and 90 days. Certain of the hedge funds in which we invest that are past their lock up periods are currently eligible for redemption, while others, with a market value of $891.6 million, are still in the lock-up period. Investments of $72.4 million in fixed income hedge funds were subject to gates or side-pockets, where redemptions are subject to the sale of underlying investments. A gate is the ability to deny or delay a redemption request, whereas a side-pocket is a designated account for which the investor loses its redemption rights.
- *Fixed income funds* comprise a number of positions in diversified fixed income funds that are managed by third-party managers. Underlying investments vary from high-grade corporate bonds to non-investment grade senior secured loans and bonds, but are generally invested in liquid fixed income markets. These funds have regularly published prices. One of the funds in which we invest, with a market value of $43.7 million, has a lock-up period of up to two years and is eligible for quarterly redemptions thereafter with 65 days' notice. Another fund, with a market value of $73.7 million, is not currently eligible for redemption. All other funds have liquidity terms that vary from daily up to 30 days' notice.
- *Equity funds* invest in a diversified portfolio of U.S. and international publicly-traded equity securities. The funds have liquidity terms that vary from daily up to quarterly.
- *Private equity funds* invest primarily in the financial services industry. All of our investments in private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents and limit our ability to liquidate those investments. These restrictions have been in place since the dates of our initial investments.
- *CLO equities* comprise investments in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.
- *CLO equity fund* invests primarily in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans. This fund has a fair value of $40.3 million and approximately 28% of the fund is eligible for redemption.
- *Private credit funds* invest in direct senior or collateralized loans. The investments are subject to restrictions on redemption and sales that are determined by the governing documents and limit our ability to liquidate our positions in the funds.
- *Others* comprise of various investments including real estate debt funds that invest primarily in European real estate, call options on equities and a fund that provides loans to educational institutions throughout the United States and its territories.

The increase in our other investments carried at fair value between March 31, 2019 and December 31, 2018 was primarily attributable to unrealized gains of $204.7 million and net additional subscriptions of $167.0 million to hedge funds, equity funds and fixed income funds.

As of March 31, 2019, we had unfunded commitments of $210.8 million to private equity funds.

***Equity Method Investments***

The following table summarizes our equity method investments:

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Investment | Ownership % | Carrying Value | Investment | Ownership % | Carrying Value |
| Enhanzed Re | $ 94,800 | 47.4% | $ 91,883 | $ 94,800 | 47.4% | $ 94,800 |
| Citco | 50,000 | 31.9% | 50,917 | 50,000 | 31.9% | 50,812 |
| Monument | 26,600 | 26.6% | 47,746 | 26,600 | 26.6% | 42,193 |
| Clear Spring | 11,210 | 20.0% | $ 10,070 | 11,210 | 20.0% | 10,070 |
| Other | 25,012 | ~30% | 20,407 | 15,250 | ~30% | 6,632 |
| | $ 207,622 | | $ 221,023 | $ 197,860 | | $ 204,507 |

Refer to Note 18 - "Related Party Transactions" for further information regarding our investments in Enhanzed Re, Citco, Monument and Clear Spring.

As of March 31, 2019, we had unfunded commitments of $152.3 million related to equity method investments.

***Funds Held***

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

*Funds Held - Directly Managed*

Funds held - directly managed, where we receive the underlying return on the investment portfolio, are carried at fair value, either because we elected the fair value option at the inception of the reinsurance contract, or because it represents the aggregate of funds held at amortized cost and the fair value of an embedded derivative. The embedded derivative relates to our contractual right to receive the return on the underlying investment portfolio supporting the reinsurance contract. We include the estimated fair value of these embedded derivatives in the consolidated balance sheets with the host contract in order to reflect the expected settlement of these features with the host contract. The change in the fair value of the embedded derivative is included in net unrealized gains (losses). The following table summarizes the components of the funds held - directly managed as of March 31, 2019 and December 31, 2018:

| | 2019 | 2018 |
|---|---|---|
| Fixed maturity investments, trading | $ 1,199,614 | $ 1,183,374 |
| Other assets | 88,596 | 14,780 |
| | $ 1,288,210 | $ 1,198,154 |

The following table summarizes the fixed maturity investment components of funds held - directly managed as of March 31, 2019 and December 31, 2018:

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Funds held - Directly Managed - Fair Value Option | Funds held - Directly Managed - Variable Return | Total | Funds held - Directly Managed - Fair Value Option | Funds held - Directly Managed - Variable Return | Total |
| Fixed maturity investments, at amortized cost | $ 181,689 | $ 1,019,636 | $ 1,201,325 | $ 179,670 | $ 1,044,377 | $ 1,224,047 |
| Net unrealized gains (losses): | | | | | | |
| Change in fair value - fair value option accounting | 978 | — | 978 | (2,733) | — | (2,733) |
| Change in fair value - embedded derivative accounting | — | (2,689) | (2,689) | — | (37,940) | (37,940) |
| Fixed maturity investments within funds held - directly managed, at fair value | $ 182,667 | $ 1,016,947 | $ 1,199,614 | $ 176,937 | $ 1,006,437 | $ 1,183,374 |

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

*Funds Held by Reinsured Companies*

Funds held by reinsured companies, where we received a fixed crediting rate, are carried at cost on our consolidated balance sheets. As of March 31, 2019 and December 31, 2018, we had funds held by reinsured companies of $919.7 million and $321.3 million, respectively. In connection with the AmTrust RITC transactions, we have recorded in aggregate $601.9 million as funds held, which is expected to be received in the second quarter of 2019 and subsequently invested in accordance with our investment guidelines.

***Net Investment Income***

Major categories of net investment income are summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Fixed maturity investments | $ 58,070 | $ 43,888 |
| Short-term investments and cash and cash equivalents | 3,860 | 2,082 |
| Funds held | 5,798 | 3,129 |
| Funds held - directly managed | 9,750 | 8,626 |
| Investment income from fixed maturities and cash and cash equivalents | 77,478 | 57,725 |
| Equity investments | 3,380 | 1,490 |
| Other investments | 2,114 | 3,314 |
| Life settlements and other | — | 6,659 |
| Investment income from equities and other investments | 5,494 | 11,463 |
| Gross investment income | 82,972 | 69,188 |
| Investment expenses | (4,276) | (2,869) |
| Net investment income | $ 78,696 | $ 66,319 |

Table of Contents



### *Net Realized and Unrealized Gains and Losses*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net realized gains (losses) on sale: | | |
| Gross realized gains on fixed maturity securities, available-for-sale | $ 4 | $ 7 |
| Gross realized losses on fixed maturity securities, available-for-sale | (65) | (37) |
| Net realized losses on fixed maturity securities, trading | (611) | (6,947) |
| Net realized gains (losses) on funds held - directly managed | (1,606) | 96 |
| Net realized gains on equity investments | 2,548 | 903 |
| Total net realized gains (losses) on sale | $ 270 | $ (5,978) |
| Net unrealized gains (losses): | | |
| Fixed maturity securities, trading | $ 209,467 | $ (100,301) |
| Fixed maturity securities in funds held - directly managed portfolios | 38,962 | (30,924) |
| Equity investments | 7,383 | 3,835 |
| Other Investments | 204,709 | (9,662) |
| Total net unrealized gains (losses) | 460,521 | (137,052) |
| Net realized and unrealized gains (losses) | $ 460,791 | $ (143,030) |

The gross realized gains and losses on available-for-sale investments included in the table above resulted from sales of $1.2 million and $7.5 million for the three months ended March 31, 2019 and 2018, respectively.

### *Restricted Assets*

We utilize trust accounts to collateralize business with our insurance and reinsurance counterparties. We are also required to maintain investments and cash and cash equivalents on deposit with regulatory authorities and Lloyd's to support our insurance and reinsurance operations. The investments and cash and cash equivalents on deposit are available to settle insurance and reinsurance liabilities. Collateral generally takes the form of assets held in trust, letters of credit or funds held. The assets used as collateral are primarily highly rated fixed maturity securities. The carrying value of our restricted assets, including restricted cash of $427.6 million and $380.5 million, as of March 31, 2019 and December 31, 2018, respectively, was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Collateral in trust for third party agreements | $ 4,276,436 | $ 4,336,752 |
| Assets on deposit with regulatory authorities | 583,780 | 579,048 |
| Collateral for secured letter of credit facilities | 124,576 | 127,841 |
| Funds at Lloyd's [(1)] | 642,068 | 354,589 |
| | $ 5,626,860 | $ 5,398,230 |

[(1)] Our businesses include three Lloyd's syndicates. Lloyd's determines the required capital principally through the annual business plan of each syndicate. This capital is referred to as "Funds at Lloyd's" and will be drawn upon in the event that a syndicate has a loss that cannot be funded from other sources. We also utilize unsecured letters of credit for Funds at Lloyd's, as described in Note 12 - "Debt Obligations and Credit Facilities".

The increase in the Funds at Lloyd's was primarily due to the loss portfolio transfer reinsurance transactions as described in Note 2 - "Significant New Business".

## 4. DERIVATIVES AND HEDGING INSTRUMENTS

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

We use foreign currency forward contracts in qualifying hedging relationships to hedge the foreign currency exchange rate risk associated with certain of our net investments in foreign operations. As of March 31, 2019 and December 31, 2018, we had forward currency contracts in place, which we had designated as hedges of our net investments in foreign operations.

The following table presents the gross notional amounts and estimated fair values recorded within other assets and other liabilities related to our qualifying foreign currency forward exchange rate contracts as of March 31, 2019 and December 31, 2018.

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Gross Notional Amount | Assets | Liabilities | Gross Notional Amount | Assets | Liabilities |
| Foreign currency forward - AUD | $ 41,874 | $ 22 | $ 25 | $ 42,258 | $ 1,377 | $ — |
| Foreign currency forward - EUR | 115,575 | 1,568 | — | 66,422 | 238 | 300 |
| Total qualifying hedges | $ 157,449 | $ 1,590 | $ 25 | $ 108,680 | $ 1,615 | $ 300 |

The following table presents the amounts of the net gains and losses deferred in the cumulative translation adjustment ("CTA") account, which is a component of accumulated other comprehensive income (loss) ("AOCI"), in shareholders' equity, relating to our foreign currency forward exchange rate contracts for the three months ended March 31, 2019 and 2018.

| | Amount of Gains (Losses) Deferred in AOCI | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2019 | 2018 |
| Foreign currency forward - AUD | $ (327) | $ 530 |
| Foreign currency forward - EUR | 1,855 | — |
| Net gains on qualifying derivative hedges | $ 1,528 | $ 530 |

### *Non-derivative Hedging Instruments of Net Investments in Foreign Operations*

As of March 31, 2018 there were borrowings of €60.0 million ($73.7 million) under our revolving credit facility that were designated as non-derivative hedges of our net investment in certain subsidiaries whose functional currency is denominated in Euros. These Euro-denominated borrowings were repaid in full and replaced by a Euro-denominated foreign currency forward contract in a qualifying hedging arrangement during the year ended December 31, 2018. The net losses deferred in the CTA account in AOCI relating to these qualifying Euro-loan derivative hedging instruments for the three months ended March 31, 2018 was $1.2 million.

### *Derivatives Not Designated or Not Qualifying as Hedging Instruments*

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

*Foreign Currency Forward Contracts*

The following table presents the gross notional amounts and estimated fair values recorded within other assets and other liabilities related to our non-qualifying foreign currency forward hedging relationships as of March 31, 2019 and December 31, 2018.

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | | Fair Value | | | Fair Value | |
| | Gross Notional Amount | Assets | Liabilities | Gross Notional Amount | Assets | Liabilities |
| Foreign currency forward - AUD | $ 73,953 | $ 71 | $ 25 | $ 45,427 | $ 1,952 | $ 310 |
| Foreign currency forward - CAD | 122,690 | 1,750 | — | 55,050 | 1,441 | — |
| Foreign currency forward - EUR | 28,389 | 419 | 14 | 54,282 | 139 | 301 |
| Foreign currency forward - GBP | 224,951 | 1,448 | — | 256,959 | 1,554 | 72 |
| Total non-qualifying hedges | $ 449,983 | $ 3,688 | $ 39 | $ 411,718 | $ 5,086 | $ 683 |

The following table presents the amounts of the net gains (losses) included in earnings related to our non-qualifying foreign currency forward contracts during the three months ended March 31, 2019 and 2018.

| | Gains (Losses) on non-qualifying-hedges included in net earnings | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2019 | 2018 |
| Foreign currency forward - AUD | $ (765) | $ 982 |
| Foreign currency forward - CAD | 1 | 2,040 |
| Foreign currency forward - EUR | 1,205 | (267) |
| Foreign currency forward - GBP | (4,059) | (6,842) |
| Net losses on non-qualifying hedges | $ (3,618) | $ (4,087) |

*Investments in Call Options on Equities*

During the three months ended March 31, 2019 and 2018 we recorded unrealized losses in net earnings of $0.2 million and $2.5 million respectively, on the call options on equities that we purchased in 2018 at a cost of $10.0 million. These call options on equities had a fair value of $0.2 million and $0.4 million as of March 31, 2019 and December 31, 2018, respectively.

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

The following tables provide the total reinsurance balances recoverable:

| | March 31, 2019 | | | |
|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Total |
| Recoverable from reinsurers on unpaid: | | | | |
| Outstanding losses | $ 1,007,758 | $ 11,242 | $ 290,095 | $ 1,309,095 |
| IBNR | 695,921 | 19,726 | 178,143 | 893,790 |
| Fair value adjustments | (14,364) | 714 | (1,643) | (15,293) |
| Fair value adjustments - fair value option | (109,669) | — | — | (109,669) |
| Total reinsurance reserves recoverable | 1,579,646 | 31,682 | 466,595 | 2,077,923 |
| Paid losses recoverable | 170,633 | 647 | 37,244 | 208,524 |
| | $ 1,750,279 | $ 32,329 | $ 503,839 | $ 2,286,447 |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Reinsurance balances recoverable | $ 1,015,022 | $ 32,329 | $ 503,839 | $ 1,551,190 |
| Reinsurance balances recoverable - fair value option | 735,257 | — | — | 735,257 |
| Total | $ 1,750,279 | $ 32,329 | $ 503,839 | $ 2,286,447 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Total |
| Recoverable from reinsurers on unpaid: | | | | |
| Outstanding losses | $ 901,772 | $ 18,891 | $ 263,065 | $ 1,183,728 |
| IBNR | 609,434 | 19,247 | 201,784 | 830,465 |
| Fair value adjustments | (14,344) | 630 | (1,899) | (15,613) |
| Fair value adjustments - fair value option | (130,739) | — | — | (130,739) |
| Total reinsurance reserves recoverable | 1,366,123 | 38,768 | 462,950 | 1,867,841 |
| Paid losses recoverable | 138,265 | (256) | 23,813 | 161,822 |
| | $ 1,504,388 | $ 38,512 | $ 486,763 | $ 2,029,663 |
| Reconciliation to Consolidated Balance Sheet: | | | | |
| Reinsurance balances recoverable | $ 764,797 | $ 38,512 | $ 486,763 | $ 1,290,072 |
| Reinsurance balances recoverable - fair value option | 739,591 | — | — | 739,591 |
| Total | $ 1,504,388 | $ 38,512 | $ 486,763 | $ 2,029,663 |

Our insurance and reinsurance run-off subsidiaries and assumed portfolios, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. On an annual basis, both Atrium and StarStone purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium’s and StarStone's third-party reinsurance cover is with highly rated reinsurers or is collateralized by pledged assets or letters of credit.

The fair value adjustments, determined on acquisition of insurance and reinsurance subsidiaries, are based on the estimated timing of loss and LAE recoveries and an assumed interest rate equivalent to a risk free rate for securities with similar duration to the acquired reinsurance balances recoverable plus a spread for credit risk, and are amortized over the estimated recovery period, as adjusted for accelerations in timing of payments as a result of commutation settlements. The determination of the fair value adjustments on the retroactive reinsurance contracts for which we have elected the fair value option is described in Note 8 - "Fair Value Measurements".

As of March 31, 2019 and December 31, 2018, we had reinsurance balances recoverable of $2,286.4 million and $2,029.7 million, respectively. The increase of $256.8 million in reinsurance balances recoverable was primarily related to the AmTrust RITC transactions, which closed during the first quarter of 2019.

***Top Ten Reinsurers***

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Total | % of Total |
| Top ten reinsurers | $ 1,202,892 | $ 22,421 | $ 299,058 | $ 1,524,371 | 66.7% |
| Other reinsurers > $1 million | 532,030 | 8,149 | 201,709 | 741,888 | 32.4% |
| Other reinsurers < $1 million | 15,357 | 1,759 | 3,072 | 20,188 | 0.9% |
| Total | $ 1,750,279 | $ 32,329 | $ 503,839 | $ 2,286,447 | 100.0% |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Total | % of Total |
| Top ten reinsurers | $ 1,124,079 | $ 25,239 | $ 263,192 | $ 1,412,510 | 69.6% |
| Other reinsurers > $1 million | 364,098 | 12,091 | 220,123 | 596,312 | 29.4% |
| Other reinsurers < $1 million | 16,211 | 1,182 | 3,448 | 20,841 | 1.0% |
| Total | $ 1,504,388 | $ 38,512 | $ 486,763 | $ 2,029,663 | 100.0% |

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Information regarding top ten reinsurers: | | |
| Number of top 10 reinsurers rated A- or better | 8 | 7 |
| Number of top 10 non-rated reinsurers [1] | 2 | 3 |
| | | |
| Top 10 rated A- or better reinsurers recoverables | $ 1,285,067 | $ 1,096,272 |
| Top 10 collaterized non-rated reinsurers recoverables [1] | 239,304 | 316,238 |
| | $ 1,524,371 | $ 1,412,510 |
| | | |
| Single reinsurers that represent 10% or more of total reinsurance balance recoverables as of March 31, 2019: | | |
| | | |
| Hannover Ruck SE [2] | $ 297,129 | $ 279,723 |
| Lloyd's Syndicates [3] | $ 392,205 | $ 334,509 |

[1] For the two non-rated reinsurers as of March 31, 2019 and three non-rated reinsurers as of December 31, 2018, we hold security in the form of pledged assets in trust or letters of credit issued to us in the full amount of the recoverable.

[2] Hannover Ruck SE is rated AA- by Standard & Poor's and A+ by A.M. Best.

[3] Lloyd's Syndicates are rated A+ by Standard & Poor's and A by A.M. Best.

***Provisions for Uncollectible Reinsurance Balances Recoverable***

We evaluate and monitor concentration of credit risk among our reinsurers, and provisions are made for amounts considered potentially uncollectible.

The following table shows our reinsurance balances recoverable by rating of reinsurer and our provisions for uncollectible reinsurance balances recoverable ("provisions for bad debt"). The majority of the provisions for bad debt relate to the Non-life Run-off segment.

| | March 31, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Provisions for Bad Debt | Net | Provisions as a % of Gross | Gross | Provisions for Bad Debt | Net | Provisions as a % of Gross |
| Reinsurers rated A- or above | $ 1,883,418 | $ 54,048 | $ 1,829,370 | 2.9% | $ 1,612,464 | $ 51,519 | $ 1,560,945 | 3.2% |
| Reinsurers rated below A-, secured | 421,205 | — | 421,205 | —% | 430,852 | — | 430,852 | —% |
| Reinsurers rated below A-, unsecured | 143,303 | 107,431 | 35,872 | 75.0% | 143,079 | 105,213 | 37,866 | 73.5% |
| Total | $ 2,447,926 | $ 161,479 | $ 2,286,447 | 6.6% | $ 2,186,395 | $ 156,732 | $ 2,029,663 | 7.2% |

## 6. DEFERRED CHARGE ASSETS

Deferred charge assets relate to retroactive reinsurance policies providing indemnification of losses and LAE with respect to past loss events in the Non-life Run-off segment. For insurance and reinsurance contracts for which we do not elect the fair value option, a deferred charge asset is recorded for the excess, if any, of the estimated ultimate losses payable over the premiums received at the initial measurement. Deferred charge assets are included in other assets on our consolidated balance sheets. The following table presents a reconciliation of the deferred charge assets:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Beginning carrying value | $ 86,585 | $ 80,192 |
| Recorded during the period | 20,632 | — |
| Amortization | (7,063) | (5,081) |
| Ending carrying value | $ 100,154 | $ 75,111 |

Deferred charge assets are amortized over the estimated claim payment period of the related contract with the periodic amortization reflected in earnings as a component of losses and LAE. Deferred charge assets amortization is adjusted at each reporting period to reflect new estimates of the amount and timing of remaining loss payments. Changes in the estimated amount and the timing of payments of unpaid losses may have an effect on the unamortized deferred charge assets and the amount of periodic amortization. Deferred charge assets are assessed at each reporting period for impairment. If the asset is determined to be impaired, it is written down in the period in which the determination is made. For the three months ended March 31, 2019 we completed our assessment for impairment of deferred charge assets and concluded that there had been no impairment of our carried deferred charge assets amount.

Further information on deferred charge assets recorded during the three months ended March 31, 2019, is included in Note 2 - "Significant New Business".

## 7. LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for losses and loss adjustment expenses ("LAE"), also referred to as loss reserves, represents our gross estimates before reinsurance for unpaid reported losses and includes losses that have been incurred but not reported ("IBNR") for our Non-life Run-off, Atrium and StarStone segments using a variety of actuarial methods. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. LAE reserves include allocated loss adjustment expenses ("ALAE"), and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims. IBNR represents reserves for loss and LAE that have been incurred but not yet reported to us. This includes amounts for unreported claims, development on known claims and reopened claims. Our loss reserves cover multiple lines of business, which include workers' compensation, general casualty, asbestos and environmental, marine, aviation and transit, construction defects, property, motor and other non-life lines of business. Refer to Note 10 - "Losses and Loss Adjustment Expenses" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for more information on establishing the liability for losses and LAE.

The following table summarizes the liability for losses and LAE by segment:

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| Outstanding losses | $ 4,624,209 | $ 86,986 | $ 824,366 | $ 6,647 | $ 5,542,208 |
| IBNR | 3,694,932 | 135,411 | 840,306 | 14,335 | 4,684,984 |
| Fair value adjustments | (209,631) | 4,691 | (404) | — | (205,344) |
| Fair value adjustments - fair value option | (300,774) | — | — | — | (300,774) |
| ULAE | 346,238 | 2,292 | 26,418 | — | 374,948 |
| Total | $ 8,154,974 | $ 229,380 | $ 1,690,686 | $ 20,982 | $ 10,096,022 |
| | | | | | |
| Reconciliation to Consolidated Balance Sheet: | | | | | |
| Loss and loss adjustment expenses | $ 5,307,181 | $ 229,380 | $ 1,690,686 | $ 20,982 | $ 7,248,229 |
| Loss and loss adjustment expenses, at fair value | 2,847,793 | — | — | — | 2,847,793 |
| Total | $ 8,154,974 | $ 229,380 | $ 1,690,686 | $ 20,982 | $ 10,096,022 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| Outstanding losses | $ 4,271,769 | $ 94,885 | $ 796,194 | $ 6,052 | $ 5,168,900 |
| IBNR | 3,527,767 | 140,521 | 787,894 | 12,809 | 4,468,991 |
| Fair value adjustments | (217,527) | 3,476 | (467) | — | (214,518) |
| Fair value adjustments - fair value option | (374,752) | — | — | — | (374,752) |
| ULAE | 333,405 | 2,402 | 25,076 | — | 360,883 |
| Total | $ 7,540,662 | $ 241,284 | $ 1,608,697 | $ 18,861 | $ 9,409,504 |
| | | | | | |
| Reconciliation to Consolidated Balance Sheet: | | | | | |
| Loss and loss adjustment expenses | $ 4,666,607 | $ 241,284 | $ 1,608,697 | $ 18,861 | $ 6,535,449 |
| Loss and loss adjustment expenses, at fair value | 2,874,055 | — | — | — | 2,874,055 |
| Total | $ 7,540,662 | $ 241,284 | $ 1,608,697 | $ 18,861 | $ 9,409,504 |

The overall increase in the liability for losses and LAE between December 31, 2018 and March 31, 2019 was primarily attributable to the AmTrust RITC Transactions in our Non-life Run-off segment, as described in Note 2 - "Significant New Business".

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Balance as of beginning of period | $ 9,409,504 | $ 7,398,088 |
| Less: reinsurance reserves recoverable | 1,867,841 | 1,870,033 |
| Less: deferred charge assets on retroactive reinsurance | 86,585 | 80,192 |
| Net balance as of beginning of period | 7,455,078 | 5,447,863 |
| Net incurred losses and LAE: | | |
| Current period | 217,266 | 95,154 |
| Prior periods | 95,138 | (75,620) |
| Total net incurred losses and LAE | 312,404 | 19,534 |
| Net paid losses: | | |
| Current period | (28,029) | (8,103) |
| Prior periods | (461,605) | (350,646) |
| Total net paid losses | (489,634) | (358,749) |
| Effect of exchange rate movement | 19,679 | 57,727 |
| Assumed business | 620,418 | 1,527,551 |
| Net balance as of March 31 | 7,917,945 | 6,693,926 |
| Plus: reinsurance reserves recoverable | 2,077,923 | 2,217,033 |
| Plus: deferred charge assets on retroactive reinsurance | 100,154 | 75,111 |
| Balance as of March 31 | $ 10,096,022 | $ 8,986,070 |

The tables below provide the net incurred losses and LAE by segment:

| | Three Months Ended March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| Net losses paid | $ 349,069 | $ 22,313 | $ 115,417 | $ 2,835 | $ 489,634 |
| Net change in case and LAE reserves | (77,701) | (413) | 2,056 | 595 | (75,463) |
| Net change in IBNR reserves | (232,895) | (5,817) | 76,424 | 1,526 | (160,762) |
| Increase in estimates of net ultimate losses | 38,473 | 16,083 | 193,897 | 4,956 | 253,409 |
| Increase (reduction) in provisions for unallocated LAE | (15,175) | — | 1,348 | — | (13,827) |
| Amortization of deferred charge assets | 7,064 | — | — | — | 7,064 |
| Amortization of fair value adjustments | 8,779 | 1,131 | (193) | — | 9,717 |
| Changes in fair value - fair value option | 56,041 | — | — | — | 56,041 |
| Net incurred losses and LAE | $ 95,182 | $ 17,214 | $ 195,052 | $ 4,956 | $ 312,404 |

| | Three Months Ended March 31, 2018 | | | |
|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Total |
| Net losses paid | $ 252,584 | $ 17,530 | $ 88,635 | $ 358,749 |
| Net change in case and LAE reserves | (123,486) | 3,890 | (4,475) | (124,071) |
| Net change in IBNR reserves | (154,111) | (1,709) | (8,871) | (164,691) |
| Increase (reduction) in estimates of net ultimate losses | (25,013) | 19,711 | 75,289 | 69,987 |
| Increase (reduction) in provisions for unallocated LAE | (14,952) | — | 192 | (14,760) |
| Amortization of deferred charge assets | 5,081 | — | — | 5,081 |
| Amortization of fair value adjustments | 2,147 | (2,539) | (141) | (533) |
| Changes in fair value - fair value option | (40,241) | — | — | (40,241) |
| Net incurred losses and LAE | $ (72,978) | $ 17,172 | $ 75,340 | $ 19,534 |

***Non-Life Run-off Segment***

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Balance as of beginning of period | $ 7,540,662 | $ 5,949,472 |
| Less: reinsurance reserves recoverable | 1,366,123 | 1,377,485 |
| Less: deferred charge assets on retroactive insurance | 86,585 | 80,192 |
| Net balance as of beginning of period | 6,087,954 | 4,491,795 |
| Net incurred losses and LAE: | | |
| Current period | 49,071 | 346 |
| Prior periods | 46,111 | (73,324) |
| Total net incurred losses and LAE | 95,182 | (72,978) |
| Net paid losses: | | |
| Current period | (18,014) | (1) |
| Prior periods | (331,055) | (252,583) |
| Total net paid losses | (349,069) | (252,584) |
| Effect of exchange rate movement | 20,689 | 55,403 |
| Assumed business | 620,418 | 1,517,283 |
| Net balance as of March 31 | 6,475,174 | 5,738,919 |
| Plus: reinsurance reserves recoverable | 1,579,646 | 1,703,481 |
| Plus: deferred charge assets on retroactive reinsurance | 100,154 | 75,111 |
| Balance as of March 31 | $ 8,154,974 | $ 7,517,511 |

Table of Contents



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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | $ 331,055 | $ 18,014 | $ 349,069 | $ 252,583 | $ 1 | $ 252,584 |
| Net change in case and LAE reserves | (97,573) | 19,872 | (77,701) | (123,492) | 6 | (123,486) |
| Net change in IBNR reserves | (243,815) | 10,920 | (232,895) | (154,450) | 339 | (154,111) |
| Increase (reduction) in estimates of net ultimate losses | (10,333) | 48,806 | 38,473 | (25,359) | 346 | (25,013) |
| Increase (reduction) in provisions for unallocated LAE | (15,440) | 265 | (15,175) | (14,952) | — | (14,952) |
| Amortization of deferred charge assets | 7,064 | — | 7,064 | 5,081 | — | 5,081 |
| Amortization of fair value adjustments | 8,779 | — | 8,779 | 2,147 | — | 2,147 |
| Changes in fair value - fair value option | 56,041 | — | 56,041 | (40,241) | — | (40,241) |
| Net incurred losses and LAE | $ 46,111 | $ 49,071 | $ 95,182 | $ (73,324) | $ 346 | $ (72,978) |

Net change in case and LAE reserves comprises the movement during the period in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims. Net change in IBNR represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

*Three Months Ended March 31, 2019*

The increase in net incurred losses and LAE for the three months ended March 31, 2019 of $95.2 million included net incurred losses and LAE of $49.1 million related to current period net earned premium, primarily for the run-off business acquired with the AmTrust RITC Transactions and the acquisition of Maiden Reinsurance North America, Inc. ("Maiden Re North America"). Excluding current period net incurred losses and LAE of $49.1 million, the increase in net incurred losses and LAE liabilities relating to prior periods was $46.1 million, which was attributable to an increase in the fair value of liabilities of $56.0 million related to our assumed retroactive reinsurance agreements for which we have elected the fair value option primarily as a result of a decrease in corporate bond yields, amortization of fair value adjustments over the estimated payout period relating to companies acquired of $8.8 million and the amortization of the deferred charge assets of $7.1 million, partially offset by a reduction in estimates of net ultimate losses of $10.3 million and a reduction in provisions for unallocated LAE of $15.4 million relating to 2019 run-off activity. The reduction in estimates of net ultimate losses of $10.3 million for the three months ended March 31, 2019 included a net reduction in case and IBNR reserves of $341.4 million, partially offset by net losses paid of $331.1 million.

*Three Months Ended March 31, 2018*

The reduction in net incurred losses and LAE for the three months ended March 31, 2018 of $73.0 million included net incurred losses and LAE of $0.3 million related to current period net earned premium. Excluding current period net incurred losses and LAE of $0.3 million, the reduction in net incurred losses and LAE liabilities relating to prior periods was $73.3 million, which was attributable to a reduction in estimates of net ultimate losses of $25.4 million, a reduction in provisions for unallocated LAE of $15.0 million, relating to 2018 run-off activity, and a reduction in the fair value of liabilities of $40.2 million related to our assumed retroactive reinsurance agreements for which we have elected the fair value option, partially offset by the amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $2.1 million and the amortization of the deferred charge assets of $5.1 million. The reduction in estimates of net ultimate losses of $25.4 million for the three months ended March 31, 2018 included a net change in case and IBNR reserves of $277.9 million, partially offset by net losses paid of $252.6 million.

### *Atrium*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Balance as of beginning of period | $ 241,284 | $ 240,873 |
| Less: reinsurance reserves recoverable | 38,768 | 40,531 |
| Net balance as of beginning of period | 202,516 | 200,342 |
| Net incurred losses and LAE: | | |
| Current period | 18,237 | 17,306 |
| Prior periods | (1,023) | (134) |
| Total net incurred losses and LAE | 17,214 | 17,172 |
| Net paid losses: | | |
| Current period | (7,893) | (7,154) |
| Prior periods | (14,420) | (10,376) |
| Total net paid losses | (22,313) | (17,530) |
| Effect of exchange rate movement | 281 | 786 |
| Net balance as of March 31 | 197,698 | 200,770 |
| Plus: reinsurance reserves recoverable | 31,682 | 40,025 |
| Balance as of March 31 | $ 229,380 | $ 240,795 |

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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | 14,420 | 7,893 | 22,313 | 10,376 | 7,154 | 17,530 |
| Net change in case and LAE reserves | (6,342) | 5,929 | (413) | (2,384) | 6,274 | 3,890 |
| Net change in IBNR reserves | (10,232) | 4,415 | (5,817) | (5,587) | 3,878 | (1,709) |
| Increase (reduction) in estimates of net ultimate losses | (2,154) | 18,237 | 16,083 | 2,405 | 17,306 | 19,711 |
| Amortization of fair value adjustments | 1,131 | — | 1,131 | (2,539) | — | (2,539) |
| Net incurred losses and LAE | (1,023) | 18,237 | 17,214 | (134) | 17,306 | 17,172 |

***StarStone***

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| Balance as of beginning of period | $ 1,608,697 | $ 1,207,743 |
| Less: reinsurance reserves recoverable | 462,950 | 452,017 |
| Net balance as of beginning of period | 1,145,747 | 755,726 |
| Net incurred losses and LAE: | | |
| Current period | 144,950 | 77,502 |
| Prior periods | 50,102 | (2,162) |
| Total net incurred losses and LAE | 195,052 | 75,340 |
| Net paid losses: | | |
| Current period | (1,792) | (948) |
| Prior periods | (113,625) | (87,687) |
| Total net paid losses | (115,417) | (88,635) |
| Effect of exchange rate movement | (1,291) | 1,538 |
| Assumed business | — | 10,268 |
| Net balance as of March 31 | 1,224,091 | 754,237 |
| Plus: reinsurance reserves recoverable | 466,595 | 473,527 |
| Balance as of March 31 | $ 1,690,686 | $ 1,227,764 |

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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Period | Current Period | Total | Prior Period | Current Period | Total |
| Net losses paid | $ 113,625 | $ 1,792 | $ 115,417 | $ 87,687 | $ 948 | $ 88,635 |
| Net change in case and LAE reserves | (8,824) | 10,880 | 2,056 | (14,217) | 9,742 | (4,475) |
| Net change in IBNR reserves | (52,834) | 129,258 | 76,424 | (73,390) | 64,519 | (8,871) |
| Increase in estimates of net ultimate losses | 51,967 | 141,930 | 193,897 | 80 | 75,209 | 75,289 |
| Increase (reduction) in provisions for unallocated LAE | (1,672) | 3,020 | 1,348 | (2,101) | 2,293 | 192 |
| Amortization of fair value adjustments | (193) | — | (193) | (141) | — | (141) |
| Net incurred losses and LAE | $ 50,102 | $ 144,950 | $ 195,052 | $ (2,162) | $ 77,502 | $ 75,340 |

Net incurred losses and LAE for the three months ended March 31, 2019 and 2018 were $195.1 million and $75.3 million, respectively. Net adverse prior year loss development was $50.1 million for the three months ended March 31, 2019 compared to net favorable prior year loss development of $2.2 million for the three months ended March 31, 2018. Excluding prior year loss development, net incurred losses and LAE for the three months ended March 31, 2019 and 2018 were $145.0 million and $77.5 million, respectively. Net adverse prior year loss development for the three months ended March 31, 2019 was primarily related to development on lines of business which we have either exited or which are subject to remediation as part of our underwriting repositioning.

## 8. FAIR VALUE MEASUREMENTS

***Fair Value Hierarchy***

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

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

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

**ENSTAR GROUP LIMITED**
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value Based on NAV as Practical Expedient | Total Fair Value |
| **Investments:** | | | | | |
| Fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 417,306 | $ — | $ — | $ 417,306 |
| U.K. government | — | 278,443 | — | — | 278,443 |
| Other government | — | 769,976 | — | — | 769,976 |
| Corporate | — | 5,100,843 | 3,172 | — | 5,104,015 |
| Municipal | — | 160,066 | — | — | 160,066 |
| Residential mortgage-backed | — | 429,005 | — | — | 429,005 |
| Commercial mortgage-backed | — | 884,124 | — | — | 884,124 |
| Asset-backed | — | 687,068 | 9,300 | — | 696,368 |
| | $ — | $ 8,726,831 | $ 12,472 | $ — | $ 8,739,303 |
| Other assets included within funds held - directly managed | 74,915 | 13,681 | — | — | 88,596 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 140,398 | $ 31,312 | $ — | $ — | $ 171,710 |
| Privately held equity investments | — | | 228,710 | — | 228,710 |
| | $ 140,398 | $ 31,312 | $ 228,710 | $ — | $ 400,420 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 979,270 | $ 979,270 |
| Fixed income funds | — | 469,643 | — | 117,450 | 587,093 |
| Equity funds | — | 108,337 | — | 265,912 | 374,249 |
| Private equity funds | — | — | — | 235,538 | 235,538 |
| CLO equities | — | — | 41,434 | — | 41,434 |
| CLO equity fund | — | — | — | 40,348 | 40,348 |
| Private credit funds | — | — | — | 53,258 | 53,258 |
| Others | — | 238 | 313 | 12,604 | 13,155 |
| | $ — | $ 578,218 | $ 41,747 | $ 1,704,380 | $ 2,324,345 |
| Total Investments | $ 215,313 | $ 9,350,042 | $ 282,929 | $ 1,704,380 | $ 11,552,664 |
| **Cash and cash equivalents** | $ 157,543 | $ 106,776 | $ — | $ — | $ 264,319 |
| **Reinsurance balances recoverable on paid and unpaid losses:** | $ — | $ — | $ 735,257 | $ — | $ 735,257 |
| **Other Assets:** | | | | | |
| Derivative Instruments | $ — | $ 5,278 | $ — | $ — | $ 5,278 |
| | $ — | $ 5,278 | $ — | $ — | $ 5,278 |
| **Losses and LAE:** | $ — | $ — | $ 2,847,793 | $ — | $ 2,847,793 |
| **Other Liabilities:** | | | | | |
| Derivative Instruments | $ — | $ 64 | $ — | $ — | $ 64 |
| | $ — | $ 64 | $ — | $ — | $ 64 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value Based on NAV as Practical Expedient | Total Fair Value |
| **Investments:** | | | | | |
| Fixed maturity investments: | | | | | |
| U.S. government and agency | $ — | $ 510,245 | $ — | $ — | $ 510,245 |
| U.K government | — | 300,631 | — | — | 300,631 |
| Other government | — | 793,810 | — | — | 793,810 |
| Corporate | — | 4,802,454 | 37,386 | — | 4,839,840 |
| Municipal | — | 130,265 | — | — | 130,265 |
| Residential mortgage-backed | — | 773,557 | — | — | 773,557 |
| Commercial mortgage-backed | — | 705,674 | 7,389 | — | 713,063 |
| Asset-backed | — | 627,360 | 9,121 | — | 636,481 |
| | $ — | $ 8,643,996 | $ 53,896 | $ — | $ 8,697,892 |
| Other assets included within funds held - directly managed | $ — | $ 14,780 | $ — | $ — | $ 14,780 |
| Equities: | | | | | |
| Publicly traded equity investments | $ 102,102 | $ 36,313 | $ — | $ — | $ 138,415 |
| Privately held equity investments | — | — | 228,710 | — | 228,710 |
| | $ 102,102 | $ 36,313 | $ 228,710 | $ — | $ 367,125 |
| Other investments: | | | | | |
| Hedge funds | $ — | $ — | $ — | $ 852,584 | $ 852,584 |
| Fixed income funds | — | 290,864 | — | 112,994 | 403,858 |
| Equity funds | — | 100,440 | — | 233,241 | 333,681 |
| Private equity funds | — | — | — | 248,628 | 248,628 |
| CLO equities | — | — | 39,052 | — | 39,052 |
| CLO equity funds | — | — | — | 37,260 | 37,260 |
| Private credit funds | — | — | — | 33,381 | 33,381 |
| Other | — | 578 | 315 | 8,420 | 9,313 |
| | $ — | $ 391,882 | $ 39,367 | $ 1,526,508 | $ 1,957,757 |
| Total Investments | $ 102,102 | $ 9,086,971 | $ 321,973 | $ 1,526,508 | $ 11,037,554 |
| **Cash and cash equivalents** | $ 243,839 | $ 21,146 | $ — | $ — | $ 264,985 |
| **Reinsurance recoverable:** | $ — | $ — | $ 739,591 | $ — | $ 739,591 |
| **Other Assets:** | | | | | |
| Derivative Instruments | $ — | $ 6,701 | $ — | $ — | $ 6,701 |
| | $ — | $ 6,701 | $ — | $ — | $ 6,701 |
| **Losses and LAE:** | $ — | $ — | $ 2,874,055 | $ — | $ 2,874,055 |
| **Other Liabilities:** | | | | | |
| Derivative Instruments | $ — | $ 983 | $ — | $ — | $ 983 |
| | $ — | $ 983 | $ — | $ — | $ 983 |

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

*Fixed Maturity Investments and Funds Held - Directly Managed*

The fair values for all securities in the fixed maturity investments and funds held - directly managed portfolios are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to: (i) comparison of prices against alternative pricing sources; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark); (iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing; and (iv) comparing the price to our knowledge of the current investment market. Our internal price validation procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

The independent pricing services used by the investment accounting service providers, investment managers and investment custodians obtain actual transaction prices for securities that have quoted prices in active markets. Where we utilize single unadjusted broker-dealer quotes, they are generally provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models, using observable data, such as an Option Adjusted Spread model, to develop prepayment and interest rate scenarios. The Option Adjusted Spread model is commonly used to estimate fair value for securities such as mortgage-backed and asset-backed securities.

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

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

- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Where pricing is unavailable from pricing services, we obtain non-binding quotes from broker-dealers. This is generally the case when there is a low volume of trading activity and current transactions are not orderly. The significant inputs used to determine the fair value of these securities include the spread above the risk-free yield curve, reported trades, benchmark yields, prepayment speeds and default rates. The fair values of these securities are classified as Level 2 if the significant inputs are market observable. Where significant inputs are unable to be corroborated with market observable information, we classify the securities as Level 3.

*Equities*

Our investments in equities consist of a combination of publicly and privately traded investments. Our publicly traded equity investments in common and preferred stocks predominantly trade on the major exchanges and are managed by our external advisors. Our publicly traded equities are widely diversified and there is no significant concentration in any specific industry. We use an internationally recognized pricing service to estimate the fair value of our publicly traded equities. We have categorized the majority of our publicly traded equity investments other than preferred stock as Level 1 investments because the fair values of these investments are based on unadjusted quoted prices in active markets for identical assets. One equity security is trading in an inactive market and, as a result has been classified as Level 2. The fair value estimates of our investments in publicly traded preferred stock are based on observable market data and, as a result, have been categorized as Level 2.

Our privately held equity investments in common and preferred stocks are direct investments in companies that we believe offer attractive risk adjusted returns and/or offer other strategic advantages. Each investment may have its own unique terms and conditions and there may be restrictions on disposals. The market for these investments is illiquid and there is no active market. The Company uses a combination of cost, internal models, reported values from co-investors/managers and observable inputs, such as capital raises and capital transactions between new and existing shareholders to calculate the fair value of the privately held equity investments. The fair value estimates of our investments in privately held equities are based on unobservable market data and, as a result, have been categorized as Level 3.

*Other investments, at fair value*

We have ongoing due diligence processes with respect to the other investments carried at fair value in which we invest and their managers. These processes are designed to assist us in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, we obtain the audited financial statements for funds annually, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values ("NAV").

The use of NAV as an estimate of the fair value for investments in certain entities that calculate NAV is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers we adjust the valuation for capital calls and distributions. Other investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. Other investments for which we do not use NAV as a practical expedient have been valued using prices from independent pricing services, investment managers and broker-dealers.

The following describes the techniques generally used to determine the fair value of our other investments.

- For our investments in hedge funds, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

- Our investments in fixed income funds and equity funds are valued based on a combination of prices from independent pricing services, external fund managers or third-party administrators. For the publicly available prices we have classified the investments as Level 2. For the non-publicly available prices we are using NAV as a practical expedient and therefore these have not been categorized within the fair value hierarchy.

- For our investments in private equity funds, we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

- We measure the fair value of our direct investment in CLO equities based on valuations provided by our external CLO equity manager. If the investment does not involve an external CLO equity manager, the fair value of the investment is based on valuations provided by the broker or lead underwriter of the investment (the "broker"). Our CLO equity investments have been classified as Level 3 due to the use of unobservable inputs in the valuation and the limited number of relevant trades in secondary markets.

  In providing valuations, the CLO equity manager and brokers use observable and unobservable inputs. Of the significant unobservable market inputs used, the default and loss severity rates involve the most judgment and create the most sensitivity. A significant increase or decrease in either of these significant inputs in isolation would result in lower or higher fair value estimates for direct investments in CLO equities and, in general, a change in default rate assumptions will be accompanied by a directionally similar change in loss severity rate assumptions. Collateral spreads and estimated maturity dates are less subjective inputs because they are based on the historical average of actual spreads and the weighted-average life of the current underlying portfolios, respectively. A significant increase or decrease in either of these significant inputs in isolation would result in higher or lower fair value estimates for direct investments in CLO equities. In general, these inputs have no significant interrelationship with each other or with default and loss severity rates.

  On a quarterly basis, we receive the valuation from the external CLO manager and brokers and then review the underlying cash flows and key assumptions used by them. We review and update the significant unobservable inputs based on information obtained from secondary markets. These inputs are our responsibility and we assess the reasonableness of the inputs (and if necessary, update the inputs) through communicating with industry participants, monitoring of the transactions in which we participate (for example, to evaluate default and loss severity rate trends), and reviewing market conditions, historical results, and emerging trends that may impact future cash flows.

  If valuations from the external CLO equity manager or brokers are not available, we use an income approach based on certain observable and unobservable inputs to value these investments. An income approach is also used to corroborate the reasonableness of the valuations provided by the external manager and brokers. Where an income approach is followed, the valuation is based on available trade information, such as expected cash flows and market assumptions on default and loss severity rates. Other inputs used in the valuation process include asset spreads, loan prepayment speeds, collateral spreads and estimated maturity dates.

- For our investments in the CLO equity fund, we measure fair value by obtaining the most recently available NAV as advised by the external fund manager or third party administrator. The fair value of this investment is measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

- For our investments in private credit funds, we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair values of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

- Included within other are investments in real estate debt funds, for which we measure fair value by obtaining the most recently available NAV from the external fund manager or third-party administrator. The fair value of these investments are measured using the NAV as a practical expedient and therefore have not been categorized within the fair value hierarchy.

Table of Contents



*Insurance Contracts - Fair Value Option*

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

*Derivative Instruments*

The fair values of our foreign currency exchange contracts, as described in Note 4 - "Derivatives and Hedging Instruments" are classified as Level 2. The fair values are based upon prices in active markets for identical contracts.

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

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

*Investments*

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

| | Three Months Ended March 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Fixed maturity investments | | | | | |
| | Corporate | Commercial mortgage-backed | Asset-backed | Privately-held Equities | Other Investments | Total |
| Beginning fair value | $ 37,386 | $ 7,389 | $ 9,121 | $ 228,710 | $ 39,367 | $ 321,973 |
| Sales | (2,660) | (608) | (321) | — | — | (3,589) |
| Total realized and unrealized gains | 257 | 62 | 737 | — | 2,380 | 3,436 |
| Transfer into Level 3 from Level 2 | 387 | — | 6,225 | — | — | 6,612 |
| Transfer out of Level 3 into Level 2 | (32,198) | (6,843) | (6,462) | — | — | (45,503) |
| Ending fair value | $ 3,172 | $ — | $ 9,300 | $ 228,710 | $ 41,747 | $ 282,929 |

| | Three Months Ended March 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Fixed maturity investments | | | | | |
| | Corporate | Residential mortgage-backed | Commercial mortgage-backed | Asset-backed | Other Investments | Total |
| Beginning fair value | $ 67,178 | $ 3,080 | $ 21,494 | $ 27,892 | $ 57,079 | $ 176,723 |
| Purchases | 10,832 | — | 1,803 | 1,300 | 130 | 14,065 |
| Sales | (7,037) | (1,148) | (577) | (3,804) | — | (12,566) |
| Total realized and unrealized gains (losses) | 195 | (25) | 83 | 46 | (550) | (251) |
| Transfer into Level 3 from Level 2 | 15,259 | — | 4,897 | — | — | 20,156 |
| Transfer out of Level 3 into Level 2 | (400) | — | (10,066) | (3,437) | — | (13,903) |
| Ending fair value | $ 86,027 | $ 1,907 | $ 17,634 | $ 21,997 | $ 56,659 | $ 184,224 |

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

The securities transferred from Level 2 to Level 3 were transferred due to insufficient market observable inputs for the valuation of the specific assets. The transfers from Level 3 to Level 2 were based upon us obtaining market observable information regarding the valuations of the specific assets.

*Insurance Contracts - Fair Value Option*

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

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2019 | | | March 31, 2018 | | |
| | Liability for losses and LAE | Reinsurance balances recoverable | Net | Liability for losses and LAE | Reinsurance balances recoverable | Net |
| Beginning fair value | $ 2,874,055 | $ 739,591 | $ 2,134,464 | $ 1,794,669 | $ 542,224 | $ 1,252,445 |
| Assumed business | — | — | — | 1,890,061 | 372,780 | 1,517,281 |
| Incurred losses and LAE: | | | | | | |
| Reduction in estimates of ultimate losses | (7,154) | (3,486) | (3,668) | (1,309) | (1,476) | 167 |
| Reduction in unallocated LAE | (4,341) | — | (4,341) | (5,882) | — | (5,882) |
| Change in fair value | 77,461 | 21,420 | 56,041 | (57,155) | (16,914) | (40,241) |
| Total incurred losses and LAE | 65,966 | 17,934 | 48,032 | (64,346) | (18,390) | (45,956) |
| Paid losses | (115,860) | (27,242) | (88,618) | (158,372) | (18,146) | (140,226) |
| Effect of exchange rate movements | 23,632 | 4,974 | 18,658 | 57,441 | 10,268 | 47,173 |
| Ending fair value | $ 2,847,793 | $ 735,257 | $ 2,112,536 | $ 3,519,453 | $ 888,736 | $ 2,630,717 |

Changes in fair value in the table above are included in net incurred losses and LAE in our consolidated statements of earnings. The following table presents the components of the net change in fair value:

| | Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| Changes in fair value due to changes in: | | |
| Duration | $ 9,047 | $ 5,540 |
| Corporate bond yield | 46,994 | (45,781) |
| Change in fair value | $ 56,041 | $ (40,241) |

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

| | | March 31, 2019 | December 31, 2018 |
|---|---|---|---|
| Valuation Technique | Unobservable (U) and Observable (O) Inputs | Weighted Average | |
| Internal model | Corporate bond yield (O) | A rated | A rated |
| Internal model | Credit spread for non-performance risk (U) | 0.2% | 0.2% |
| Internal model | Risk cost of capital (U) | 5.1% | 5.0% |
| Internal model | Weighted average cost of capital (U) | 8.5% | 8.5% |
| Internal model | Duration - liability (U) | 7.40 years | 7.33 years |
| Internal model | Duration - reinsurance balances recoverable (U) | 8.01 years | 7.98 years |

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

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

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

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

As of March 31, 2019, our 4.5% Senior Notes due 2022 (the "Senior Notes") were carried at amortized cost of $348.2 million while the fair value based on observable market pricing from a third party pricing service was $356.3 million. The Senior Notes are classified as Level 2.

Disclosure of fair value of amounts relating to insurance contracts is not required, except those for which we elected the fair value option, as described above. Our remaining assets and liabilities were generally carried at cost or amortized cost, which due to their short-term nature approximates fair value as of March 31, 2019 and December 31, 2018.

**9. POLICY BENEFITS FOR LIFE CONTRACTS**

We have acquired long duration contracts that subject us to mortality, longevity and morbidity risks and which are accounted for as life and annuity premiums earned. Life benefit reserves are established using assumptions for investment yields, mortality, morbidity, lapse and expenses, including a provision for adverse deviation. We establish and review our life reserves regularly based upon cash flow projections. We establish and maintain our life reinsurance reserves at a level that we estimate will, when taken together with future premium payments and investment income expected to be earned on associated premiums, be sufficient to support all future cash flow benefit obligations and third-party servicing obligations as they become payable. Policy benefits for life contracts as of March 31, 2019 and December 31, 2018 were $100.7 million and $105.1 million, respectively. Refer to Note 2 - "Significant Accounting Policies" - (d) Policy Benefits for Life and Annuity Contracts" of the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for a description of the assumptions used and the process for establishing our assumptions and estimates.

On October 10, 2018, we entered into a Business Transfer Agreement between our wholly-owned subsidiary Alpha and a subsidiary of Monument. This agreement will transfer our remaining life assurance policies written by Alpha to Monument, via a Portfolio Transfer, subject to regulatory approval. The transaction is expected to close during 2019. Our life and annuities operations do not qualify for inclusion in our reportable segments and are therefore included within other activities. The related assets, as well as the results from these operations, were not significant to our consolidated operations and therefore they have not been classified as a discontinued operation. In addition, our proposed transfer of these life assurance polices to Monument was not classified as a held-for-sale business transaction since the underlying contracts do not meet the definition of a business. We have an equity method investment in Monument, as described further in Note 18 - "Related Party Transactions".

## 10. PREMIUMS WRITTEN AND EARNED

The following table provides a summary of premiums written and earned in our Non-life Run-off, Atrium and StarStone segments and Other activities:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Premiums Written | Premiums Earned | Premiums Written | Premiums Earned |
| *Non-life Run-off* | | | | |
| Gross | $ (20,877) | $ 83,966 | $ 7,380 | $ 13,110 |
| Ceded | 1,699 | (7,292) | (7,280) | (5,932) |
| Net | $ (19,178) | $ 76,674 | $ 100 | $ 7,178 |
| *Atrium* | | | | |
| Gross | $ 53,985 | $ 43,386 | $ 49,442 | $ 39,674 |
| Ceded | (7,486) | (4,633) | (7,948) | (4,451) |
| Net | $ 46,499 | $ 38,753 | $ 41,494 | $ 35,223 |
| *StarStone* | | | | |
| Gross | $ 251,373 | $ 268,264 | $ 304,989 | $ 234,943 |
| Ceded | (56,772) | (55,002) | (124,426) | (108,117) |
| Net | $ 194,601 | $ 213,262 | $ 180,563 | $ 126,826 |
| *Other* | | | | |
| Gross | $ 864 | $ 6,673 | $ 1,037 | $ 1,050 |
| Ceded | (19) | (75) | (47) | (58) |
| Net | $ 845 | $ 6,598 | $ 990 | $ 992 |
| *Total* | | | | |
| Gross | $ 285,345 | $ 402,289 | $ 362,848 | $ 288,777 |
| Ceded | (62,578) | (67,002) | (139,701) | (118,558) |
| Total | $ 222,767 | $ 335,287 | $ 223,147 | $ 170,219 |

Gross premiums written for the three months ended March 31, 2019 and 2018 were $285.3 million and $362.8 million, respectively, a decrease of $77.5 million. The decrease was primarily due to a decrease in gross written premiums in our StarStone segment due to our strategy to exit certain lines of business, and reductions in gross written premiums in our Non-life Run-off segment for which associated unearned premium was also released.

## 11. GOODWILL AND INTANGIBLE ASSETS

The following table presents a reconciliation of the beginning and ending goodwill and intangible assets during the three months ended March 31, 2019:

| | | Intangible assets | | | |
|---|---|---|---|---|---|
| | Goodwill | Intangible assets with a definite life | Intangible assets with an indefinite life | Total | Total |
| Balance as of January 1, 2019 | $ 114,807 | $ 16,887 | $ 87,031 | $ 103,918 | $ 218,725 |
| Amortization | — | (565) | — | (565) | (565) |
| Balance as of March 31, 2019 | $ 114,807 | $ 16,322 | $ 87,031 | $ 103,353 | $ 218,160 |

Refer to Note 14 - "Goodwill and Intangible Assets" to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for more information on goodwill and intangible assets.

The following table provides a summary of the amortization recorded on the intangible assets:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Intangible asset amortization | $ 565 | $ 1,266 |

The gross carrying value, accumulated amortization and net carrying value of intangible assets by type was as follows:

| | March 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Intangible assets with a definite life: | | | | | | |
| Distribution channel | $ 20,000 | $ (7,111) | $ 12,889 | $ 20,000 | $ (6,776) | $ 13,224 |
| Technology | 15,000 | (14,833) | 167 | 15,000 | (14,778) | 222 |
| Brand | 7,000 | (3,734) | 3,266 | 7,000 | (3,559) | 3,441 |
| Total | $ 42,000 | $ (25,678) | $ 16,322 | $ 42,000 | $ (25,113) | $ 16,887 |
| Intangible assets with an indefinite life: | | | | | | |
| Lloyd’s syndicate capacity | $ 37,031 | $ — | $ 37,031 | $ 37,031 | $ — | $ 37,031 |
| Licenses | 19,900 | — | 19,900 | 19,900 | — | 19,900 |
| Management contract | 30,100 | — | 30,100 | 30,100 | — | 30,100 |
| Total | $ 87,031 | $ — | $ 87,031 | $ 87,031 | $ — | $ 87,031 |

## 12. DEBT OBLIGATIONS AND CREDIT FACILITIES

We primarily utilize debt facilities for acquisitions and significant new business and, from time to time, for general corporate purposes. Debt obligations as of March 31, 2019 and December 31, 2018 were as follows:

| Facility | Origination Date | Term | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Senior Notes | March 10, 2017 | 5 years | $ 348,180 | $ 348,054 |
| EGL Revolving Credit Facility | August 16, 2018 | 5 years | 257,000 | 15,000 |
| 2018 EGL Term Loan Facility | December 27, 2018 | 3 years | 498,610 | 498,485 |
| Total debt obligations | | | $ 1,103,790 | $ 861,539 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Interest expense on debt obligations | $ 10,726 | $ 7,439 |
| Funds withheld balances and other | 310 | 572 |
| Total interest expense | $ 11,036 | $ 8,011 |

### *Senior Notes*

On March 10, 2017, we issued Senior Notes for an aggregate principal amount of $350.0 million. The Senior Notes pay 4.5% interest semi-annually and mature on March 10, 2022. The Senior Notes are unsecured and unsubordinated obligations that rank equal to any of our other unsecured and unsubordinated obligations, senior to any future obligations that are expressly subordinated to the Senior Notes, effectively subordinate to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and structurally subordinate to all liabilities of our subsidiaries.

The Senior Notes are rated BBB- and are redeemable at our option on a make whole basis at any time prior to the date that is one month prior to the maturity of the Senior Notes. On or after the date that is one month prior to the maturity of the Senior Notes, the Notes are redeemable at a redemption price equal to 100% of the principal amount of the Notes to be redeemed.

We incurred costs of $2.9 million in issuing the Senior Notes. These costs included underwriters' fees, legal and accounting fees, and other fees, and are capitalized and presented as a direct deduction from the principal amount of debt obligations in the consolidated balance sheets. These costs are amortized over the term of the Senior Notes and are included in interest expense in our consolidated statements of earnings. The unamortized costs as of March 31, 2019 and December 31, 2018 were $1.8 million and $1.9 million, respectively.

### *EGL Revolving Credit Facility*

On August 16, 2018, we and certain of our subsidiaries, as borrowers and guarantors, entered into a five-year unsecured $600.0 million revolving credit agreement. The credit agreement expires in August 2023 and we have the option to increase the commitments under the facility by up to an aggregate of $400.0 million. Borrowings under the facility will bear interest at a rate based on the Company's long term senior unsecured debt ratings. In connection with our entry into the credit agreement, we terminated and fully repaid our previous revolving credit agreement, which was originated on September 16, 2014 and was most recently amended on July 17, 2018.

As of March 31, 2019, we were permitted to borrow up to an aggregate of $600.0 million under the facility. As of March 31, 2019, there was $343.0 million of available unutilized capacity under the facility. Subsequent to March 31, 2019, we repaid $42.0 million, bringing the unutilized capacity under this facility to $385.0 million.

***2018 EGL Term Loan Facility***

On December 27, 2018, we entered into and fully utilized a three-year $500.0 million unsecured term loan (the "2018 EGL Term Loan Facility"). The proceeds were partially used to fund the acquisition of Maiden Re North America. We have the option to increase the principal amount of the term loan credit facility up to an aggregate amount of $150 million from the existing lenders or through the addition of new lenders, subject to the terms of the term loan credit agreement.

Interest is payable at least every three months at either ABR or LIBOR plus a margin set forth in the term loan credit agreement. The margin could vary based upon any change in our long term senior unsecured debt rating assigned by S&P or Fitch. During the existence of an event of default, the interest rate may increase and the agent may, and at the request of the required lenders shall, demand early repayment.

We incurred costs of $1.5 million associated with closing the 2018 EGL Term Loan Facility. These costs included bank, legal and accounting fees, and other fees, and are capitalized and presented as a direct deduction from the principal amount of debt obligations in the consolidated balance sheets. These costs are amortized over the term of the facility and are included in interest expense in our consolidated statements of earnings. The unamortized costs as of March 31, 2019 and December 31, 2018 were $1.4 million and $1.5 million, respectively.

Refer to Note 15 - "Debt Obligations and Credit Facilities" of the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for further information on the terms of the above facilities.

***Unsecured Letters of Credit***

We also utilize unsecured letters of credit for Funds at Lloyd's. On February 8, 2018, we amended and restated our unsecured letter of credit agreement for Funds at Lloyd's ("FAL Facility") to issue up to $325.0 million of letters of credit, with provision to increase the facility up to $400.0 million, subject to lenders approval. On February 12, 2019, we increased the facility up to $375.0 million and maintained the provision to increase the facility to $400.0 million. The FAL Facility is available to satisfy our Funds at Lloyd's requirements and expires in 2022. As of March 31, 2019, our combined Funds at Lloyd's were comprised of cash and investments of $642.1 million and unsecured letters of credit of $368.0 million.

## 13. NONCONTROLLING INTERESTS

***Redeemable Noncontrolling Interest***

Redeemable noncontrolling interest ("RNCI") as of March 31, 2019 and December 31, 2018 comprises the ownership interests held by the Trident V Funds ("Trident") (39.3%) and Dowling Capital Partners, L.P. ("Dowling") (1.7%) in our subsidiary North Bay Holdings Limited ("North Bay"). North Bay owns our investments in StarStone and Atrium.

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

| | Three Months Ended March 31, 2019 | For The Year Ended December 31, 2018 |
|---|---|---|
| Balance at beginning of period | $ 458,543 | $ 479,606 |
| Capital contributions | — | 55,377 |
| Dividends paid | — | (3,852) |
| Net losses attributable to RNCI | (2,544) | (64,794) |
| Accumulated other comprehensive earnings (losses) attributable to RNCI | 85 | (240) |
| Change in redemption value of RNCI | 262 | (7,554) |
| Balance at end of period | $ 456,346 | $ 458,543 |

We carried the RNCI at its estimated redemption value, which is fair value, as of March 31, 2019. The decrease was primarily attributable to a decrease in the net assets due to net losses related to StarStone during the three months ended March 31, 2019.

Refer to Note 18 - "Related Party Transactions" and Note 19 - "Commitments and Contingencies" for additional information regarding RNCI.

***Noncontrolling Interest***

As of March 31, 2019 and December 31, 2018, we had $12.5 million and $12.1 million, respectively, of noncontrolling interest ("NCI") related to external interests in two of our non-life run-off subsidiaries. A reconciliation of the beginning and ending carrying amount of the equity attributable to NCI is included in the unaudited condensed consolidated statement of changes in shareholders equity.

## 14. SHARE CAPITAL

Refer to Note 17 - "Share Capital" in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information on our share capital.

*Dividends Declared and Paid*

The following table details the dividends that have been declared and paid on our Series D and E Preferred Shares for the period from January 1, 2019 to May 7, 2019:

| Preferred Share Series | Date Declared | Record Date | Date Payable | Dividend per: Preferred Share | Dividend per: Depositary Share | Total dividends paid and declared in the three months ended March 31, 2019 |
|---|---|---|---|---|---|---|
| | | | | (in U.S. dollars) | | (in thousands of U.S. dollars) |
| Series D | February 21, 2019 | February 15, 2019 | March 1, 2019 | $ 437.50 | $ 0.43750 | $ 7,000 |
| Series E | February 21, 2019 | February 15, 2019 | March 1, 2019 | $ 486.11 | $ 0.48611 | 2,139 |
| Series D | May 3, 2019 | May 15, 2019 | June 1, 2019 | $ 437.50 | $ 0.43750 | — |
| Series E | May 3, 2019 | May 15, 2019 | June 1, 2019 | $ 437.50 | $ 0.43750 | — |
| | | | | | | $ 9,139 |

## 15. EARNINGS PER SHARE

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 |
|---|---|---|
| **Numerator:** | | |
| Net earnings (loss) attributable to Enstar Group Limited ordinary shareholders | $ 358,751 | $ (41,210) |
| **Denominator:** | | |
| Weighted average ordinary shares outstanding — basic | 21,463,499 | 19,409,021 |
| Effect of dilutive securities: | | |
| Share-based compensation plans | 122,980 | 115,630 |
| Warrants | 59,383 | 77,861 |
| Weighted average ordinary shares outstanding — diluted | 21,645,862 | 19,602,512 |
| **Earnings (losses) per ordinary share attributable to Enstar Group Limited:** | | |
| Basic | $ 16.71 | $ (2.12) |
| Diluted[1] | $ 16.57 | $ (2.12) |

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

## 16. SHARE-BASED COMPENSATION AND PENSIONS

We provide various employee benefits including share-based compensation, an employee share purchase plan, an annual incentive compensation program, and pension plans. These are described in Note 19 - "Share-Based Compensation and Pensions" in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

The table below provides the expenses related to the share-based compensation plans and other share-based compensation plans and pension plans:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Share-based compensation plans: | | |
| Restricted shares and restricted share units | $ 1,843 | $ 2,349 |
| Performance share units | 1,325 | 2,475 |
| Cash-settled stock appreciation rights | 56 | 1,241 |
| Other share-based compensation plans: | | |
| Northshore incentive plan | 1,046 | 1,108 |
| Deferred compensation and ordinary share plan for non-employee directors | 827 | 846 |
| Employee share purchase plan | 103 | 83 |
| Total share-based compensation | $ 5,200 | $ 8,102 |

The table below provides the expenses related to our pension plans:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Pension plans: | | |
| Defined contribution plans | $ 2,854 | $ 2,638 |
| Defined benefit plan | 175 | 151 |
| Total pension costs | $ 3,029 | $ 2,789 |

## 17. INCOME TAXATION

### *Interim Tax Calculation Method*

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

### *Interim Tax Expense*

The effective tax rates on income for the three months ended March 31, 2019 and 2018 were 1.3% and (0.4)%, respectively. The effective tax rate on income differs from the statutory rate of 0% due to tax on foreign operations, primarily the United States and the United Kingdom. We have foreign operating subsidiaries and branch operations principally located in the United States, United Kingdom, Continental Europe and Australia that are subject to federal, foreign, state and local taxes in those jurisdictions. Deferred income tax liabilities have not been accrued with respect to the undistributed earnings of our foreign subsidiaries. If the earnings were to be distributed, as dividends or other distributions, withholding taxes may be imposed by the jurisdiction of the paying subsidiary. For our U.S. subsidiaries, we have not currently accrued any withholding taxes with respect to un-remitted earnings as management has no current intention of remitting these earnings. For our United Kingdom subsidiaries, there are no withholding taxes imposed. For our other foreign subsidiaries, it would not be practicable to compute such amounts due to a variety of factors, including the amount, timing, and manner of any repatriation. Because we operate in many jurisdictions, our net earnings are subject to risk due to changing tax laws and tax rates around the world. The current, rapidly changing economic environment may increase the likelihood of substantial changes to tax laws in the jurisdictions in which we operate.

### **Assessment of Valuation Allowance on Deferred Tax Asset**

We have estimated the future taxable income of our foreign subsidiaries and have provided a valuation allowance in respect of loss carryforwards where we do not expect to realize a benefit. We have considered all available evidence using a "more than likely than not" standard in determining the amount of the valuation allowance. During the three months ended March 31, 2019, we had no change in our assessment of our valuation allowance on deferred tax assets.

### *Accounting for Uncertainty in Income Taxes*

There were no unrecognized tax benefits relating to uncertain tax positions as of March 31, 2019 and December 31, 2018.

### *Tax Examinations*

Our operating subsidiaries may be subject to audit by various tax authorities and may have different statutes of limitations expiration dates. With limited exceptions, our major subsidiaries that operate in the United States, United Kingdom and Australia are no longer subject to tax examinations for years before 2014.

## 18. RELATED PARTY TRANSACTIONS

### *Stone Point Capital LLC*

Through several private transactions occurring from May 2012 to July 2012 and an additional private transaction that closed in May 2018, investment funds managed by Stone Point Capital LLC ("Stone Point") have acquired an aggregate of 1,635,986 of our Voting Ordinary Shares (which now constitutes approximately 9.1% of our outstanding Voting Ordinary Shares). On November 6, 2013, we appointed James D. Carey to our Board of Directors. Mr. Carey is the sole member of an entity that is one of four general partners of the entities serving as general partners for Trident, is a member of the investment committees of such general partners, and is a member and senior principal of Stone Point, the manager of the Trident funds.

In addition, we have entered into certain agreements with Trident with respect to Trident's co-investments in the Atrium, Arden, and StarStone acquisitions. These include investors' agreements and shareholders' agreements, which provide for, among other things: (i) our right to redeem Trident's equity interest in the StarStone transaction in cash at fair market value within the 90 days following April 1, 2019 (ii) our right to redeem Trident's equity interest in the Atrium/Arden and StarStone transactions in cash at fair market value at any time following September 6, 2020 and April 1, 2021, respectively; and (iii) Trident's right to have its equity interest in the Atrium/Arden and StarStone transactions redeemed by us at fair market value (which we may satisfy in either cash or our ordinary shares) following September 6, 2020 and April 1, 2021, respectively. Pursuant to the terms of the shareholders' agreements, Mr. Carey serves as a Trident representative on the boards of the holding companies established in connection with the Atrium/Arden and StarStone co-investment transactions. Trident also has a second representative on these boards who is a Stone Point employee.

On December 26, 2018, the shareholders of North Bay completed a transaction to provide capital support to StarStone in the form of a contribution to its contributed surplus account and a loss portfolio transfer of certain discontinued and discontinuing lines of business. To fund the transaction, the North Bay shareholders contributed an aggregate amount of $135.0 million to North Bay in proportion to their ownership interests. Trident's proportionate contribution of $53.1 million was temporarily funded by North Bay and was reimbursed in the first quarter of 2019.

The RNCI on our balance sheet relating to these Trident co-investment transactions was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Redeemable Noncontrolling Interest | 437,322 | 439,428 |

As of March 31, 2019, we had the following relationships with Stone Point and its affiliates:

- Investments in funds (carried within other investments) managed by Stone Point, with respect to which we recognized unrealized gains and interest income;
- Investments in registered investment companies affiliated with entities owned by Trident or otherwise affiliated with Stone Point, with respect to which we recognized unrealized gains and interest income;
- Separate accounts managed by Eagle Point Credit Management and PRIMA Capital Advisors, which are affiliates of entities owned by Trident, with respect to which we incurred management fees;
- Investments in funds (carried within other investments) managed by Sound Point Capital, an entity in which Mr. Carey has an indirect minority ownership interest and serves as a director, with respect to which we recognized net unrealized gains;
- Sound Point Capital has acted as collateral manager for certain of our direct investments in CLO equity securities, with respect to which we recognized net unrealized gains (losses) and interest income;
- A separate account managed by Sound Point Capital, with respect to which we incurred management fees; and
- In the fourth quarter of 2018, we invested $25.0 million in Mitchell TopCo Holdings, the parent company of Mitchell International and Genex Services, as a co-investor alongside Stone Point.

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investments in funds managed by Stone Point | $ 611,262 | $ 422,771 |
| Investments in registered investment companies affiliated with entities owned by Trident or Stone Point | 27,882 | 32,302 |
| Investments managed by Eagle Point Credit Management and PRIMA Capital Advisors | 350,194 | 176,624 |
| Investments in funds managed by Sound Point Capital | 19,889 | 29,922 |
| Investments in CLO equity securities with Sound Point Capital as collateral manager | 13,466 | 13,449 |
| Separate account managed by Sound Point Capital | 115 | 1,079 |
| Total investments | $ 1,022,808 | $ 676,147 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net unrealized gains (losses) on funds managed by Stone Point | $ 24,182 | $ (1,526) |
| Net unrealized gains (losses) on registered investment companies affiliated with entities owned by Trident or Stone Point | (4,420) | 6,205 |
| Interest income on registered investment companies affiliated with entities owned by Trident | 680 | 1,082 |
| Management fees on investments managed by Eagle Point Credit Management and PRIMA Capital Advisors | (87) | (227) |
| Net unrealized gains (losses) on investments in funds managed by Sound Point Capital | 354 | (529) |
| Net unrealized gains (losses) on investments in CLO equity securities with Sound Point Capital as collateral manager | 17 | (231) |
| Interest income on investments in CLO equity securities with Sound Point Capital as collateral manager | 482 | 1,310 |
| Management fees on separate account managed by Sound Point Capital | — | (81) |
| Total net earnings | $ 21,208 | $ 6,003 |

***KaylaRe***

On December 15, 2016, KaylaRe completed an initial capital raise of $620.0 million. We originally owned approximately 48.2% of KaylaRe's common shares and recorded our investment in KaylaRe using the equity method basis of accounting, as we concluded that we were not required to consolidate based on the guidance in ASC 810 - Consolidation.

On May 14, 2018, the Company acquired all of the outstanding shares and warrants of KaylaRe, following the receipt of all required regulatory approvals. In consideration for the acquired shares and warrants of KaylaRe, the Company issued an aggregate of 2,007,017 ordinary shares, comprising 1,501,778 voting ordinary shares and 505,239 Series E non-voting ordinary shares to the shareholders of KaylaRe as follows: (i) 1,204,353 voting ordinary shares and 505,239 Series E Shares to a fund managed by Hillhouse Capital; (ii) 285,986 voting ordinary shares to Trident; and (iii) 11,439 voting ordinary shares to the minority shareholder. In addition, the Shareholders Agreement between Enstar and the other KaylaRe shareholders was effectively terminated. Effective May 14, 2018, we consolidated KaylaRe into our consolidated financial statements, and any balances between KaylaRe and Enstar are now eliminated upon consolidation. Refer to Note 3 - "Acquisitions" in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for additional information.

Our subsidiary, Enstar Limited, acts as insurance and reinsurance manager to KaylaRe's subsidiary, KaylaRe Ltd., for which it received fee income. Affiliates of Enstar have also entered into various reinsurance agreements with KaylaRe Ltd. We provide administrative services to KaylaRe and KaylaRe Ltd.

Through a Quota Share Agreement dated December 15, 2016 (the "KaylaRe-StarStone QS"), several of our StarStone affiliates entered into a Quota Share Treaty with KaylaRe Ltd. pursuant to which KaylaRe Ltd. reinsures 35% of all business written by these StarStone affiliates for risks attaching from January 1, 2016, net of the StarStone affiliates' external reinsurance programs. The reinsurance of StarStone's U.S. and U.K. affiliates was non-renewed as of January 1, 2018 and January 1, 2019, respectively.

In addition, Fitzwilliam Insurance Limited ("Fitzwilliam"), one of our non-life run-off subsidiaries, ceded $177.2 million of loss reserves to KaylaRe Ltd. in 2016. Under the terms of this reinsurance agreement, Fitzwilliam is entitled to receive a profit commission calculated with reference to reserve savings made during the currency of this agreement. Our Non-life Run-off subsidiaries did not cede any additional business to KaylaRe Ltd. during three months ended March 31, 2019 and 2018.

Our consolidated statement of earnings included the following amounts related to transactions between us and KaylaRe and KaylaRe Ltd.:

| | Three Months Ended March 31, 2018 |
|---|---|
| Management fee income | $ 1,397 |
| | |
| Transactions under KaylaRe-StarStone QS: | |
| Ceded premium earned | (52,651) |
| Net incurred losses | 31,543 |
| Acquisition costs | 18,774 |
| | |
| Total net earnings (loss) | $ (937) |

***Hillhouse***

Investment funds managed by Hillhouse Capital, collectively own approximately 9.7% of Enstar's voting ordinary shares. These funds also own non-voting ordinary shares and warrants to purchase additional non-voting ordinary shares, which together with their voting ordinary shares, represent an approximate 17.0% economic interest in Enstar. Jie Liu, a Partner of Hillhouse Capital, is a member of our Board.

As of March 31, 2019 and December 31, 2018 our equity method investee, Enhanzed Re, had investments in a fund managed by Hillhouse Capital, as described below.

As of March 31, 2019, our carrying value of the InRe Fund, L.P. ("InRe Fund"), which is managed by Hillhouse Capital, was $793.0 million and the fund was invested in approximately 37% in fixed income securities, 24% in North American equities, 67% in international equities and (28)% in financing, derivatives and other items.

Our consolidated balance sheet included the following balances related to transactions between us and Hillhouse Capital and its affiliated entities:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Investments in funds managed by Hillhouse Capital, held by equity method investees | $ | 212,155 | $ | 75,192 |
| Our ownership of equity method investments | | 47.4% | | 47.4% |
| Our indirect investment in funds managed by Hillhouse Capital | $ | 100,561 | $ | 35,641 |
| Direct investment in funds managed by Hillhouse Capital: | | | | |
| InRe Fund | $ | 792,980 | $ | 678,420 |
| Other funds | | 199,732 | | 166,646 |
| | $ | 992,712 | $ | 845,066 |

The increase in the direct investment in funds managed by Hillhouse was primarily due to unrealized gains in the first quarter of 2019. We incurred fees of approximately $31.9 million for the three months ended March 31, 2019 in relation to the management of the direct investment in funds managed by Hillhouse Capital and its affiliated entities as described above.

***Monument***

Monument was established in October 2016 and Enstar has invested a total of $26.6 million in the common and preferred shares of Monument. We have approximately a 26.6% interest in Monument. In connection with our investment in Monument, we entered into a Shareholders Agreement with the other shareholders. We recorded the investment in Monument using the equity method basis of accounting, as we concluded that we are not required to consolidate based on the guidance in ASC 810 - *Consolidation*.

On August 29, 2017, we sold our wholly-owned subsidiary Laguna to a subsidiary of Monument. On October 10, 2018, we entered into a Business Transfer Agreement between our wholly-owned subsidiary Alpha Insurance SA and a subsidiary of Monument. This agreement will transfer our remaining life assurance policies to Monument, via a Portfolio Transfer, subject to regulatory approval. The transaction is expected to close in the first half of 2019.

Our investment in the common and preferred shares of Monument, carried in equity method investments on our consolidated balance sheet was as follows:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Investment in Monument | $ | 47,746 | $ | 42,193 |

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

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

We have recorded the investment in Clear Spring using the equity method basis of accounting, as we concluded that we are not required to consolidate based on the guidance in ASC 810 - *Consolidation*. Our investment in the common shares of Clear Spring, carried in equity method investments on our consolidated balance sheet, as of March 31, 2019 and December 31, 2018 was as follows:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Investment in Clear Spring | $ | 10,070 | $ | 10,070 |

Effective January 1, 2017, StarStone National Insurance Company (“StarStone National”) entered into a quota share treaty with Clear Spring pursuant to which Clear Spring reinsures 33.3% of core workers compensation business written by StarStone National. This agreement was terminated as of December 31, 2018.

Effective January 1, 2017, we also entered into a quota share treaty with Clear Spring pursuant to which an Enstar subsidiary reinsures 25% of all workers compensation business written by Clear Spring. This is recorded as other activities.

Our consolidated balance sheet included the following balances related to transactions between us and Clear Spring:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Balances under StarStone ceding quota share: | | |
| Reinsurance balances recoverable | $ 26,415 | $ 23,718 |
| Prepaid insurance premiums | 8,527 | 13,821 |
| Ceded payable | 11,830 | 14,153 |
| Ceded acquisition costs | 2,039 | 3,233 |
| | | |
| Balances under assuming quota share: | | |
| Losses and LAE | 6,301 | 5,778 |
| Unearned reinsurance premiums | 2,132 | 3,455 |
| Funds held | 9,833 | 10,242 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Transactions under StarStone ceding quota share: | | |
| Ceded premium earned | $ (5,485) | $ (7,003) |
| Ceded incurred losses and LAE | 3,859 | 5,562 |
| Ceded acquisition costs | 54 | 1,782 |
| | | |
| Transactions under assuming quota share: | | |
| Premium earned | 1,371 | 1,751 |
| Net incurred losses and LAE | (965) | (1,390) |
| Acquisition costs | (14) | (464) |
| | | |
| Total net earnings (loss) | $ (1,180) | $ 238 |

***AmTrust***

In November 2018, pursuant to a Subscription Agreement with Evergreen Parent L.P. ("Evergreen"), K-Z Evergreen, LLC and Trident Pine Acquisition LP ("Trident Pine"), we purchased equity in Evergreen in the aggregate amount of $200.0 million. Evergreen is an entity formed by private equity funds managed by Stone Point and the Karfunkel-Zyskind family that acquired the approximately 45% of the issued and outstanding shares of common stock of AmTrust Financial Services, Inc. ("AmTrust") that the Karfunkel-Zyskind Family and certain of its affiliates and related parties did not already own or control. The equity interest was in the form of three separate classes of equity securities issued at the same price and in the same proportion as the equity interest purchased by Trident Pine. Following the closing of the transaction, Enstar owns approximately 7.5% of the equity interest in Evergreen and Trident Pine owns approximately 21.8%. Evergreen owns all of the equity interest in AmTrust. In addition, upon the successful closing of the transaction we received a fee of $3.5 million, half of which was payable upon closing and the other on the first anniversary of the closing. The fee was recorded in other income within our consolidated statements of earnings for the year ended December 31, 2018.

Our indirect investment in the shares of AmTrust, carried in equities on our consolidated balance sheet was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investment in AmTrust | $ 200,000 | $ 200,000 |

We recorded the following amounts, related to dividend income, included in net earnings related to our investment in AmTrust:

| | Three Months Ended March 31, 2019 |
|---|---|
| Net investment income | $ 1,821 |

***Citco***

In June 2018, our subsidiary made a $50.0 million indirect investment in the shares of Citco III Limited ("Citco"), a fund administrator with global operations. Pursuant to an investment agreement and in consideration for participation therein, a related party of Hillhouse Capital provided investment support to our subsidiary. In a private transaction that preceded our co-investment opportunity, certain Citco shareholders, including Trident, agreed to sell all or a portion of their interests in Citco. As of March 31, 2019, Trident owned an approximate 3.4% interest in Citco. Mr. Carey currently serves as an observer to the board of directors of Citco in connection with Trident's investment therein.

Our indirect investment in the shares of Citco, carried in equity method investments on our consolidated balance sheet, was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investment in Citco | $ 50,917 | $ 50,812 |

***Enhanzed Re***

Enhanzed Reinsurance Ltd. ("Enhanzed Re") is a joint venture between Enstar, Allianz SE and Hillhouse Capital that was capitalized in December 2018. Enhanzed Re is a Bermuda-based Class 4 and Class E reinsurer and will reinsure life, non-life run-off, and property and casualty insurance business, initially sourced from Allianz SE and Enstar. Enstar, Allianz and Hillhouse Capital affiliates have made equity investment commitments in aggregate of $470.0 million to Enhanzed Re. Enstar owns 47.4% of the entity, Allianz owns 24.9%, and an affiliate of Hillhouse Capital owns 27.7%. As of March 31, 2019, Enstar has contributed $94.8 million of its total capital commitment to Enhanzed Re and had an uncalled amount of $128.0 million.

Enstar acts as the (re)insurance manager for Enhanzed Re, also Hillhouse Capital acts as primary investment manager, and an affiliate of Allianz SE provides investment management services. Enhanzed Re writes business from affiliates of its operating sponsors, Allianz SE and Enstar. It also underwrites other business to maximize diversification by risk and geography.

Our investment in the common shares of Enhanzed Re, carried in equity method investments on our consolidated balance sheet was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Investment in EnhanzedRe | $ 91,883 | $ 94,800 |

We received fee income of $0.1 million from Enhanzed Re, recorded within other income on our consolidated statement of earnings, for the three months ended March 31, 2019.

## 19. COMMITMENTS AND CONTINGENCIES

### *Concentrations of Credit Risk*

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

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

Credit risk exists in relation to reinsurance balances recoverable. We remain liable to the extent that retrocessionaires do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our reinsurers. These amounts are discussed in Note 5 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses".

We are also subject to credit risk in relation to funds held by reinsured companies. Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds balance is credited with investment income and losses payable are deducted. We are subject to credit risk if the reinsured company is unable to honor the value of the funds held balances, such as in the event of insolvency. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us to the reinsured for losses payable and other amounts contractually due. We routinely monitor the creditworthiness of reinsured companies with whom we have funds held arrangements. We have a significant concentration of $1,101.9 million to one reinsured company which has financial strength credit ratings of A+ from A.M. Best and AA from Standard & Poor's. In connection with the AmTrust RITC transactions, we have recorded, in aggregate $601.9 million as funds held, which is expected to be received in the second quarter of 2019 and subsequently invested in accordance with our investment guidelines.

We limit the amount of credit exposure to any one counterparty, and none of our counterparty credit exposures, excluding U.S. government instruments and the funds held counterparty noted above, exceeded 10% of shareholders' equity as of March 31, 2019. Our credit exposure to the U.S. government was $711.8 million as of March 31, 2019.

### *Legal Proceedings*

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

### *Unfunded Investment Commitments*

As of March 31, 2019, we had unfunded commitments of $210.8 million and $152.3 million to private equity funds and equity method investments, respectively.

***Guarantees***

As of March 31, 2019 and December 31, 2018, parental guarantees and capital instruments supporting subsidiaries' insurance obligations were $669.6 million and $614.5 million, respectively. We also have a FAL facility, which on February 12, 2019, we increased to issue up to $375.0 million of letters of credit, and maintained the provision to increase the facility up to $400.0 million. The FAL Facility is available to satisfy our Funds at Lloyd’s requirements and expires in 2022. As of March 31, 2019 there were $368.0 million letters of credit issued under this facility which have a parental guarantee.

***Asbestos Personal Injury Liabilities***

We acquired DCo LLC ("DCo") on December 30, 2016, as described in Note 3 - "Acquisitions" of our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018. DCo continues to process asbestos personal injury claims in the normal course of business and is separately managed.

Other liabilities on our consolidated balance sheets include amounts for indemnity and defense costs for pending and future claims, determined using standard actuarial techniques for asbestos-related exposures. Other liabilities also include amounts for environmental liabilities associated with DCo's properties.

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

Included within other assets and other liabilities are the fair value adjustments that were initially recognized when DCo was acquired. These fair value adjustments continue to be amortized in proportion to the original expected payout patterns for the future claims and recoveries. The carrying value of the asbestos and environmental liabilities, insurance recoveries, future estimated expenses and the fair value adjustments related to DCo was as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Other liabilities: | | |
| Direct asbestos liabilities | $ 262,098 | $ 265,975 |
| Direct environmental liabilities | 2,046 | 2,152 |
| Estimated future expenses | 17,717 | 19,843 |
| Fair value adjustments | (84,350) | (84,650) |
| | 197,511 | 203,320 |
| Other assets: | | |
| Insurance recoveries related to direct asbestos and environmental liabilities | 178,100 | 183,676 |
| Fair value adjustments | (47,669) | (47,868) |
| | 130,431 | 135,808 |
| Net liabilities relating to direct asbestos and environmental exposures | $ 67,080 | $ 67,512 |

***Redeemable Noncontrolling Interest***

We have the right to purchase the RNCI interests from the RNCI holders at certain times in the future (each such right, a "call right"), and the RNCI holders have the right to sell their RNCI interests to us at certain times in the future (each such right, a "put right"). The RNCI rights held by Trident are described in Note 18 - "Related Party Transactions". Dowling has a right to participate if Trident exercises its put right.

Table of Contents



***Leases***

We adopted the new leasing standard and the related amendments on January 1, 2019 using the modified retrospective transition method as required by the standard, and based on the detailed analysis of our operating lease arrangements we have recognized a right-of-use asset and an offsetting lease liability on our consolidated balance sheet, relating primarily to office space and facilities that we have leased to conduct our business operations. On an ongoing basis we determine whether an arrangement is a lease or contains a lease at inception and also complete an assessment to determine the classification of each lease as either a finance lease or an operating lease. Our leases are all currently classified as operating leases.

Our leases have remaining lease terms of one year to 38 years, some of which include options to extend the lease term for up to five years and some of which include options to terminate the lease within one year. We consider these options in determining the lease term used to establish our right-of-use assets and lease liabilities. Only those renewal options that we believe we are reasonably certain to exercise are taken into account when determining lease terms. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of our leases do not provide an implicit discount rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We have lease agreements that contain both lease and non-lease components. For real estate leases, we account for lease components together with non-lease components such as common-area maintenance costs as a single lease component.

As part of our adoption of the new leasing standard, we elected the practical expedient package as well as the hindsight practical expedient permitted by the FASB in ASC 842. The practical expedient package covers the application of the new leasing standard to leases that commenced before January 1, 2019, the effective date of the standard and gives an entity the option of not reassessing, (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases. The hindsight practical expedient permits an entity to consider changes in facts and circumstances from commencement through to the effective date of the new standard when determining the lease term and assessing any potential impairment of the recorded right-of-use asset. All these practical expedients were consistently applied to our leases as required by the leasing standard.

The table below provides a summary of the components of our lease cost including the gross sublease income received under sublease arrangements related to certain office spaces that we have leased to conduct our business operations:

| | Three Months Ended March 31, 2019 |
|---|---|
| Operating lease cost | $ 3,487 |
| Sublease income | (131) |
| Total lease cost | $ 3,356 |

The table below provides a summary of the cash flow information and non-cash activity related to our operating leases:

| | Three Months Ended March 31, 2019 |
|---|---|
| **Operating cash flow information:** | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 3,024 |
| **Non-cash activity:** | |
| Right-of-use assets obtained in exchange for lease obligations | $ 51,609 |

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

| | Balance sheet classification | March 31, 2019 |
|---|---|---|
| Right-of-use assets | Other assets | $ 48,870 |
| Current lease liabilities | Other liabilities | 9,063 |
| Non-current lease liabilities | Other liabilities | 40,270 |

Weighted-average remaining lease term and discount rate used for our operating leases are as follows:

| | March 31, 2019 |
|---|---|
| Weighted-average remaining lease term | 6.6 years |
| Weighted-average discount rate | 6.2% |

The table below provides a summary of the maturity of the operating lease liabilities:

| | March 31, 2019 |
|---|---|
| 2019 | $ 8,223 |
| 2020 | 12,469 |
| 2021 | 9,022 |
| 2022 | 7,454 |
| 2023 | 6,605 |
| 2024 and beyond | 18,010 |
| Total lease payments | 61,783 |
| Less: Imputed interest | (12,450) |
| Present value of lease liabilities | $ 49,333 |

## 20. SEGMENT INFORMATION

We have three reportable segments of business that are each managed, operated and separately reported: (i) Non-life Run-off; (ii) Atrium; and (iii) StarStone. Our other activities, which do not qualify as a reportable segment, include our corporate expenses, debt servicing costs, holding company income and expenses, foreign exchange, our remaining life business and other miscellaneous items. These segments are described in Note 1 - "Description of Business" to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

The following tables set forth selected and unaudited condensed consolidated statement of earnings results by segment:

| | Three Months Ended March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-Life Run-Off | Atrium | StarStone | Other | Total |
| Gross premiums written | $ (20,877) | $ 53,985 | $ 251,373 | $ 864 | $ 285,345 |
| Net premiums written | $ (19,178) | $ 46,499 | $ 194,601 | $ 845 | $ 222,767 |
| Net premiums earned | $ 76,674 | $ 38,753 | $ 213,262 | $ 6,598 | $ 335,287 |
| Net incurred losses and LAE | (95,182) | (17,214) | (195,052) | (4,956) | (312,404) |
| Life and Annuity Policy Benefits | — | — | — | (96) | (96) |
| Acquisition costs | (28,155) | (13,742) | (51,659) | (232) | (93,788) |
| Operating expenses | (43,992) | (3,033) | (35,994) | — | (83,019) |
| Underwriting income (loss) | (90,655) | 4,764 | (69,443) | 1,314 | (154,020) |
| Net investment income (loss) | 66,728 | 1,711 | 11,942 | (1,685) | 78,696 |
| Net realized and unrealized gains | 436,186 | 2,913 | 20,658 | 1,034 | 460,791 |
| Fees and commission income | 4,832 | 1,849 | — | — | 6,681 |
| Other income | 5,504 | 36 | 60 | 212 | 5,812 |
| Corporate expenses | (16,570) | (3,788) | — | (8,697) | (29,055) |
| Interest income (expense) | (12,116) | — | (475) | 1,555 | (11,036) |
| Net foreign exchange gains (losses) | 3,618 | 825 | (594) | 1 | 3,850 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 397,527 | 8,310 | (37,852) | (6,266) | 361,719 |
| Income tax expense | (2,720) | (685) | (1,259) | (85) | (4,749) |
| Earnings from equity method investments | 8,584 | — | 188 | — | 8,772 |
| NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS | 403,391 | 7,625 | (38,923) | (6,351) | 365,742 |
| Net loss (earnings) attributable to noncontrolling interest | (2,646) | (3,128) | 7,922 | — | 2,148 |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED | 400,745 | 4,497 | (31,001) | (6,351) | 367,890 |
| Dividends on preferred shares | — | — | — | (9,139) | (9,139) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ 400,745 | $ 4,497 | $ (31,001) | $ (15,490) | $ 358,751 |
| | | | | | |
| Underwriting ratios: | | | | | |
| Loss ratio | | 44.4% | 91.5% | | |
| Acquisition expense ratio | | 35.5% | 24.2% | | |
| Operating expense ratio | | 7.8% | 16.9% | | |
| Combined ratio | | 87.7% | 132.6% | | |

| | Three Months Ended March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Non-Life Run-Off | Atrium | StarStone | Other | Total |
| Gross premiums written | $ 7,380 | $ 49,442 | $ 304,989 | $ 1,037 | $ 362,848 |
| Net premiums written | $ 100 | $ 41,494 | $ 180,563 | $ 990 | $ 223,147 |
| Net premiums earned | $ 7,178 | $ 35,223 | $ 126,826 | $ 992 | $ 170,219 |
| Net incurred losses and LAE | 72,978 | (17,172) | (75,340) | — | (19,534) |
| Life and Annuity Policy Benefits | — | — | — | 46 | 46 |
| Acquisition costs | (1,470) | (12,065) | (16,425) | (148) | (30,108) |
| Operating expenses | (38,403) | (4,177) | (34,557) | — | (77,137) |
| Underwriting income | 40,283 | 1,809 | 504 | 890 | 43,486 |
| Net investment income | 51,651 | 1,185 | 7,701 | 5,782 | 66,319 |
| Net realized and unrealized losses | (126,296) | (1,403) | (12,958) | (2,373) | (143,030) |
| Fees and commission income | 4,898 | 3,433 | — | — | 8,331 |
| Other income (expense) | 2,558 | 64 | 51 | (730) | 1,943 |
| Corporate expenses | (8,633) | (475) | — | (9,015) | (18,123) |
| Interest income (expense) | (8,530) | — | (541) | 1,060 | (8,011) |
| Net foreign exchange gains (losses) | (7,177) | (953) | 1,095 | 1,167 | (5,868) |
| EARNINGS (LOSS) BEFORE INCOME TAXES | (51,246) | 3,660 | (4,148) | (3,219) | (54,953) |
| Income tax benefit (expense) | 1,117 | (280) | (998) | (11) | (172) |
| Earnings from equity method investments | 14,697 | — | — | — | 14,697 |
| NET EARNINGS (LOSS) | (35,432) | 3,380 | (5,146) | (3,230) | (40,428) |
| Net loss (earnings) attributable to noncontrolling interest | (1,429) | (1,411) | 2,058 | — | (782) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ (36,861) | $ 1,969 | $ (3,088) | $ (3,230) | $ (41,210) |
| | | | | | |
| Underwriting ratios: | | | | | |
| Loss ratio | | 48.8% | 59.4% | | |
| Acquisition expense ratio | | 34.3% | 13.0% | | |
| Operating expense ratio | | 11.8% | 27.2% | | |
| Combined ratio | | 94.9% | 99.6% | | |

***Assets by Segment***

Invested assets are managed on a subsidiary-by-subsidiary basis, and investment income and realized and unrealized gains (losses) on investments are recognized in each segment as earned. Our total assets by segment were as follows:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Assets by Segment: | | |
| Non-life Run-off | $ 14,661,681 | $ 13,362,749 |
| Atrium | 588,126 | 591,722 |
| StarStone | 3,464,379 | 3,416,132 |
| Other | (655,935) | (814,333) |
| Total assets | $ 18,058,251 | $ 16,556,270 |

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

The following discussion and analysis of our financial condition as of March 31, 2019 and our results of operations for the three months ended March 31, 2019 and 2018 should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2018. Some of the information contained in this discussion and analysis or included elsewhere in this quarterly report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

**Table of Contents**

## Business Overview

We are a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through our network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Our core focus is acquiring and managing insurance and reinsurance companies and portfolios of insurance and reinsurance business in run-off. Since the formation of our Bermuda-based holding company in 2001, we have completed over 95 acquisitions or portfolio transfers.

The substantial majority of our acquisitions have been in the non-life run-off business, which generally includes property and casualty, workers' compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

While our core focus remains acquiring and managing non-life run-off business, we expanded our business to include active underwriting through our acquisitions of Atrium and StarStone in 2013 and 2014, respectively. We partnered with Trident in the Atrium and StarStone acquisitions, with Enstar owning a 59.0% interest, Trident owning a 39.3% interest, and Dowling owning a 1.7% interest.

We have three reportable segments of business that are each managed, operated and reported upon separately: (i) Non-life Run-off; (ii) Atrium; and (iii) StarStone. For additional information relating to our segments, see "Item 1. Business - Operating Segments" in our Annual Report on Form 10-K for the year ended December 31, 2018.

Our business strategies are discussed in "Item 1. Business - Company Overview", "- Business Strategy", and "- Recent Acquisitions and Significant New Business" in our Annual Report on Form 10-K for the year ended December 31, 2018.

### *Key Performance Indicator*

Our primary corporate objective is to grow our fully diluted book value per ordinary share. This is driven primarily by growth in our net earnings, which is in turn driven in large part by successfully completing new acquisitions, effectively managing companies and portfolios of business that we have acquired, and executing our active underwriting strategies. The drivers of our book value growth are discussed in "Item 1. Business - Business Strategy" in our Annual Report on Form 10-K for the year ended December 31, 2018.

During the three months ended March 31, 2019, our book value per ordinary share on a fully diluted basis increased by 10.4% to $172.22 per ordinary share. The increase was primarily due to net earnings for the three months ended March 31, 2019.

The table below summarizes the calculation of our fully diluted book value per ordinary share:

| | March 31, 2019 | December 31, 2018 | Change |
|---|---|---|---|
| **Numerator:** | | | |
| Total Enstar Group Limited Shareholder's Equity | $ 4,267,712 | $ 3,901,933 | $ 365,779 |
| Less: Series D and E Preferred Shares | 510,000 | 510,000 | — |
| Total Enstar Group Limited Ordinary Shareholders' Equity (A) | 3,757,712 | 3,391,933 | 365,779 |
| Proceeds from assumed conversion of warrants[1] | 20,229 | 20,229 | — |
| Numerator for fully diluted book value per ordinary share calculations (B) | $ 3,777,941 | $ 3,412,162 | $ 365,779 |
| | | | |
| **Denominator:** | | | |
| Ordinary shares outstanding (C) | 21,467,515 | 21,459,997 | 7,518 |
| Effect of dilutive securities: | | | |
| Share-based compensation plans | 292,885 | 245,165 | 47,720 |
| Warrants[(1)] | 175,901 | 175,901 | — |
| Fully diluted ordinary shares outstanding (D) | 21,936,301 | 21,881,063 | 55,238 |
| | | | |
| **Book value per ordinary share:** | | | |
| Basic book value per ordinary share = (A) / (C) | $ 175.04 | $ 158.06 | $ 16.98 |
| Fully diluted book value per ordinary share = (B) / (D) | $ 172.22 | $ 155.94 | $ 16.28 |

[(1)] There are warrants outstanding to acquire 175,901 Series C Non-Voting Ordinary Shares for an exercise price of $115.00 per share, subject to certain adjustments (the "Warrants"). The Warrants were issued in April 2011 and expire in April 2021. The Warrant holder may, at its election, satisfy the exercise price of the Warrants on a cashless basis by surrender of shares otherwise issuable upon exercise of the Warrants in accordance with a formula set forth in the Warrants.

***Current Outlook***

*Run-off*

Our business strategy includes generating growth through acquisitions and reinsurance transactions, particularly in our Non-life Run-off segment. During the first three months of 2019 we completed four reinsurance-to-close transactions with AmTrust ("AmTrust RITC Transactions"), in which we assumed aggregate gross and net reserves $897.1 million and $620.4 million, respectively, and recorded a deferred charge asset of $20.6 million.

In addition, we have also agreed to enter, or have entered into the following run-off transactions:

- a loss portfolio transfer reinsurance agreement with Amerisure Mutual Insurance Company ("Amerisure"), whereby we assumed net reserves of $60.0 million. This transaction closed in the second quarter of 2019;
- a master agreement with Maiden Holdings, Ltd. ("Maiden Holdings") and Maiden Reinsurance Ltd. (“Maiden Re Bermuda”), under which we have agreed to enter into an Adverse Development Agreement ("ADC Agreement") pursuant to which Maiden Re Bermuda will cede and Enstar will reinsure 100% of the liability of Maiden Re Bermuda, as reinsurer, under Maiden Re Bermuda’s two existing quota share agreements with certain insurance companies owned directly or indirectly by AmTrust Financial Services, Inc. (“AmTrust”) for losses incurred on or prior to December 31, 2018 in excess of a $2.44 billion retention, as such figure may be adjusted based upon Maiden Re Bermuda’s final year end reserves for the underlying business, up to a $675 million limit. The premium payable by Maiden Re Bermuda to Enstar under the ADC Agreement will be $500 million. Completion of the transaction is subject to, among other things, regulatory approvals and satisfaction of various closing conditions.
- a reinsurance transaction with Zurich Insurance Group ("Zurich"), pursuant to which we will reinsure approximately $500.0 million of asbestos and environmental reserves relating to 1986 and prior years. Completion is expected to occur in 2019.

As of March 31, 2019 our non-life run-off gross and net reserves were $8.2 billion and $6.5 billion, respectively, and we continue to evaluate opportunities for future growth.

We manage claims in a professional and disciplined manner, drawing on our global team of in-house claims management experts as we aim to proactively manage risks and claims efficiently. We employ an opportunistic commutation strategy in which we negotiate with policyholders and claimants with a goal of commuting or settling existing insurance and reinsurance liabilities at a discount to the ultimate liability and also to avoid unnecessary legal and other associated run-off fees and expense.

As a result of the number of transactions we have completed over the years, our organizational structure consists of licensed entities across many jurisdictions. In managing our group, we continue to look for opportunities to simplify our legal structure by way of company amalgamations and mergers, reinsurance, or other transactions to improve capital efficiency and decrease ongoing compliance and operational costs over time. In addition, we seek to pool risk in areas where we maintain the expertise to manage such risk to achieve operational efficiencies, which allows us to most efficiently manage our assets to achieve capital diversification benefits.

*Underwriting*

Our underwriting results can be affected by changes in premium rates, significant losses, development of prior year loss reserves and current year underwriting margins. Underwriting margins, premium rates, and terms of conditions continue to be under pressure in certain business lines. We continue to see overcapacity in many markets, which can impact premium rates and/or terms and conditions. If general economic conditions worsen, a decrease in the level of economic activity may impact insurable risks and our ability to write premium that is acceptable to us. We may adjust our level of reinsurance to maintain an amount of net exposure that is aligned with our risk tolerance.

Our industry continues to experience challenging underwriting market conditions, and our strategy is to continue to focus on a disciplined underwriting approach and strong risk management practices. As previously disclosed, we have affirmed our continued ownership of our active underwriting businesses, Atrium and StarStone.

At StarStone, we recently appointed new executive leadership. We are positioning the underwriting portfolio in 2019 to reflect market opportunities and achieve a mix of business for improved underwriting profitability. We are continuing to evaluate our portfolio and will continue to focus on profitable lines, taking action to remediate certain lines that we wish to continue writing and exiting lines of business that we no longer find attractive. We cannot be certain that we will not incur additional adverse development in the future, and we may also incur significant costs as we exit business lines, which may impact StarStone's return to profitability. We expect to write less gross premiums in 2019 compared to 2018.

We, in partnership with StarStone's other shareholders, completed a transaction to provide capital support to StarStone in the form of a contribution to its contributed surplus account and a loss portfolio transfer and adverse development cover, effective October 1, 2018, provided through one of our subsidiaries. To fund the transaction in December 2018, the shareholders contributed an aggregate amount of $135.0 million in proportion to their ownership interests. The quota share between StarStone and KaylaRe was not renewed effective January 1, 2019. However losses in the earlier calendar years will continue to fall due under the previous quota share agreement. We have continued to experience underwriting losses in the first quarter of 2019, primarily on exited lines but also due to increased large losses on other lines of business.

*Investments*

Markets are inherently uncertain and investment performance may be impacted by changes in market volatility. We expect to maintain our investment strategy, which is to seek superior risk adjusted returns while preserving liquidity and capital and maintaining a prudent diversification of assets. We will continue allocating a portion of our portfolio to non-investment grade securities or alternative investments, in accordance with our investment guidelines, which provide diversification against our fixed income investments and an opportunity for improved risk-adjusted returns.

Our total investment results are a significant component of earnings and are comprised of:

- *Net investment income*. In a rising interest rate environment, our net investment income would improve as maturities are reinvested at higher rates. Conversely, in a declining interest rate environment, our net investment income would decline as maturities are reinvested at lower rates. All else being equal, we would also expect our net investment income to grow as total investable assets increases as we acquire more business, partially offset by reductions in the investment portfolio for paid claims.

- *Net realized and unrealized gains or losses.* These arise from investments in fixed maturities, funds held, equity securities and other investments. Given the nature of our investments in fixed maturities and the average duration of our fixed maturity securities, the return of our fixed maturities investments will be impacted by changes in interest rates. In a rising rate environment, securities may experience unrealized losses prior to maturity. During the first three months of 2019, we recognized net unrealized gains on our investments of $460.5 million, of which $209.5 million and $39.0 million related to our investments in fixed maturities, trading and funds withheld - directly managed, respectively, primarily due to declining sovereign yields and tightening credit spreads. We generally account for our fixed maturity securities as "trading", whereas other companies in our industry may utilize "available-for-sale" accounting. The difference is that unrealized changes on investments classified as trading are recorded through earnings, whereas unrealized changes on investments classified as available-for-sale are recorded directly in shareholders' equity. We may experience further unrealized gains and losses on our fixed maturity investments, depending on investment market conditions and general economic conditions. Unrealized amounts would only become realized in the event of a sale of the specific securities prior to maturity or a credit default. For further information on the sensitivity of our portfolio to changes in interest rates, refer to the Interest Rate Risk section within Item 3. "Quantitative and Qualitative Disclosures About Market Risk", included within this Quarterly Report on Form 10-Q. For further discussion of our investments, see "Investable Assets" below. During the first three months of 2019, we recognized net unrealized gains on our other investments of $204.7 million, compared to net unrealized losses of $164.0 million for the year ended 2018. We believe our other investments provide diversification against our fixed income investments and an opportunity for improved risk-adjusted returns, however, the returns of these investments may be more volatile and we may experience significant unrealized gains or losses in a particular quarter or year.

*U.S. Taxation Reform*

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). As of January 1, 2018 we non-renewed certain of our active underwriting affiliate reinsurance transactions ceded from our U.S. operating entities to our non-U.S. affiliates. We will continue to assess the impact of the Tax Act on our business as the regulations develop. Our subsidiaries' reinsurance strategies may be different than in the past, which may result in more risk being retained in our U.S. insurance companies, which would have the effect of requiring more capital in those companies and potentially increase our overall group effective tax rate over time.

*Brexit*

There has been volatility in the financial and foreign exchange markets following the Brexit referendum on June 23, 2016, and this is expected to continue. On March 29, 2017, Article 50 of the Lisbon Treaty was triggered, which allowed two years for the United Kingdom and the 27 remaining European Union members to reach an agreement with regard to the terms on which the United Kingdom will leave the European Union. However the negotiated Withdrawal Agreement between the United Kingdom and the European Union was not passed by Parliament and the deadline is now October 31, 2019, or the first day of the month after the Withdrawal Agreement is passed, whichever comes first. There remains considerable uncertainty about whether the Withdrawal Agreement will be approved by Parliament, and other options such as renegotiating the Withdrawal Agreement, a second referendum, leaving the European Union with no deal or revoking Article 50 all remain possible. Additional delays and uncertainty may impact our business, and clients and potential partners may delay transactions until Brexit is resolved.

For companies based in the United Kingdom, including certain of our active underwriting and run-off companies, there continues to be heightened uncertainty regarding trading relationships with countries in the European Union after Brexit, pending the conclusion of the Brexit negotiations between the United Kingdom and the European Union. Both our StarStone and Atrium operations have well-diversified sources of premium, which may mitigate the potential impact of Brexit. The majority of business written in StarStone and Atrium is in U.S. dollars, so the impact of currency volatility on those segments has not been significant. In addition, StarStone already has established operations within the European Economic Area. On May 23, 2018, Lloyd's announced that it had received license approval from the Belgian insurance regulator for Lloyd's Insurance Company SA, which will be able to write non-life risks from the European Economic Area. In the near-term, access to markets is unaffected, and all contracts entered into up until Brexit are expected to remain valid into the post-Brexit period. With specific reference to our run-off business, we are expanding upon our existing run-off capabilities within the European Union for the purpose of receiving transfers of new run-off business. We have also investigated the post-Brexit additional requirements in each applicable state for the continued payment of policyholders’ claims in respect of the existing run-off business of our United Kingdom Non-life Run-off companies.

***Recent Developments***

Our transactions typically take the form of either acquisitions of companies or loss portfolio transfers, where a reinsurance contract transfers a portfolio of loss and loss adjustment expenses ("LAE") liabilities from a (re)insurance counterparty to an Enstar-owned reinsurer.

*Acquisitions and Significant New Business*

Zurich

On April 16, 2019, we entered into reinsurance transaction with Zurich Insurance Group ("Zurich"), pursuant to which we will reinsure certain of Zurich's U.S. asbestos and environmental liability insurance portfolios. In the transaction we will assume approximately $0.5 billion of gross reserves, relating to 1986 and prior year business. Completion of the transaction, which is expected to occur in 2019, is subject to, among other things, regulatory approvals and satisfaction of various other customary closing conditions.

Maiden Re

On March 1, 2019, we entered into a Master Agreement with Maiden Holdings, Ltd. ("Maiden Holdings") and Maiden Reinsurance Ltd. (“Maiden Re Bermuda”). Under the Master Agreement, Enstar and Maiden Re Bermuda agreed to enter into an Adverse Development Cover Reinsurance Agreement (“ADC Agreement”) pursuant to which Maiden Re Bermuda will cede and Enstar will reinsure 100% of the liability of Maiden Re Bermuda, as reinsurer, under Maiden Re Bermuda’s two existing quota share agreements with certain insurance companies owned directly or indirectly by AmTrust Financial Services, Inc. (“AmTrust”) for losses incurred on or prior to December 31, 2018 in excess of a $2.44 billion retention, as such figure may be adjusted based upon Maiden Re Bermuda’s final year end reserves for the underlying business, up to a $675 million limit. The premium payable by Maiden Re Bermuda to Enstar under the ADC Agreement will be $500.0 million. Completion of the transaction is subject to, among other things, regulatory approvals and satisfaction of various closing conditions. The Master Agreement contains customary representations, warranties, covenants and other closing conditions. The transaction is expected to close in the second quarter of 2019.

Amerisure

On February 15, 2019, we entered into a loss portfolio transfer reinsurance agreement with Amerisure Mutual Insurance Company ("Amerisure") and Allianz Risk Transfer (Bermuda) Limited (“ART Bermuda”). In the transaction, Amerisure has agreed to cede, and each of Enstar and ART Bermuda has agreed to severally assume, a 50% quota share of the construction defect losses incurred by Amerisure and certain of its subsidiaries on or before December 31, 2012. At closing, Amerisure paid Enstar a premium of $62.5 million, which was adjusted for a broker commission and paid claims and recoveries from April 1, 2018 and we assumed $60.0 million of net reserves in the transaction. This transaction closed in the second quarter.

AmTrust RITC Transactions

On February 14, 2019, we completed four RITC transactions with Syndicates 1206, 1861, 2526 and 5820, managed by AmTrust Syndicates Limited, under which we reinsured to close the 2016 and prior underwriting years. We assumed, among other items, gross loss reserves of £703.8 million ($897.1 million) and net loss reserves of £486.8 million ($620.4 million) relating to the portfolios in exchange for consideration of £539.9 million ($688.2 million) and recorded a deferred charge asset of $20.6 million.

*Businesses Sold, Held for Sale and Assets Sold*

Alpha

On October 10, 2018, we entered into a Business Transfer Agreement between our wholly-owned subsidiary Alpha Insurance SA and a subsidiary of Monument Insurance Group Limited ("Monument"). This agreement will transfer our remaining life assurance policies to Monument, via a Portfolio Transfer, subject to regulatory approval. The transaction is expected to close during 2019. We have an investment in Monument, as described further in Note 18 - "Related Party Transactions" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. Our policy benefits operations do not qualify for inclusion in our reportable segments and are therefore included within other activities. The related assets, as well as the results from these operations, were not significant to our consolidated operations and therefore they have not been classified as a discontinued operation. In addition, our proposed transfer of these life assurance polices to Monument was not classified as a held-for-sale business transaction since the underlying contracts do not meet the definition of a business.

***Underwriting Ratios***

In presenting our results for the Atrium and StarStone segments, we discuss the loss ratio, acquisition cost ratio, operating expense ratio, and the combined ratio of our active underwriting operations within these segments. Management believes that these ratios provide the most meaningful measure for understanding our underwriting profitability. These measures are calculated using GAAP amounts presented on the unaudited condensed consolidated statements of earnings for both Atrium and StarStone.

The loss ratio is calculated by dividing net incurred losses and LAE by net premiums earned. The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. The operating expense ratio is calculated by dividing operating expenses by net premiums earned. The combined ratio is the sum of the loss ratio, the acquisition cost ratio and the operating expense ratio.

The Atrium segment also includes corporate expenses that are not directly attributable to the underwriting results in the segment. The corporate expenses include general and administrative expenses related to amortization of the definite-lived intangible assets in the holding company, and expenses relating to Atrium Underwriters Limited ("AUL") employee salaries, benefits, bonuses and current year share grant costs. The AUL general and administrative expenses are incurred in managing the syndicate. These are principally funded by the profit commission fees earned from Syndicate 609, which is a revenue item not included in the insurance ratios.

**Consolidated Results of Operations - For the Three Months Ended March 31, 2019 and 2018**

The following table sets forth our unaudited condensed consolidated statements of earnings for each of the periods indicated. For a discussion of the critical accounting policies that affect the results of operations, see "Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2018, and within this Quarterly Report on Form 10-Q.

| | Three Months Ended March 31 | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands of U.S. dollars) | | |
| INCOME | | | |
| Net premiums earned | $ 335,287 | $ 170,219 | $ 165,068 |
| Fees and commission income | 6,681 | 8,331 | (1,650) |
| Net investment income | 78,696 | 66,319 | 12,377 |
| Net realized and unrealized gains (losses) | 460,791 | (143,030) | 603,821 |
| Other income | 5,812 | 1,943 | 3,869 |
| | 887,267 | 103,782 | 783,485 |
| EXPENSES | | | |
| Net incurred losses and LAE | 312,404 | 19,534 | 292,870 |
| Life and annuity policy benefits | 96 | (46) | 142 |
| Acquisition costs | 93,788 | 30,108 | 63,680 |
| General and administrative expenses | 112,074 | 95,260 | 16,814 |
| Interest expense | 11,036 | 8,011 | 3,025 |
| Net foreign exchange gains (losses) | (3,850) | 5,868 | (9,718) |
| | 525,548 | 158,735 | 366,813 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 361,719 | (54,953) | 416,672 |
| Income tax expense | (4,749) | (172) | (4,577) |
| Earnings from equity method investments | 8,772 | 14,697 | (5,925) |
| NET EARNINGS (LOSS) | 365,742 | (40,428) | 406,170 |
| Net loss (earnings) attributable to noncontrolling interest | 2,148 | (782) | 2,930 |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED | 367,890 | (41,210) | 409,100 |
| Dividends on preferred shares | (9,139) | — | (9,139) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ 358,751 | $ (41,210) | $ 399,961 |

***Highlights***

*Consolidated Results of Operations for the Three Months Ended March 31, 2019:*

- Consolidated net earnings of $358.8 million and basic and diluted net earnings per ordinary share of $16.71 and $16.57, respectively.
- Non-GAAP operating income of $199.7 million and diluted non-GAAP operating income per ordinary share of $9.22. For a reconciliation of non-GAAP operating income to net earnings (loss) calculated in accordance with GAAP and diluted non-GAAP operating income per ordinary share to diluted net earnings (loss) per ordinary share calculated in accordance with GAAP, see "Non-GAAP Financial Measures" below.
- Net earnings from Non-life Run-off segment of $400.7 million, including investment results.
- Net investment income of $78.7 million and net realized and unrealized gains of $460.8 million comprised $0.3 million of net realized gains and $460.5 million of net unrealized gains.
- Net premiums earned of $335.3 million, including $38.8 million and $213.3 million in our Atrium and StarStone segments, respectively.
- Combined ratios of 87.7% and 132.6% for the active underwriting operations within our Atrium and StarStone segments, respectively.

*Consolidated Financial Condition as of March 31, 2019:*

- Total investments, cash and funds held of $13,839.1 million.
- Total reinsurance balances recoverable of $2,286.4 million.
- Total assets of $18,058.3 million.
- Total gross reserves for losses and LAE of $10,096.0 million, with $897.1 million of gross reserves assumed in our Non-life Run-off operations during the three months ended March 31, 2019.
- Total shareholders' equity, including preferred shares, of $4,267.7 million and redeemable noncontrolling interest of $456.3 million. Shareholders' equity includes $510.0 million of preferred shares issued in 2018.
- Diluted book value per ordinary share of $172.22, an increase of 10.4% since December 31, 2018.

***Consolidated Overview - For the Three Months Ended March 31, 2019 and 2018***

We reported consolidated net earnings attributable to Enstar Group Limited ordinary shareholders of $358.8 million for the three months ended March 31, 2019, an increase in net earnings of $400.0 million from net losses of $41.2 million for the three months ended March 31, 2018. Our first quarter results were positively impacted by unrealized gains on fixed maturity securities, which are accounted for on a trading basis through net earnings, and unrealized gains on our other investments. In addition, comparability between periods is impacted by the loss portfolio transfer reinsurance transactions that we completed in 2019 with AmTrust, and during 2018 with Zurich Australia, Neon and Novae. The most significant drivers of our consolidated financial performance during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 included:

- *Non-life Run-off* - Net earnings attributable to the Non-life Run-off segment were $400.7 million for the three months ended March 31, 2019 compared to net losses of $36.9 million for the three months ended March 31, 2018. The increase in net earnings of $437.6 million was primarily due to net realized and unrealized gains of $436.2 million on our investment portfolio in the current period compared to net losses in the comparative period, higher net investment income, partially offset by net incurred losses and LAE in the current period compared to a reduction in net incurred losses and LAE in the comparative period;
- *Atrium* - Net earnings were $4.5 million for the three months ended March 31, 2019 compared to $2.0 million for the three months ended March 31, 2018. The increase in net earnings was primarily due to net realized and unrealized gains on our investment portfolio and improved underwriting income due to lower loss and other expense ratios;

- *StarStone* - Net losses were $31.0 million for the three months ended March 31, 2019 compared to net losses of $3.1 million for the three months ended March 31, 2018. The increase in net losses was primarily attributable to higher net incurred losses and LAE partially offset by increased net realized and unrealized gains on our investment portfolio. The increase in net incurred losses and LAE was primarily due to prior year adverse development primarily across discontinued lines. The segment results in 2019 also include the consolidation of StarStone Group's reinsurance to KaylaRe following Enstar's acquisition of the portion of KaylaRe it did not already own, and the results of a loss portfolio transfer on discontinued lines;
- *Net Realized and Unrealized Gains* - Net realized and unrealized gains were $460.8 million for the three months ended March 31, 2019 compared to net realized and unrealized losses of $143.0 million for the three months ended March 31, 2018. Net unrealized gains for the three months ended March 31, 2019 included net unrealized gains of $209.5 million on fixed maturities investments, which are accounted for on a trading basis through net earnings, and gains of $204.7 million on other investments. The unrealized gains on fixed maturities were primarily driven by tightening corporate credit spreads, partially offset by increased sovereign yields in the current quarter. Many insurance companies use available-for-sale accounting where unrealized amounts are recorded directly to shareholders' equity and therefore do not impact earnings. Unrealized amounts would only become realized in the event of a sale of the specific securities prior to maturity or a credit default. The net unrealized gains on our other investments were primarily driven by unrealized gains in our equity, fixed income and hedge funds, as a result of a broad recovery in the global equity and fixed income markets in the first quarter of 2019;
- *Net Investment Income* - Net investment income was $78.7 million and $66.3 million for the three months ended March 31, 2019 and 2018, respectively. The increase was primarily due to an increase in average investable assets in our Non-Life Run-off segment due to the transactions noted above, and higher reinvestment rates;
- *Noncontrolling Interest* - The net losses attributable to noncontrolling interest were $2.1 million for the three months ended March 31, 2019 compared to net earnings attributable to noncontrolling interest of $0.8 million for the three months ended March 31, 2018, respectively. The net losses attributable to noncontrolling interest were primarily driven by the losses in the StarStone segment, as discussed above, partially offset by the net earnings in our Non-life Run-off and Atrium segments;
- Our non-GAAP operating income, which excludes the impact of unrealized gains and losses on fixed maturity securities and other items, was $199.7 million for the three months ended March 31, 2019, an increase of $160.0 million from non-GAAP operating income of $39.6 million for the three months ended March 31, 2018. For a reconciliation of non-GAAP operating income to net earnings (loss) calculated in accordance with GAAP, see "Non-GAAP Financial Measures" below. The increase primarily related to unrealized gains on other investments during the three months ended March 31, 2019.

**Results of Operations by Segment - For the Three Months Ended March 31, 2019 and 2018**

We have three segments of business that are each managed, operated and reported on separately: (i) Non-life Run-off; (ii) Atrium; and (iii) StarStone. Other activities, which do not qualify as a reportable segment, are included in "Other Activities" and discussed in Note 20 - "Segment Information" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. For a description of our segments, see "Item 1. Business - Operating Segments" in our Annual Report on Form 10-K for the year ended December 31, 2018.

The below table provides a split by operating segment of the net earnings (loss) attributable to Enstar Group Limited:

| | Three Months Ended March 31, 2019 | 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Segment split of net earnings (loss) attributable to Enstar Group Limited: | | | |
| Non-life Run-off | $ 400,745 | $ (36,861) | $ 437,606 |
| Atrium | 4,497 | 1,969 | 2,528 |
| StarStone | (31,001) | (3,088) | (27,913) |
| Other | (15,490) | (3,230) | (12,260) |
| Net earnings (loss) attributable to Enstar Group Limited ordinary shareholders | $ 358,751 | $ (41,210) | $ 399,961 |

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

***Non-life Run-off Segment***

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

| | Three Months Ended March 31, 2019 | 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Gross premiums written | $ (20,877) | $ 7,380 | $ (28,257) |
| Net premiums written | $ (19,178) | $ 100 | $ (19,278) |
| Net premiums earned | $ 76,674 | $ 7,178 | $ 69,496 |
| Net incurred losses and LAE | (95,182) | 72,978 | (168,160) |
| Acquisition costs | (28,155) | (1,470) | (26,685) |
| Operating expenses | (43,992) | (38,403) | (5,589) |
| Underwriting income | (90,655) | 40,283 | (130,938) |
| Net investment income | 66,728 | 51,651 | 15,077 |
| Net realized and unrealized gains (losses) | 436,186 | (126,296) | 562,482 |
| Fees and commission income | 4,832 | 4,898 | (66) |
| Other income | 5,504 | 2,558 | 2,946 |
| Corporate expenses | (16,570) | (8,633) | (7,937) |
| Interest expense | (12,116) | (8,530) | (3,586) |
| Net foreign exchange gains (losses) | 3,618 | (7,177) | 10,795 |
| EARNINGS (LOSS) BEFORE INCOME TAXES | 397,527 | (51,246) | 448,773 |
| Income tax benefit (expense) | (2,720) | 1,117 | (3,837) |
| Earnings from equity method investments | 8,584 | 14,697 | (6,113) |
| NET EARNINGS (LOSS) | 403,391 | (35,432) | 438,823 |
| Net earnings attributable to noncontrolling interest | (2,646) | (1,429) | (1,217) |
| NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ 400,745 | $ (36,861) | $ 437,606 |

*Overall Results*

**Three Months Ended March 31:** Net earnings were $400.7 million for the three months ended March 31, 2019 compared to net losses of $36.9 million for the three months ended March 31, 2018, an increase of $437.6 million. The increase was primarily attributable to an increase of $562.5 million in net realized and unrealized gains (losses) on our investment portfolio primarily due to unrealized gains on our fixed maturity portfolio and unrealized gains on our equity, fixed income and hedge funds within our other investments; an increase in net investment income of $15.1 million, and an increase in net premiums earned of $69.5 million, partially offset by an increase in net incurred losses and LAE of $168.2 million and an increase in general and administrative expenses of $13.5 million.

The major components of earnings are discussed below, except for investment results, which are separately discussed below in "Investable Assets."

*Net Premiums Earned:*

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

| | Three Months Ended March 31 | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands of U.S. dollars) | | |
| Gross premiums written | $ (20,877) | $ 7,380 | $ (28,257) |
| Ceded reinsurance premiums written | 1,699 | (7,280) | 8,979 |
| Net premiums written | $ (19,178) | $ 100 | $ (19,278) |
| Gross premiums earned | $ 83,966 | $ 13,110 | $ 70,856 |
| Ceded reinsurance premiums earned | (7,292) | (5,932) | (1,360) |
| Net premiums earned | $ 76,674 | $ 7,178 | $ 69,496 |

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

**Three Months Ended March 31:** Net premiums written in the three months ended March 31, 2019 of $(19.2) million primarily related to reductions in net written premium on legacy business for which corresponding unearned premium was also released. Net premiums earned in the three months ended March 31, 2019 of $76.7 million were primarily related to the run-off business assumed as a result of the AmTrust RITC transactions and the acquisition of Maiden Reinsurance North America, Inc. ("Maiden Re North America"). Premiums written and earned in the three months ended March 31, 2018 were primarily related to the run-off business assumed as a result of the RITC transaction with Novae.

*Net Incurred Losses and LAE:*

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

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Periods | Current Period | Total | Prior Periods | Current Period | Total |
| | (in thousands of U.S. dollars) | | | | | |
| Net losses paid | $ 331,055 | $ 18,014 | $ 349,069 | $ 252,583 | $ 1 | $ 252,584 |
| Net change in case and LAE reserves [(1)] | (97,573) | 19,872 | (77,701) | (123,492) | 6 | (123,486) |
| Net change in IBNR reserves [(2)] | (243,815) | 10,920 | (232,895) | (154,450) | 339 | (154,111) |
| Increase (reduction) in estimates of net ultimate losses | (10,333) | 48,806 | 38,473 | (25,359) | 346 | (25,013) |
| Increase (reduction) in provisions for unallocated LAE | (15,440) | 265 | (15,175) | (14,952) | — | (14,952) |
| Amortization of deferred charge assets | 7,064 | — | 7,064 | 5,081 | — | 5,081 |
| Amortization of fair value adjustments | 8,779 | — | 8,779 | 2,147 | — | 2,147 |
| Changes in fair value - fair value option | 56,041 | — | 56,041 | (40,241) | — | (40,241) |
| Net incurred losses and LAE | $ 46,111 | $ 49,071 | $ 95,182 | $ (73,324) | $ 346 | $ (72,978) |

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

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

**Three Months Ended March 31:** The increase in net incurred losses and LAE for the three months ended March 31, 2019 of $95.2 million included net incurred losses and LAE of $49.1 million related to current period net earned premium, primarily for the run-off business acquired with the AmTrust RITC transactions and the acquisition of Maiden Re North America. Excluding current period net incurred losses and LAE of $49.1 million, the increase in net incurred losses and LAE for the three months ended March 31, 2019 relating to prior periods was $46.1 million, which was attributable to an increase in the fair value of liabilities of $56.0 million related to our assumed retroactive reinsurance agreements for which we have elected the fair value option primarily as a result of a decrease in corporate bond yields, amortization of fair value adjustments over the estimated payout period relating to companies acquired of $8.8 million and the amortization of deferred charge assets of $7.1 million, partially offset by a reduction in estimates of net ultimate losses of $10.3 million and a reduction in provisions for unallocated LAE of $15.4 million, relating to 2019 run-off activity. The reduction in estimates of net ultimate losses of $10.3 million for the three months ended March 31, 2019 included a net reduction in case and IBNR reserves of $341.4 million, partially offset by net losses paid of $331.1 million.

The reduction in net incurred losses and LAE for the three months ended March 31, 2018 of $73.0 million included net incurred losses and LAE of $0.3 million related to current period net earned premium, primarily for the run-off business acquired with recent transactions. Excluding current period net incurred losses and LAE of $0.3 million, the reduction in net incurred losses and LAE for the three months ended March 31, 2018 relating to prior periods was $73.3 million, which was attributable to a reduction in estimates of net ultimate losses of $25.4 million, a reduction in provisions for unallocated LAE of $15.0 million, relating to 2018 run-off activity, and a reduction in the fair value of liabilities of $40.2 million related to our assumed retroactive reinsurance agreements for which we have elected the fair value option, partially offset by the amortization of deferred charge assets of $5.1 million and the amortization of fair value adjustments over the estimated payout period relating to companies acquired of $2.1 million. The reduction in estimates of net ultimate losses of $25.4 million for the three months ended March 31, 2018 included a net change in case and IBNR reserves of $277.9 million, partially offset by net losses paid of $252.6 million.

*Acquisition Costs:*

**Three Months Ended March 31:** Acquisition costs were $28.2 million and $1.5 million for the three months ended March 31, 2019 and 2018, respectively. The increase in acquisition costs for the three months ended March 31, 2019 primarily related to the run off business assumed through the AmTrust RITC Transactions and the acquisition of Maiden Re North America.

*Fees and Commission Income:*

**Three Months Ended March 31:** Our management companies in the Non-life Run-off segment earned fees and commission income of $4.8 million for the three months ended March 31, 2019 which is broadly consistent with fees and commission income of $4.9 million for the three months ended March 31, 2018.

*Other Income:*

**Three Months Ended March 31:** For the three months ended March 31, 2019, we recorded other income of $5.5 million compared to $2.6 million for the three months ended March 31, 2018, an increase of $2.9 million, primarily due to a reduction in net liabilities relating to direct asbestos and environmental exposures carried by our subsidiary DCo LLC.

*General and Administrative Expenses:*

General and administrative expenses consist of operating expenses and corporate expenses.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands of U.S. dollars) | | |
| Operating expenses | $ 43,992 | $ 38,403 | $ 5,589 |
| Corporate expenses | 16,570 | 8,633 | 7,937 |
| General and administrative expenses | $ 60,562 | $ 47,036 | $ 13,526 |

**Three Months Ended March 31:** General and administrative expenses were $60.6 million and $47.0 million for the three months ended March 31, 2019 and 2018, respectively. The increase of $13.5 million was primarily attributable to higher performance-based salary and benefits expenses for the three months ended March 31, 2019 as a result of higher net earnings in 2019 compared to 2018.

*Interest Expense:*

**Three Months Ended March 31:** Interest expense was $12.1 million for the three months ended March 31, 2019 compared to $8.5 million for the three months ended March 31, 2018, and increase of $3.6 million. The increase was primarily driven by interest on the 2018 EGL Term Loan Facility which was entered into on December 27, 2018 and partially used to fund the acquisition of Maiden Re North America.

*Income Taxes*

**Three Months Ended March 31:** For the three months ended March 31, 2019 income tax expense was $2.7 million compared to an income tax benefit of $1.1 million for the three months ended March 31, 2018, respectively, a change of $3.8 million, which primarily resulted from higher earnings before income taxes in the current period.

*Earnings from Equity Method Investments*

**Three Months Ended March 31:** For the three months ended March 31, 2019 and 2018 earnings from equity method investments were $8.6 million and $14.7 million, respectively, a decrease of $6.1 million. The decrease was primarily due to the earnings recognized on our equity method investment in KaylaRe in the comparative period, which did not reoccur in the current period as, since its acquisition on May 14, 2018, Kayla Re is a fully owned subsidiary.

*Noncontrolling Interest:*

**Three Months Ended March 31:** The net earnings attributable to the noncontrolling interest of our Non-life Run-off segment were $2.6 million and $1.4 million for the three months ended March 31, 2019 and 2018, respectively, The increase of $1.2 million for the three months ended March 31, 2019 was primarily attributable to an increase in earnings for those companies where there is a noncontrolling interest. The number of subsidiaries in this segment with a noncontrolling interest remained unchanged at two as of March 31, 2019 and March 31, 2018.

### *Atrium Segment*

The Atrium segment includes Atrium 5 Ltd. ("Atrium 5"), Atrium Underwriters Limited ("AUL") and Northshore Holdings Limited. Atrium 5 results represent its proportionate share of the results of Syndicate 609 for which it provides 25% of the underwriting capacity and capital. AUL results largely represent fees charged to Syndicate 609 and a 20% profit commission on the results of the syndicate less salaries and general and administrative expenses incurred in managing the syndicate. AUL also includes other Atrium Group non-syndicate fee income and associated expenses. Northshore Holdings Limited results include the amortization of intangible assets that were fair valued upon acquisition.

The following is a discussion and analysis of the results of operations for our Atrium segment are summarized below.

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Gross premiums written | $ 53,985 | $ 49,442 | $ 4,543 |
| Net premiums written | $ 46,499 | $ 41,494 | $ 5,005 |
| Net premiums earned | $ 38,753 | $ 35,223 | $ 3,530 |
| Net incurred losses and LAE | (17,214) | (17,172) | (42) |
| Acquisition costs | (13,742) | (12,065) | (1,677) |
| Operating expenses | (3,033) | (4,177) | 1,144 |
| Underwriting income | 4,764 | 1,809 | 2,955 |
| Net investment income | 1,711 | 1,185 | 526 |
| Net realized and unrealized gains (losses) | 2,913 | (1,403) | 4,316 |
| Fees and commission income | 1,849 | 3,433 | (1,584) |
| Other income | 36 | 64 | (28) |
| Corporate expenses | (3,788) | (475) | (3,313) |
| Net foreign exchange gains (losses) | 825 | (953) | 1,778 |
| EARNINGS BEFORE INCOME TAXES | 8,310 | 3,660 | 4,650 |
| Income tax expense | (685) | (280) | (405) |
| NET EARNINGS | 7,625 | 3,380 | 4,245 |
| Net earnings attributable to noncontrolling interest | (3,128) | (1,411) | (1,717) |
| NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ 4,497 | $ 1,969 | $ 2,528 |
| | | | |
| Underwriting ratios[1]: | | | |
| Loss ratio | 44.4% | 48.8% | (4.4)% |
| Acquisition cost ratio | 35.5% | 34.3% | 1.2 % |
| Operating expense ratio | 7.8% | 11.8% | (4.0)% |
| Combined ratio | 87.7% | 94.9% | (7.2)% |

[1] Refer to "Underwriting Ratios" for a description of how these ratios are calculated.

#### *Overall Results*

Three months ended March 31: Net earnings were $4.5 million for the three months ended March 31, 2019 compared to $2.0 million for the three months ended March 31, 2018, an increase of $2.5 million. The increase in net earnings was primarily due to an improvement in the combined ratio and improved investment results, partially offset by higher corporate expenses. The combined ratio decreased to 87.7% for the three months ended March 31, 2019 as compared to 94.9% for the three months ended March 31, 2018. The decrease in the combined ratio was primarily due to the decrease in the loss ratio and the operating expense ratio.

Investment results are separately discussed below in "Investable Assets."

*Gross Premiums Written:*

The following table provides gross premiums written by line of business for the Atrium segment:

| | Three Months Ended March 31, 2019 | 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Marine, Aviation and Transit | $ 13,014 | $ 12,387 | $ 627 |
| Binding Authorities | 18,575 | 17,709 | 866 |
| Reinsurance | 8,475 | 8,932 | (457) |
| Accident and Health | 9,212 | 6,140 | 3,072 |
| Non-Marine Direct and Facultative | 4,709 | 4,274 | 435 |
| Total | $ 53,985 | $ 49,442 | $ 4,543 |

The increase in gross premiums written for the three months ended March 31, 2019 was predominantly due to favorable pricing in the Accident and Health line of business and a number of new opportunities.

*Net Premiums Earned:*

The following table provides net premiums earned by line of business for the Atrium segment:

| | Three Months Ended March 31, 2019 | 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Marine, Aviation and Transit | $ 8,399 | $ 7,594 | $ 805 |
| Binding Authorities | 19,195 | 16,621 | 2,574 |
| Reinsurance | 3,064 | 3,298 | (234) |
| Accident and Health | 3,919 | 4,407 | (488) |
| Non-Marine Direct and Facultative | 4,176 | 3,303 | 873 |
| Total | $ 38,753 | $ 35,223 | $ 3,530 |

**Three Months Ended March 31:** Net premiums earned for the Atrium segment were $38.8 million and $35.2 million for the three months ended March 31, 2019 and 2018, respectively. The increase in net premiums earned was primarily due to the binding authorities line of business following continued growth of products placed on AU Gold, Atrium's proprietary online underwriting platform.

*Net Incurred Losses and LAE:*

The following table shows the components of net incurred losses and LAE for the Atrium segment:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Periods | Current Period | Total | Prior Periods | Current Period | Total |
| | (in thousands of U.S. dollars) | | | | | |
| Net losses paid | $ 14,420 | $ 7,893 | $ 22,313 | $ 10,376 | $ 7,154 | $ 17,530 |
| Net change in case and LAE reserves (1) | (6,342) | 5,929 | (413) | (2,384) | 6,274 | 3,890 |
| Net change in IBNR reserves (2) | (10,232) | 4,415 | (5,817) | (5,587) | 3,878 | (1,709) |
| Increase (reduction) in estimates of net ultimate losses | (2,154) | 18,237 | 16,083 | 2,405 | 17,306 | 19,711 |
| Amortization of fair value adjustments | 1,131 | — | 1,131 | (2,539) | — | (2,539) |
| Net incurred losses and LAE | $ (1,023) | $ 18,237 | $ 17,214 | $ (134) | $ 17,306 | $ 17,172 |

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

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

**Three Months Ended March 31:** Net incurred losses and LAE for the three months ended March 31, 2019 and 2018 were $17.2 million and $17.2 million, respectively. Net favorable prior year loss development was $1.0 million and $0.1 million for the three months ended March 31, 2019 and 2018, respectively. Net favorable prior year loss development in the three months ended March 31, 2019 and 2018 was spread across most lines of business. Excluding prior year loss development, net incurred losses and LAE for the three months ended March 31, 2019 and 2018 were $18.2 million and $17.3 million, respectively. The increase in net incurred losses and LAE for the three months ended March 31, 2019 compared with 2018, excluding prior year loss development, was primarily due to the increase in net earned premium. Loss frequency was in line with expectations in the three months ended March 31, 2019.

*Acquisition Costs:*

**Three Months Ended March 31:** Acquisition costs were $13.7 million and $12.1 million for the three months ended March 31, 2019 and 2018, respectively. The Atrium acquisition cost ratios were relatively consistent at 35.5% and 34.3% for the three months ended March 31, 2019 and 2018, respectively, with the change driven by changes in the business mix.

*Operating Expenses:*

**Three Months Ended March 31:** Operating expenses for the Atrium segment were $3.0 million and $4.2 million for the three months ended March 31, 2019 and 2018, respectively. The decrease in operating expenses was primarily due to lower performance-based compensation expense within Atrium 5. The large catastrophe losses, primarily hurricanes Harvey, Irma and Maria, in the third quarter of 2017 continue to impact the earning of performance-based compensation expenses and agency profit commission in Atrium 5.

*Fees and Commission Income:*

**Three Months Ended March 31:** Fees and commission income was $1.8 million and $3.4 million for the three months ended March 31, 2019 and 2018, respectively. The fees primarily represent profit commission fees earned by us in relation to AUL's management of Syndicate 609 and other underwriting consortiums. The decrease was primarily due to the large catastrophe losses, primarily hurricanes Harvey, Irma and Maria, in the third quarter of 2017, which continue to impact the profit commission in 2018 and the three months ended March 31, 2019.

*Corporate Expenses:*

**Three Months Ended March 31:** Corporate expenses for the Atrium segment were $3.8 million and $0.5 million for the three months ended March 31, 2019 and 2018, respectively. The increase in corporate expenses was primarily due to higher variable compensation costs in the three months ended March 31, 2019 due to better performance in the Atrium segment for the three months ended March 31, 2019.

*Noncontrolling Interest:*

**Three Months Ended March 31:** The net earnings attributable to the noncontrolling interest in the Atrium segment were $3.1 million for the three months ended March 31, 2019, compared to $1.4 million for the three months ended March 31, 2018. The increase in the net earnings attributable to the noncontrolling interest was due to higher earnings in the Atrium segment compared to the comparative period, as discussed above. As of March 31, 2019 and 2018, Trident and Dowling had a combined 41.0% noncontrolling interest in the Atrium segment.

***StarStone Segment***

The results of our StarStone segment include the results of StarStone and StarStone Specialty Holdings Limited ("StarStone Group"). Our StarStone segment also includes the results of KaylaRe's reinsurance of the StarStone Group from the date that Enstar completed the acquisition of the portion of KaylaRe it did not already own and other intra-group cessions.

The following is a discussion and analysis of the results of operations for our StarStone segment are summarized below.

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **Change** |
| | **(in thousands of U.S. dollars)** | | |
| Gross premiums written | $ 251,373 | $ 304,989 | $ (53,616) |
| Net premiums written | $ 194,601 | $ 180,563 | $ 14,038 |
| Net premiums earned | $ 213,262 | $ 126,826 | $ 86,436 |
| Net incurred losses and LAE | (195,052) | (75,340) | (119,712) |
| Acquisition costs | (51,659) | (16,425) | (35,234) |
| Operating expenses | (35,994) | (34,557) | (1,437) |
| Underwriting income (loss) | (69,443) | 504 | (69,947) |
| Net investment income | 11,942 | 7,701 | 4,241 |
| Net realized and unrealized gains (losses) | 20,658 | (12,958) | 33,616 |
| Other income | 60 | 51 | 9 |
| Interest expense | (475) | (541) | 66 |
| Net foreign exchange gains (losses) | (594) | 1,095 | (1,689) |
| LOSS BEFORE INCOME TAXES | (37,852) | (4,148) | (33,704) |
| Income tax expense | (1,259) | (998) | (261) |
| Earnings from equity method investments | 188 | — | 188 |
| NET LOSS | (38,923) | (5,146) | (33,777) |
| Net loss attributable to noncontrolling interest | 7,922 | 2,058 | 5,864 |
| NET LOSS ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ (31,001) | $ (3,088) | $ (27,913) |
| | | | |
| Underwriting ratios[(1)]: | | | |
| Loss ratio | 91.5% | 59.4% | 32.1 % |
| Acquisition cost ratio | 24.2% | 13.0% | 11.2 % |
| Operating expense ratio | 16.9% | 27.2% | (10.3)% |
| Combined ratio | 132.6% | 99.6% | 33.0 % |

(1) Refer to "Underwriting Ratios" for a description of how these ratios are calculated.

StarStone recently appointed new executive leadership and under this leadership we are repositioning the underwriting portfolio for 2019 to focus on core lines of business which have a track record of performing and exiting under-performing lines of business in order to achieve a mix of business for improved underwriting profitability.

Effective May 14, 2018, Enstar completed the acquisition of the portion of KaylaRe it did not already own. In addition, effective October 1, 2018, the StarStone Group transferred certain reserves relating to discontinued lines of business via an intra-group reinsurance agreement with another Enstar group subsidiary. The transactions between StarStone Group and other group entities, including KaylaRe (the "StarStone Intra-Group Cessions") are eliminated upon consolidation. As a result, our StarStone segment results have changed significantly and the following table summarizes the impact of the StarStone Intra-Group Cessions which are included in our StarStone segment for the three months ended March 31, 2019. The discussion below also describes the results of the StarStone Group, which does not reflect the impact of the StarStone Intra-Group Cessions, as well as the StarStone segment which does include the impact of the StarStone Intra-Group Cessions. We believe the results of the StarStone Group for the three months ended March 31, 2019 are more directly comparable to the results of the StarStone segment for the three months ended March 31, 2018.

| | Three Months Ended March 31, 2019 | | |
|---|---|---|---|
| | StarStone Group | StarStone Intra-Group Cessions | StarStone Segment |
| | (in thousands of U.S. dollars) | | |
| Net premiums earned | $ 175,382 | $ 37,880 | $ 213,262 |
| Net incurred losses and LAE | (144,764) | (50,288) | (195,052) |
| Acquisition costs | (34,548) | (17,111) | (51,659) |
| Operating expenses | (35,617) | (377) | (35,994) |
| Underwriting loss | (39,547) | (29,896) | (69,443) |
| Net investment income | 11,853 | 89 | 11,942 |
| Net realized and unrealized gains | 18,710 | 1,948 | 20,658 |
| Other income | 60 | — | 60 |
| Interest income (expenses) | (2,792) | 2,317 | (475) |
| Net foreign exchange gain | (242) | (352) | (594) |
| LOSS BEFORE INCOME TAXES | (11,958) | (25,894) | (37,852) |
| Income tax expense | (1,259) | — | (1,259) |
| Earnings from equity method investments | 188 | — | 188 |
| NET LOSS | (13,029) | (25,894) | (38,923) |
| Net loss attributable to noncontrolling interest | 5,346 | 2,576 | 7,922 |
| NET LOSS ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ (7,683) | $ (23,318) | $ (31,001) |
| | | | |
| Underwriting ratios: | | | |
| Loss ratio [(1)] | 82.5% | 132.8% | 91.5% |
| Acquisition cost ratio [(1)] | 19.7% | 45.2% | 24.2% |
| Operating expense ratio [(1)] | 20.3% | 1.0% | 16.9% |
| Combined ratio [(1)] | 122.5% | 178.9% | 132.6% |

(1) Refer to "Underwriting Ratios" for a description of how these ratios are calculated.

*Overall Results*

**Three Months Ended March 31:** Net losses for the StarStone segment were $31.0 million for the three months ended March 31, 2019 compared to net losses of $3.1 million for the three months ended March 31, 2018, a change of $27.9 million. The net losses were primarily due to lower underwriting income of $69.9 million, partially offset by higher net realized and unrealized gains on our investment portfolio of $33.6 million, of which $32.5 million relates to higher unrealized gains, and higher net investment income of $4.2 million. The underwriting income was impacted by older underwriting years that are not reflective of the repositioning activities we have undertaken, and the prior year unfavorable development of $52.0 million was primarily on lines of business that we have exited. The core lines of business performed in line with our expectations during the three months ended March 31, 2019. The combined ratio was 132.6% for the three months ended March 31, 2019 as compared to 99.6% for the three months ended March 31, 2018. The loss ratio increased by 32.1 percentage points and the acquisition cost ratio increased by 11.2 percentage points. In addition, the operating expense ratio decreased by 10.3 percentage points for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018.

The loss ratio for the StarStone Group increased by 23.1 percentage points, the acquisition cost ratio increased by 6.7 percentage points and the operating expense ratio decreased by 6.9 percentage points. The increase in the loss ratio is primarily due to prior year unfavorable development across lines of business that we have exited and remediated as part of our repositioning exercise to improve underwriting profitability, partially offset by the 35% whole account quota share reinsurance agreement with KaylaRe. The non-renewal of the quota share arrangement with KaylaRe resulted in a lower ceding commission and higher net premiums earned, which led to an increase in the acquisition cost ratio and a decrease in the operating expense ratio, respectively.

*Gross Premiums Written:*

The following table provides gross premiums written by line of business for the StarStone segment:

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Casualty | $ 95,405 | $ 74,869 | $ 20,536 |
| Marine | 88,541 | 100,926 | (12,385) |
| Property | 28,153 | 82,242 | (54,089) |
| Aerospace | 9,112 | 10,008 | (896) |
| Workers' Compensation | 30,162 | 36,944 | (6,782) |
| Total | $ 251,373 | $ 304,989 | $ (53,616) |

**Three Months Ended March 31:** Gross premiums written for the StarStone segment were $251.4 million and $305.0 million for the three months ended March 31, 2019 and 2018, respectively, a decrease of $53.6 million. The property, marine and workers' compensation lines of business decreased by $54.1 million, $12.4 million and $6.8 million, respectively. The decrease in gross premiums written was the result of our strategy to exit certain lines and focus on profitable lines, and we expect to write less gross written premiums in 2019 compared to 2018. The decrease in the property line of business was primarily due to the execution of this strategy. The decrease in the marine line of business was primarily due to the execution of our strategy to exit certain business within this line. The $20.5 million increase in the casualty line of business was primarily due to new business opportunities underwritten through our European platform.

*Net Premiums Earned:*

The following table provides net premiums earned by line of business for the StarStone segment:

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Casualty | $ 81,717 | $ 39,767 | $ 41,950 |
| Marine | 56,753 | 39,224 | 17,529 |
| Property | 44,339 | 24,192 | 20,147 |
| Aerospace | 13,520 | 11,608 | 1,912 |
| Workers' Compensation | 16,933 | 12,035 | 4,898 |
| Total | $ 213,262 | $ 126,826 | $ 86,436 |

**Three Months Ended March 31:** Net premiums earned for the StarStone segment were $213.3 million and $126.8 million for the three months ended March 31, 2019 and 2018, respectively, an increase of $86.4 million. The increase in net premiums earned was primarily due to increased premiums earned in the Starstone Group as discussed below and the impact of eliminating the ceded premium earned related to KaylaRe after its acquisition.

Net premiums earned for the StarStone Group for the three months ended March 31, 2019 were $175.4 million, an increase of $48.6 million compared to the three months ended March 31, 2018. The increase was primarily driven by the casualty line of business due to increased premiums written, as discussed above. In contrast to gross premiums written, the property and marine lines of business also contributed to the increase for the three months ended March 31, 2019 compared to the three months ended March 31, 2018, as we earn out the remainder of net premium on certain lines of business that we are either exiting or remediating.

*Net Incurred Losses and LAE:*

The following table shows the components of net incurred losses and LAE for the StarStone segment:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Prior Periods | Current Period | Total | Prior Periods | Current Period | Total |
| | (in thousands of U.S. dollars) | | | | | |
| Net losses paid | $ 113,625 | $ 1,792 | $ 115,417 | $ 87,687 | $ 948 | $ 88,635 |
| Net change in case and LAE reserves [(1)] | (8,824) | 10,880 | 2,056 | (14,217) | 9,742 | (4,475) |
| Net change in IBNR reserves [(2)] | (52,834) | 129,258 | 76,424 | (73,390) | 64,519 | (8,871) |
| Increase in estimates of net ultimate losses | 51,967 | 141,930 | 193,897 | 80 | 75,209 | 75,289 |
| Increase (reduction) in provisions for unallocated LAE | (1,672) | 3,020 | 1,348 | (2,101) | 2,293 | 192 |
| Amortization of fair value adjustments | (193) | — | (193) | (141) | — | (141) |
| Net incurred losses and LAE | $ 50,102 | $ 144,950 | $ 195,052 | $ (2,162) | $ 77,502 | $ 75,340 |

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

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

**Three Months Ended March 31:** Net incurred losses and LAE for the StarStone segment for the three months ended March 31, 2019 and 2018 were $195.1 million and $75.3 million, respectively. Net adverse prior year loss development was $50.1 million for the three months ended March 31, 2019 compared to net favorable prior year loss development of $2.2 million for the three months ended March 31, 2018. Excluding prior year loss development, net incurred losses and LAE for the three months ended March 31, 2019 and 2018 were $145.0 million and $77.5 million, respectively. Net adverse prior year loss development for the three months ended March 31, 2019 was primarily related to development on lines of business which we have either exited or which are subject to remediation as part of our underwriting repositioning.

Net incurred losses and LAE for the StarStone Group for the three months ended March 31, 2019 and 2018 were $144.8 million and $75.3 million, respectively. The increase in net incurred losses was primarily due to higher net earned premium and adverse prior year loss development. The loss ratios for the StarStone Group were 82.5% and 59.4% for the three months ended March 31, 2019 and 2018, respectively.

*Acquisition Costs:*

**Three Months Ended March 31:** Acquisition costs for the StarStone segment were $51.7 million and $16.4 million for the three months ended March 31, 2019 and 2018, respectively, an increase of $35.2 million. The acquisition cost ratios for the three months ended March 31, 2019 and 2018 were 24.2% and 13.0%, respectively, an increase of 11.2 percentage points.

Acquisition costs for the StarStone Group were $34.5 million and $16.4 million for the three months ended March 31, 2019 and 2018, respectively, an increase of $18.1 million. The acquisition cost ratios for the three months ended March 31, 2019 and 2018 were 19.7% and 13.0%, respectively, an increase of 6.7 percentage points. The increase in the acquisition cost ratio is primarily attributable to the non-renewal of the quota share arrangement with KaylaRe and, as a result the StarStone Group does not benefit as substantially from the quota share ceding overriding commission for the three months ended March 31, 2019.

*Operating Expenses:*

**Three Months Ended March 31:** Operating expenses for for the StarStone segment for the three months ended March 31, 2019 and 2018 were $36.0 million and $34.6 million, respectively. The operating expense ratios for the three months ended March 31, 2019 and 2018 were 16.9% and 27.2%, respectively, a decrease of 10.3 percentage points.

The operating expense ratios for the StarStone Group for the three months ended March 31, 2019 and 2018 were 20.3% and 27.2%, respectively, a decrease of 6.9 percentage points. Expenses were generally consistent with comparative periods, while net premiums earned was higher. The decrease in the operating expense ratio is primarily attributable to the non-renewal of the quota share arrangement with KaylaRe, leading to higher net earned premium for the three months ended March 31, 2019 for the StarStone Group.

*Income Taxes:*

**Three Months Ended March 31:** Income tax expense for the StarStone segment for the three months ended March 31, 2019 and 2018 was $1.3 million and $1.0 million, respectively. The income tax expense is generally driven by the geographical distribution of pre-tax earnings (loss) between taxable and non-taxable jurisdictions.

*Noncontrolling Interest:*

**Three Months Ended March 31:** The net losses attributable to the noncontrolling interest in the StarStone segment were $7.9 million for the three months ended March 31, 2019, compared to net losses attributable to the noncontrolling interest of $2.1 million for the three months ended March 31, 2018. The net losses attributable to the noncontrolling interest for the three months ended March 31, 2019 were due to the larger net losses in the StarStone Group for the three months ended March 31, 2019.

As of March 31, 2019 and 2018, Trident and Dowling had a combined 41.0% noncontrolling interest in the StarStone Group.

## Other

Our other activities, which do not qualify as a reportable segment, include our corporate expenses, debt servicing costs, preferred share dividends, holding company income and expenses, foreign exchange, our remaining life business and other miscellaneous items. We have entered into an agreement to dispose of our remaining life business, which comprises the term life products in Alpha, following which, we will have de minimis residual life business in our consolidated operations.

The following is a discussion and analysis of our results of operations for our other activities, which are summarized below:

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | (in thousands of U.S. dollars) | | |
| Net premiums earned | $ 6,598 | $ 992 | $ 5,606 |
| Net incurred losses and LAE | (4,956) | — | (4,956) |
| Life and Annuity Policy Benefits | (96) | 46 | (142) |
| Acquisition costs | (232) | (148) | (84) |
| Underwriting income | 1,314 | 890 | 424 |
| Net investment income | (1,685) | 5,782 | (7,467) |
| Net realized and unrealized gains (losses) | 1,034 | (2,373) | 3,407 |
| Other income (expenses) | 212 | (730) | 942 |
| Corporate expenses | (8,697) | (9,015) | 318 |
| Interest Income | 1,555 | 1,060 | 495 |
| Net foreign exchange gains | 1 | 1,167 | (1,166) |
| LOSS BEFORE INCOME TAXES | (6,266) | (3,219) | (3,047) |
| Income tax expense | (85) | (11) | (74) |
| NET LOSS ATTRIBUTABLE TO ENSTAR GROUP LIMITED | (6,351) | (3,230) | (3,121) |
| Dividend on preferred shares | (9,139) | — | (9,139) |
| NET LOSS ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS | $ (15,490) | $ (3,230) | $ (12,260) |

*Overall Results:*

Net losses were $15.5 million for the three months ended March 31, 2019 compared to net losses of $3.2 million for the three months ended March 31, 2018, an increase in net losses of $12.3 million, which primarily resulted from the dividends on the preferred shares that were issued in June and November 2018, and a net investment loss in the current period.

Investment results are separately discussed below in "Investable Assets."

*Underwriting Income:*

**Three Months Ended March 31:** Underwriting income was $1.3 million for the three months ended March 31, 2019, broadly consistent with $0.9 million for the three months ended March 31, 2018. Our other activities includes our remaining life business and other active underwriting.

*Corporate Expenses:*

**Three Months Ended March 31:** Corporate expenses were $8.7 million for the three months ended March 31, 2019, broadly consistent with corporate expenses of $9.0 million in the three months ended March 31, 2018.

*Dividend on Preferred Shares:*

**Three Months Ended March 31:** The dividends on preferred shares were $9.1 million and $nil for the three months ended March 31, 2019 and 2018, respectively. On June 28, 2018, we issued 16,000 Series D Preferred Shares with an aggregate liquidation value of $400.0 million. On November 21, 2018, we issued 4,400 Series E Preferred Shares with an aggregate liquidation value of $110.0 million. The dividends on the Series D and E Preferred Shares are non-cumulative and may be paid quarterly in arrears on the first day of March, June, September and December of each year, only when, as and if declared.

## Investable Assets

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

Investable assets were $13.8 billion as of March 31, 2019 as compared to $12.5 billion as of December 31, 2018, an increase of 10.3%. The increase was primarily due to unrealized gains recorded in the first quarter of 2019 and the investments and funds held balance acquired in relation to the AmTrust RITC Transactions completed in 2019.

A description of our investment strategies is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Investments" in our Annual Report on Form 10-K for the year ended December 31, 2018.

### *Composition of Investable Assets By Segment*

Across all of our segments, we strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. We consider the duration characteristics of our liabilities in determining the extent to which we invest in assets of comparable duration depending on our other investment strategies and to the extent practicable. If our liquidity needs or general liability profile change unexpectedly, we may adjust the structure of our investment portfolio to meet our revised expectations. The following tables summarize the composition of total invested assets by segment:

| | March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| | (in thousands of U.S. dollars) | | | | |
| Short-term investments, trading, at fair value | $ 67,959 | $ 300 | $ 7,801 | $ — | $ 76,060 |
| Fixed maturities, trading, at fair value | 5,907,269 | 134,560 | 1,275,225 | — | 7,317,054 |
| Fixed maturities, available-for-sale, at fair value | — | 25,989 | — | 120,586 | 146,575 |
| Funds held - directly managed | 1,288,210 | — | — | — | 1,288,210 |
| Equities, at fair value | 370,591 | 3,624 | 26,205 | — | 400,420 |
| Other investments, at fair value | 2,186,611 | 7,838 | 116,801 | 13,095 | 2,324,345 |
| Equity method investments | 220,618 | — | 405 | | 221,023 |
| Total investments | 10,041,258 | 172,311 | 1,426,437 | 133,681 | 11,773,687 |
| Cash and cash equivalents (including restricted cash) | 694,488 | 76,176 | 338,169 | 36,818 | 1,145,651 |
| Funds held by reinsured companies | 857,685 | 26,853 | 25,358 | 9,842 | 919,738 |
| Total investable assets | $ 11,593,431 | $ 275,340 | $ 1,789,964 | $ 180,341 | $ 13,839,076 |
| Duration (in years) [(1)] | 5.52 | 1.64 | 2.52 | 5.20 | 4.93 |
| Average credit rating [(2)] | A+ | AA+ | A+ | AA- | A+ |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| | (in thousands of U.S. dollars) | | | | |
| Short-term investments, trading, at fair value | $ 106,375 | $ 541 | $ 7,200 | $ — | $ 114,116 |
| Fixed maturities, trading, at fair value | 5,790,219 | 139,121 | 1,319,453 | — | 7,248,793 |
| Fixed maturities, available-for-sale, at fair value | — | 29,975 | — | 121,634 | 151,609 |
| Funds held - directly managed | 1,198,154 | — | — | — | 1,198,154 |
| Equities, at fair value | 335,632 | 3,193 | 28,300 | — | 367,125 |
| Other investments, at fair value | 1,825,307 | 7,166 | 113,024 | 12,260 | 1,957,757 |
| Equity method investments | 204,507 | — | — | — | 204,507 |
| Total investments | 9,460,194 | 179,996 | 1,467,977 | 133,894 | 11,242,061 |
| Cash and cash equivalents (including restricted cash) | 585,956 | 54,679 | 318,811 | 23,138 | 982,584 |
| Funds held by reinsured companies | 263,713 | 26,489 | 20,823 | 10,242 | 321,267 |
| Total investable assets | $ 10,309,863 | $ 261,164 | $ 1,807,611 | $ 167,274 | $ 12,545,912 |
| Duration (in years) (1) | 5.41 | 1.70 | 2.66 | 5.70 | 4.86 |
| Average credit rating (2) | A+ | AA- | A+ | AA- | A+ |

(1) The duration calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at March 31, 2019 and December 31, 2018.

(2) The average credit ratings calculation includes cash and cash equivalents, short-term investments, fixed maturities and the fixed maturities within our funds held - directly managed portfolios at March 31, 2019 and December 31, 2018.

As of both March 31, 2019 and December 31, 2018, our investment portfolio, including funds held - directly managed had an average credit quality rating of A+. As of March 31, 2019 and December 31, 2018, our fixed maturity investments (classified as trading and available-for-sale and our fixed maturity investments included within funds held - directly managed) that were non-investment grade (i.e. rated lower than BBB- and non-rated securities) comprised 3.9% and 3.8% of our total fixed maturity investment portfolio, respectively. A detailed schedule of average credit ratings by asset class as of March 31, 2019 is included in Note 3 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

Schedules of maturities by asset class are included in Note 3 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

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

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

| | March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | | | | |
| | AAA Rated | AA Rated | A Rated | BBB Rated | Non-investment Grade | Not Rated | Total | % |
| | (in thousands of U.S. dollars, except percentages) | | | | | | | |
| **Fixed maturity and short-term investments, trading and available-for-sale and funds held - directly managed** | | | | | | | | |
| U.S. government & agency | $ 417,243 | $ 63 | $ — | $ — | $ — | $ — | $ 417,306 | 3.5% |
| U.K. government | 644 | 277,799 | — | — | — | — | 278,443 | 2.4% |
| Other government | 308,413 | 198,228 | 55,991 | 171,579 | 35,765 | — | 769,976 | 6.5% |
| Corporate | 132,282 | 506,434 | 2,517,323 | 1,737,171 | 197,543 | 13,262 | 5,104,015 | 43.4% |
| Municipal | 12,284 | 81,059 | 49,814 | 16,909 | — | — | 160,066 | 1.4% |
| Residential mortgage-backed | 309,100 | 55,819 | 2,054 | 3,119 | 51,372 | 7,541 | 429,005 | 3.6% |
| Commercial mortgage-backed | 641,337 | 87,319 | 77,117 | 61,139 | 6,514 | 10,698 | 884,124 | 7.5% |
| Asset-backed | 302,491 | 99,371 | 164,249 | 110,806 | 18,111 | 1,340 | 696,368 | 5.9% |
| Total | 2,123,794 | 1,306,092 | 2,866,548 | 2,100,723 | 309,305 | 32,841 | 8,739,303 | 74.2% |
| Other assets included within funds held - directly managed | | | | | | | 88,596 | 0.7% |
| **Equities** | | | | | | | | |
| Publicly traded equities | | | | | | | 171,710 | 1.5% |
| Privately held equities | | | | | | | 228,710 | 1.9% |
| Total | | | | | | | 400,420 | 3.4% |
| **Other investments** | | | | | | | | |
| Hedge funds | | | | | | | 979,270 | 8.3% |
| Equity funds | | | | | | | 374,249 | 3.2% |
| Fixed income funds | | | | | | | 587,093 | 5.0% |
| Private equity funds | | | | | | | 235,538 | 2.0% |
| CLO equities | | | | | | | 41,434 | 0.4% |
| CLO equity funds | | | | | | | 40,348 | 0.3% |
| Private credit funds | | | | | | | 53,258 | 0.5% |
| Other | | | | | | | 13,155 | 0.1% |
| Total | | | | | | | 2,324,345 | 19.8% |
| **Equity method investments** | | | | | | | 221,023 | 1.9% |
| **Total investments** | **$ 2,123,794** | **$ 1,306,092** | **$ 2,866,548** | **$ 2,100,723** | **$ 309,305** | **$ 32,841** | **$ 11,773,687** | **100.0%** |

| | December 31, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | | | | |
| | AAA Rated | AA Rated | A Rated | BBB Rated | Non-investment Grade | Not Rated | Total | % |
| | (in thousands of U.S. dollars, except percentages) | | | | | | | |
| **Fixed maturity and short-term investments, trading and available-for-sale and funds held - directly managed** | | | | | | | | |
| U.S. government & agency | $ 502,819 | $ 7,426 | $ — | $ — | $ — | $ — | $ 510,245 | 4.5% |
| U.K. government | 2,144 | 298,487 | — | — | — | — | 300,631 | 2.7% |
| Other government | 322,606 | 213,639 | 69,601 | 154,800 | 32,592 | 572 | 793,810 | 7.1% |
| Corporate | 129,059 | 470,571 | 2,306,532 | 1,731,398 | 197,822 | 4,458 | 4,839,840 | 43.1% |
| Municipal | 7,934 | 69,270 | 41,666 | 11,395 | — | — | 130,265 | 1.2% |
| Residential mortgage-backed | 644,418 | 51,729 | 8,658 | 10,495 | 54,727 | 3,530 | 773,557 | 6.9% |
| Commercial mortgage-backed | 487,054 | 70,620 | 77,538 | 60,879 | 7,297 | 9,675 | 713,063 | 6.3% |
| Asset-backed | 358,574 | 68,174 | 125,644 | 66,136 | 17,573 | 380 | 636,481 | 5.7% |
| Total | 2,454,608 | 1,249,916 | 2,629,639 | 2,035,103 | 310,011 | 18,615 | 8,697,892 | 77.5% |
| Other assets included within funds held - directly managed | | | | | | | 14,780 | 0.1% |
| **Equities** | | | | | | | | |
| Publicly traded equities | | | | | | | 138,415 | 1.2% |
| Privately held equities | | | | | | | 228,710 | 2.0% |
| Total | | | | | | | 367,125 | 3.2% |
| **Other investments** | | | | | | | | |
| Hedge funds | | | | | | | 852,584 | 7.6% |
| Fixed income funds | | | | | | | 403,858 | 3.6% |
| Equity funds | | | | | | | 333,681 | 3.0% |
| Private equity funds | | | | | | | 248,628 | 2.2% |
| CLO equities | | | | | | | 39,052 | 0.3% |
| CLO equity funds | | | | | | | 37,260 | 0.3% |
| Private credit funds | | | | | | | 33,381 | 0.3% |
| Other | | | | | | | 9,313 | 0.1% |
| Total | | | | | | | 1,957,757 | 17.4% |
| **Equity method investments** | | | | | | | 204,507 | 1.8% |
| **Total investments** | **$ 2,454,608** | **$ 1,249,916** | **$ 2,629,639** | **$ 2,035,103** | **$ 310,011** | **$ 18,615** | **$ 11,242,061** | **100.0%** |

A description of our investment valuation processes is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2018 and Note 8 - "Fair Value Measurements" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

The following tables summarize the amortized cost, gross unrealized gains and losses and the fair value of our short-term investments and fixed maturity investments, classified as trading and available-for-sale, and the fixed maturity investments included within our funds held - directly managed:

| | March 31, 2019 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses Non-OTTI | Fair Value |
| U.S. government and agency | $ 415,689 | $ 3,273 | $ (1,656) | $ 417,306 |
| U.K. government | 261,213 | 17,820 | (590) | 278,443 |
| Other government | 769,300 | 14,412 | (13,736) | 769,976 |
| Corporate | 5,079,783 | 85,637 | (61,405) | 5,104,015 |
| Municipal | 156,818 | 4,019 | (771) | 160,066 |
| Residential mortgage-backed | 424,195 | 6,719 | (1,909) | 429,005 |
| Commercial mortgage-backed | 884,640 | 8,496 | (9,012) | 884,124 |
| Asset-backed | 698,724 | 1,792 | (4,148) | 696,368 |
| | $ 8,690,362 | $ 142,168 | $ (93,227) | $ 8,739,303 |

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses Non-OTTI | Fair Value |
| U.S. government and agency | $ 512,360 | $ 1,904 | $ (4,019) | $ 510,245 |
| U.K. government | 301,749 | 6,526 | (7,644) | 300,631 |
| Other government | 814,614 | 5,261 | (26,065) | 793,810 |
| Corporate | 5,019,018 | 12,195 | (191,373) | 4,839,840 |
| Municipal | 132,928 | 494 | (3,157) | 130,265 |
| Residential mortgage-backed | 772,457 | 5,846 | (4,746) | 773,557 |
| Commercial mortgage-backed | 729,232 | 2,613 | (18,782) | 713,063 |
| Asset-backed | 642,618 | 1,032 | (7,169) | 636,481 |
| | $ 8,924,976 | $ 35,871 | $ (262,955) | $ 8,697,892 |

We generally account for our fixed maturity securities as "trading", whereas other companies in our industry may utilize "available-for-sale" accounting. The difference is that unrealized changes on investments classified as trading are recorded through earnings, whereas unrealized changes on investments classified as available-for-sale are recorded directly to shareholders' equity. We may experience unrealized gains or losses on our fixed maturity investments, depending on investment conditions and general economic conditions. Unrealized amounts would only become realized in the event of a sale of the specific securities prior to maturity or a credit default. For further information on the sensitivity of our portfolio to changes in interest rates, refer to the Interest Rate Risk section within "Item 3. Quantitative and Qualitative Disclosures About Market Risk", included within this Quarterly Report on Form 10-Q.

The following table summarizes the composition of our top ten corporate issuers included within our short-term investments and fixed maturity investments, classified as trading and available-for-sale and the fixed maturity investments included within our funds held - directly managed balance as of March 31, 2019:

| | Fair Value | Average Credit Rating |
|---|---|---|
| | (in thousands of U.S. dollars) | |
| JPMorgan Chase & Co | $ 111,341 | A |
| Apple Inc | 96,179 | AA+ |
| Citigroup Inc | 90,123 | A |
| Bank of America Corp | 90,042 | A |
| Morgan Stanley | 84,229 | A- |
| General Electric Co | 80,534 | BBB+ |
| Wells Fargo & Co | 79,211 | A |
| HSBC Holdings PLC | 66,532 | A |
| Anheuser-Busch InBev SA/NV | 61,917 | BBB+ |
| Comcast Corp | 60,772 | A- |
| | $ 820,880 | |

***Investment Results - Consolidated***

The following table summarizes our investment results by major investment category. Additional information is included in Note 3 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of the Quarterly Report on Form 10-Q.

| | Three Months Ended March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| | (in thousands of U.S. dollars) | | | | |
| Net investment income: | | | | | |
| Fixed maturities and cash and cash equivalents | $ 64,249 | $ 1,467 | $ 11,382 | $ 380 | $ 77,478 |
| Equity securities | 2,878 | 15 | 487 | — | 3,380 |
| Other | 3,054 | 297 | 784 | (2,021) | 2,114 |
| Gross investment income | 70,181 | 1,779 | 12,653 | (1,641) | 82,972 |
| Investment expenses | (3,453) | (68) | (711) | (44) | (4,276) |
| **Net investment income (expense)** | **$ 66,728** | **$ 1,711** | **$ 11,942** | **$ (1,685)** | **$ 78,696** |
| Net realized and unrealized gains and losses: | | | | | |
| Fixed maturity securities | 222,277 | 2,130 | 21,808 | (64) | 246,151 |
| Equity securities | 11,798 | 356 | (2,223) | — | 9,931 |
| Other investments | 202,111 | 427 | 1,073 | 1,098 | 204,709 |
| **Net realized and unrealized gains and losses** | **$ 436,186** | **$ 2,913** | **$ 20,658** | **$ 1,034** | **$ 460,791** |
| Annualized income from cash and fixed maturities | $ 256,996 | $ 5,868 | $ 45,528 | $ 1,520 | $ 309,912 |
| Average aggregate fixed maturities and cash and cash equivalents, at cost (1) | 8,460,668 | 260,350 | 1,664,717 | 158,239 | 10,543,974 |
| Annualized Investment Book Yield | 3.04% | 2.25% | 2.73% | 0.96 % | 2.94% |
| Total financial statement return (2) | $ 502,914 | $ 4,624 | $ 32,600 | $ (651) | $ 539,487 |
| Average aggregate invested assets, at fair value (1) | 10,739,085 | 268,250 | 1,798,585 | 173,807 | 12,979,727 |
| Financial Statement Portfolio Return | 4.68% | 1.72% | 1.81% | (0.37)% | 4.16% |

| | Three Months Ended March 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Non-life Run-off | Atrium | StarStone | Other | Total |
| | (in thousands of U.S. dollars) | | | | |
| Net investment income: | | | | | |
| Fixed maturities and cash and cash equivalents | $ 48,537 | $ 1,060 | $ 7,758 | $ 370 | $ 57,725 |
| Equity securities | 1,203 | 13 | 274 | — | 1,490 |
| Other investments and other | 3,713 | 168 | 622 | 5,470 | 9,973 |
| Gross investment income | 53,453 | 1,241 | 8,654 | 5,840 | 69,188 |
| Investment expenses | (1,802) | (56) | (953) | (58) | (2,869) |
| **Net investment income** | **$ 51,651** | **$ 1,185** | **$ 7,701** | **$ 5,782** | **$ 66,319** |
| Net realized and unrealized gains and losses: | | | | | |
| Fixed maturity securities | $ (122,526) | $ (1,300) | $ (14,285) | $ 5 | $ (138,106) |
| Equity securities | 220 | (40) | 4,559 | (1) | 4,738 |
| Other investments | (3,990) | (63) | (3,232) | (2,377) | (9,662) |
| **Net realized and unrealized losses** | **$ (126,296)** | **$ (1,403)** | **$ (12,958)** | **$ (2,373)** | **$ (143,030)** |
| Annualized income from cash and fixed maturities | $ 194,148 | $ 4,240 | $ 31,032 | $ 1,480 | $ 230,900 |
| Average aggregate fixed maturities and cash and cash equivalents, at cost (1) | 7,396,161 | 265,725 | 1,487,722 | 154,700 | 9,304,308 |
| Annualized Investment Book Yield | 2.62 % | 1.60 % | 2.09 % | 0.96% | 2.48 % |
| Total financial statement return (2) | $ (74,645) | $ (218) | $ (5,257) | $ 3,409 | $ (76,711) |
| Average aggregate invested assets, at fair value (1) | 8,408,239 | 274,312 | 1,654,718 | 298,061 | 10,635,330 |
| Financial Statement Portfolio Return | (0.89)% | (0.08)% | (0.32)% | 1.14% | (0.72)% |

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

(2) This is the sum of net investment income and net realized and unrealized gains (losses) from our U.S. GAAP consolidated financial statements.

*Net Investment Income:*

Net investment income increased by $12.4 million for the three months ended March 31, 2019 compared to the three months ended March 31, 2018, primarily due to a $19.8 million increase in net investment income from fixed maturities and cash and cash equivalents, principally due to an increase of $1,239.7 million in our average aggregate fixed maturities and cash and cash equivalents. The increase in our average aggregate fixed maturities and cash and cash equivalents was primarily due to the Kayla Re, Zurich, Neon, Novae transactions in 2018, and the AmTrust RITC Transactions in 2019. The book yield increased by 46 basis points primarily due to higher reinvestment rates as a result of broad increases in effective yields.

*Net Realized and Unrealized Gains (Losses):*

Net realized and unrealized gains were $460.8 million for the three months ended March 31, 2019 compared to net realized and unrealized losses of $143.0 million for the three months ended March 31, 2018, an increase of $603.8 million. Included in net realized and unrealized losses are the following items:

- net realized and unrealized gains (losses) on fixed income securities, including fixed income securities within our fund held portfolios, of $246.2 million for the three months ended March 31, 2019, compared to net realized and unrealized losses of $138.1 million for the three months ended March 31, 2018, a change of $384.3 million, primarily driven by higher valuations due to tightening credit spreads in the current period, compared to lower valuations in the comparative period due to increased sovereign yields;
- net realized and unrealized gains on equity securities of $9.9 million for the three months ended March 31, 2019, compared to $4.7 million for the three months ended March 31, 2018, an increase of $5.2 million, primarily driven by a more favorable movement in international equity markets in 2019 compared to declines in global markets in the comparative period;

- net realized and unrealized gains on other investments and other items of $204.7 million for the three months ended March 31, 2019, compared to realized and unrealized losses of $9.7 million for the three months ended March 31, 2018, representing an increase of $214.4 million. The unrealized gains for the three months ended March 31, 2019 primarily comprised unrealized gains in our hedge funds, equity funds, fixed income funds and private equity funds, principally driven by tightening credit spreads and a more favorable movement in international equity markets in 2019. The unrealized losses for the three months ended March 31, 2018 primarily comprised unrealized losses in our private equity funds, equity funds and call options on equity partially offset by unrealized gains on hedge funds.

**Liquidity and Capital Resources**

***Overview***

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

Our capital resources as of March 31, 2019 included total shareholders' equity of $4.3 billion, redeemable noncontrolling interest of $456.3 million classified as temporary equity, and debt obligations of $1.1 billion. The redeemable noncontrolling interest may be settled in the future in cash or Enstar ordinary shares, at our option. Based on our current loss reserves position, our portfolios of in-force insurance and reinsurance business, and our investment positions, we believe we are well capitalized.

The following table details our capital position:

| | March 31, 2019 | December 31, 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Ordinary shareholders' equity | $ 3,757,712 | $ 3,391,933 | $ 365,779 |
| Series D and E Preferred Shares | 510,000 | 510,000 | — |
| Total Enstar Group Limited Shareholders' Equity (A) | 4,267,712 | 3,901,933 | 365,779 |
| Noncontrolling interest | 12,452 | 12,056 | 396 |
| Total Shareholders' Equity (B) | 4,280,164 | 3,913,989 | 366,175 |
| | | | |
| Senior Notes | 348,180 | 348,054 | 126 |
| Revolving credit facility | 257,000 | 15,000 | 242,000 |
| Term loan facility | 498,610 | 498,485 | 125 |
| Total debt (C) | 1,103,790 | 861,539 | 242,251 |
| | | | |
| Redeemable noncontrolling interest (D) | 456,346 | 458,543 | (2,197) |
| | | | |
| Total capitalization = (B) + (C) + (D) | $ 5,840,300 | $ 5,234,071 | $ 606,229 |
| | | | |
| Total capitalization attributable to Enstar = (A) + (C) | $ 5,371,502 | $ 4,763,472 | $ 608,030 |
| | | | |
| Debt to total capitalization | 18.9% | 16.5% | 2.4% |
| Debt and Series D and E Preferred Shares to total capitalization | 27.6% | 26.2% | 1.4% |
| | | | |
| Debt to total capitalization attributable to Enstar | 20.5% | 18.1% | 2.4% |
| Debt and Series D and E Preferred Shares to total capitalization available to Enstar | 30.0% | 28.8% | 1.2% |

As of March 31, 2019, we had $718.1 million of cash and cash equivalents, excluding restricted cash that supports insurance operations, and included in this amount was $603.9 million held by foreign subsidiaries outside of Bermuda. Based on our group's current corporate structure with a Bermuda domiciled parent company and the jurisdictions in which we operate, if the cash and cash equivalents held by our foreign subsidiaries were to be distributed to us, as dividends or otherwise, such amounts would not be subject to incremental income taxes, however in certain circumstances withholding taxes may be imposed by some jurisdictions, including the United States. Based on existing tax laws, regulations and our current intentions, there was no accrual as of March 31, 2019 for any material withholding taxes on dividends or other distributions, as described in Note 17 - "Income Taxation" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Dividends***

Enstar has not historically declared a dividend on its ordinary shares. We retain earnings and utilize distributions from our subsidiaries to invest in our business strategies. We do not currently expect to pay any dividends on our ordinary shares.

On June 28, 2018, we issued 16,000 Series D Preferred Shares with an aggregate liquidation value of $400.0 million. On November 21, 2018, we issued 4,400 Series E Preferred Shares with an aggregate liquidation value of $110.0 million. The dividends on the Series D and E Preferred Shares are non-cumulative and may be paid quarterly in arrears on the first day of March, June, September and December of each year, only when, as and if declared.

The following table details the dividends that have been declared and paid on our Series D and E Preferred Shares from January 1, 2019 to May 8, 2019:

| Preferred Share Series | Date Declared | Record Date | Date Payable | Dividend per: Preferred Share | Dividend per: Depositary Share | Total dividends paid and declared in the three months ended March 31, 2019 |
|---|---|---|---|---|---|---|
| | | | | (in U.S. dollars) | | (in thousands of U.S. dollars) |
| Series D | February 21, 2019 | February 15, 2019 | March 1, 2019 | $ 437.50 | $ 0.43750 | $ 7,000 |
| Series E | February 21, 2019 | February 15, 2019 | March 1, 2019 | $ 486.11 | $ 0.48611 | 2,139 |
| Series D | May 3, 2019 | May 15, 2019 | June 1, 2019 | $ 437.50 | $ 0.43750 | — |
| Series E | May 3, 2019 | May 15, 2019 | June 1, 2019 | $ 437.50 | $ 0.43750 | — |
| | | | | | | $ 9,139 |

***Sources and Uses of Cash***

*Holding Company Liquidity*

The potential sources of cash flows to Enstar as a holding company consist of cash flows from our subsidiaries including dividends, advances and loans, and interest income on loans to our subsidiaries. We also borrow under our credit facilities, and during 2017 and 2018, we issued senior notes and preferred shares as described below.

We use cash to fund new acquisitions of companies and significant new business. We also utilize cash for our operating expenses associated with being a public company and to pay interest and principal on loans from subsidiaries and debt obligations, including loans under our credit facilities and our 4.5% senior notes due 2022 (the “Senior Notes”).

We may, from time to time, raise capital from the issuance of equity, debt or other securities as we continuously evaluate our strategic opportunities. We filed an automatic shelf registration statement on October 10, 2017 with the U.S. Securities and Exchange Commission ("SEC") to allow us to conduct future offerings of certain securities, if desired, including debt, equity and other securities.

On March 26, 2019, we entered into a second supplemental indenture relating to our Senior Notes, which limits our right to redeem the Senior Notes at our option, except in the circumstances set forth in the second supplemental indenture. This change enabled the Senior Notes to qualify as Tier 3 capital under the eligible capital rules of the

Bermuda Monetary Authority. Because this amendment did not materially and adversely affect the holders of or the coupons on the Senior Notes, entry into the second supplemental indenture did not require the consent of the holders of the Senior Notes.

On June 28, 2018, we issued 16,000 Series D Preferred Shares with an aggregate liquidation value of $400.0 million. The net proceeds from the Series D Preferred Shares were used to repay a portion of amounts outstanding under our revolving credit facility, and fully repay our previous term loan facility. On November 21, 2018, we issued 4,400 Series E Preferred Shares with an aggregate liquidation value of $110.0 million. The net proceeds from the Series E Preferred Shares were used to fund our new business in Non-life Run-off operations.

As we are a holding company and have no substantial operations of our own, our assets consist primarily of investments in subsidiaries and our loans and advances to subsidiaries. Dividends from our insurance subsidiaries are restricted by insurance regulation, as described below.

*Operating Company Liquidity*

The ability to pay dividends and make other distributions is limited by the applicable laws and regulations of the jurisdictions in which our insurance and reinsurance subsidiaries operate, including Bermuda, the United Kingdom, the United States, Australia and Continental Europe, which subject these subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, certain of our insurance and reinsurance subsidiaries to maintain minimum capital resources requirements and limit the amount of dividends and other payments that these subsidiaries can pay to us, which in turn may limit our ability to pay dividends and make other payments. For more information on these laws and regulations, see "Item 1. Business - Regulation" in our Annual Report on Form 10-K for the year ended December 31, 2018. As of March 31, 2019, all of our insurance and reinsurance subsidiaries' capital resources levels were in excess of the minimum levels required. The ability of our subsidiaries to pay dividends is subject to certain restrictions, as described in Note 22 - "Dividend Restrictions and Statutory Financial Information" in the notes to our consolidated financial statements included within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018. Variability in ultimate loss payments may also result in increased liquidity requirements for our subsidiaries.

In the Non-life Run-off segment, sources of funds primarily consist of cash and investment portfolios acquired on the completion of acquisitions and loss portfolio transfer reinsurance agreements. Cash balances acquired upon our purchase of insurance or reinsurance companies are classified as cash provided by investing activities. Cash acquired from loss portfolio transfer reinsurance agreements is classified as cash provided by operating activities. We expect to use funds acquired from cash and investment portfolios, collected premiums, collections from reinsurance debtors, fees and commission income, investment income and proceeds from sales and redemptions of investments to meet expected claims payments and operational expenses, with the remainder used for acquisitions and additional investments. In the Non-life Run-off segment, we generally expect negative operating cash flows to be met by positive investing cash flows.

In the Atrium and StarStone segments, we expect a net provision of cash from operations as investment income earned and collected premiums should generally be in excess of total net claim payments, losses incurred on earned premiums and operating expenses.

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

*Cash Flows*

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

| | Three Months Ended March 31, 2019 | Three Months Ended March 31, 2018 | Change |
|---|---|---|---|
| | (in thousands of U.S. dollars) | | |
| Cash provided by (used in): | | | |
| Operating activities | $ 107,138 | $ (74,214) | $ 181,352 |
| Investing activities | (173,007) | (230,229) | 57,222 |
| Financing activities | 232,861 | 212,511 | 20,350 |
| Effect of exchange rate changes on cash | (3,925) | 15,059 | (18,984) |
| Net increase (decrease) in cash and cash equivalents | 163,067 | (76,873) | 239,940 |
| Cash and cash equivalents, beginning of period | 982,584 | 1,212,836 | (230,252) |
| Cash and cash equivalents, end of period | $ 1,145,651 | $ 1,135,963 | $ 9,688 |

Details of our consolidated cash flows are included in "Item 1. Financial Statements - Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018."

**2019 versus 2018:** Cash and cash equivalents increased by $163.1 million during the three months ended March 31, 2019 compared with a decrease of $76.9 million during the three months ended March 31, 2018.

For the three months ended March 31, 2019, cash and cash equivalents increased by $163.1 million, as cash provided by operating and financing activities of $107.1 million and $232.9 million, respectively, was partially offset by cash used in investing activities of $173.0 million. Cash provided by operations is largely as a result of the timing of paid losses. Cash provided by financing activities for the three months ended March 31, 2019 was primarily attributable to the net drawdown on the revolving credit facility of $242.0 million, which was used to fund acquisition activity and other corporate activities. Cash used in investing activities for the three months ended March 31, 2019 primarily related to the net subscriptions of other investments of $167.0 million. In addition, we are continuously seeking to deploy surplus operating cash into our investing activities.

For the three months ended March 31, 2018, cash and cash equivalents decreased by $76.9 million, as cash used in operating and investing activities of $74.2 million and $230.2 million, respectively, was partially offset by cash provided by financing activities of $212.5 million. Cash used in operations is largely a result of net paid losses. Cash used in investing activities was primarily related to net subscriptions of other investments of $243.6 million. Cash provided by financing activities for the three months ended March 31, 2018 was primarily attributable to the net receipt of loans of $212.5 million, which provided capital for the reinsurance transactions in our Non-life Run-off segment that were entered into during the three months ended March 31, 2018.

***Investable Assets***

We define investable assets as the sum of total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held. Investable assets were $13.8 billion as of March 31, 2019 as compared to $12.5 billion as of December 31, 2018, an increase of 10.3%. The increase was primarily due to unrealized gains recorded in the first quarter of 2019 and the investments and funds held balance acquired in relation to the AmTrust RITC transactions.

For information regarding our investments strategy, portfolio and results, refer to "Investable Assets" above.

***Reinsurance Balances Recoverable***

As of March 31, 2019 and December 31, 2018, we had reinsurance balances recoverable of $2,286.4 million and $2,029.7 million, respectively.

Our insurance and reinsurance run-off subsidiaries and portfolios, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. On an annual basis, both Atrium and StarStone purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium's and StarStone's third-party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

We remain liable to the extent that retrocessionaires do not meet their obligations under these agreements, and therefore, we evaluate and monitor concentration of credit risk among our reinsurers. Provisions are made for amounts considered potentially uncollectible.

For further information regarding our unaudited condensed reinsurance balances recoverable, refer to Note 5 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Debt Obligations***

We utilize debt financing and loan facilities primarily for acquisitions, significant new business and, from time to time, for general corporate purposes. For information regarding our debt arrangements, including our loan covenants, refer to Note 12 - "Debt Obligations and Credit Facilities" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. Our debt obligations as of March 31, 2019 and December 31, 2018 were $1,103.8 million and $861.5 million, respectively, as detailed in the below table:

| **Debt Obligations** | **Origination Date** | **Term** | **March 31, 2019** | **December 31, 2018** |
|---|---|---|---|---|
| Senior Notes | March 10, 2017 | 5 years | $ 348,180 | $ 348,054 |
| EGL Revolving Credit Facility | August 16, 2018 | 5 years | 257,000 | 15,000 |
| 2018 EGL Term Loan Facility | December 27, 2018 | 3 years | 498,610 | 498,485 |
| Total debt obligations | | | $ 1,103,790 | $ 861,539 |

On August 16, 2018, we and certain of our subsidiaries, as borrowers and guarantors, entered into a five-year unsecured $600.0 million revolving credit agreement. The credit agreement expires in August 2023 and we have the option to increase the commitments under the facility by up to an aggregate of $400.0 million. Borrowings under the facility will bear interest at a rate based on the Company's long term senior unsecured debt ratings.

As of March 31, 2019, we were permitted to borrow up to an aggregate of $600.0 million under the facility. As of March 31, 2019, there was $343.0 million of available unutilized capacity under this facility. We are in compliance with the covenants of the facility. Subsequent to March 31, 2019, we repaid $42.0 million, bringing the unutilized capacity under this facility to $385.0 million.

On December 27, 2018, we entered into and fully utilized a three-year $500.0 million unsecured term loan (the "2018 EGL Term Loan Facility"). Interest is payable at least every three months at the London Interbank Offered Rate ("LIBOR") or the alternate base rate ("ABR") plus a margin set forth in the agreement. In the event of default, the interest rate may increase and the agent may, and at the request of the required lenders shall, cancel lender commitments and demand early repayment. The proceeds were partially used to fund the acquisition of Maiden Reinsurance North America, Inc.

***Contractual Obligations***

The following table summarizes, as of March 31, 2019, our future payments under contractual obligations and estimated payments for losses and LAE and policy benefits by expected payment date and updates the table on page 99 of our Annual Report on Form 10-K for the year ended December 31, 2018. The table excludes short-term liabilities and includes only obligations that are expected to be settled in cash.

| | Total | Less than 1 Year | 1 - 3 years | 3 - 5 years | 6 - 10 years | More than 10 Years |
|---|---|---|---|---|---|---|
| | (in millions of U.S. dollars) | | | | | |
| **Operating Activities** | | | | | | |
| Estimated gross reserves for losses and LAE (1) | | | | | | |
| Asbestos | $ 1,604.2 | $ 97.0 | $ 179.5 | $ 167.7 | $ 299.3 | $ 860.7 |
| Environmental | 220.3 | 20.2 | 37.3 | 33.1 | 52.2 | 77.5 |
| General Casualty | 1,031.3 | 256.5 | 315.1 | 165.7 | 144.8 | 149.2 |
| Workers' compensation/personal accident | 2,234.9 | 257.2 | 368.0 | 277.6 | 399.7 | 932.4 |
| Marine, aviation and transit | 505.8 | 152.4 | 165.6 | 70.6 | 61.2 | 56.0 |
| Construction defect | 112.3 | 24.7 | 38.1 | 23.3 | 17.7 | 8.5 |
| Professional indemnity/ Directors & Officers | 1,082.8 | 286.4 | 361.4 | 185.4 | 149.2 | 100.4 |
| Motor | 907.6 | 309.6 | 276.9 | 108.8 | 85.4 | 126.9 |
| Property | 265.7 | 105.6 | 89.1 | 34.8 | 21.5 | 14.7 |
| Other | 354.2 | 88.7 | 97.3 | 51.9 | 55.6 | 60.7 |
| Total Non-Life Run-off | 8,319.1 | 1,598.3 | 1,928.3 | 1,118.9 | 1,286.6 | 2,387.0 |
| Atrium | 222.4 | 91.3 | 80.3 | 30.7 | 16.8 | 3.3 |
| StarStone | 1,664.7 | 594.1 | 595.6 | 240.5 | 167.9 | 66.6 |
| Other | 21.0 | 3.3 | 8.4 | 4.0 | 3.6 | 1.7 |
| ULAE | 374.9 | 70.3 | 88.2 | 51.5 | 59.2 | 105.7 |
| Estimated gross reserves for losses and LAE (1) | 10,602.1 | 2,357.3 | 2,700.8 | 1,445.6 | 1,534.1 | 2,564.3 |
| Policy benefits for life and annuity contracts (2) | 117.8 | 6.0 | 11.3 | 12.0 | 28.1 | 60.4 |
| Operating lease obligations | 64.2 | 9.2 | 21.0 | 13.9 | 18.0 | 2.1 |
| **Investing Activities** | | | | | | |
| Investment commitments to private equity funds | 210.8 | 98.9 | 95.8 | 16.1 | — | — |
| Investment commitments to equity method investments | 152.3 | 152.3 | — | — | — | — |
| **Financing Activities** | | | | | | |
| Loan repayments (including estimated interest payments) | 1,266.7 | 50.2 | 943.6 | 272.9 | — | — |
| **Total** | $ 12,413.9 | $ 2,673.9 | $ 3,772.5 | $ 1,760.5 | $ 1,580.2 | $ 2,626.8 |

(1) The reserves for losses and LAE represent management’s estimate of the ultimate cost of settling losses. The estimation of losses is based on various complex and subjective judgments. Actual losses paid may differ, perhaps significantly, from the reserve estimates reflected in our financial statements. Similarly, the timing of payment of our estimated losses is not fixed and there may be significant changes in actual payment activity. The assumptions used in estimating the likely payments due by period are based on our historical claims payment experience and industry payment patterns, but due to the inherent uncertainty in the process of estimating the timing of such payments, there is a risk that the amounts paid in any such period can be significantly different from the amounts disclosed above. The amounts in the above table represent our estimates of known liabilities as of March 31, 2019 and do not take into account corresponding reinsurance balance recoverable amounts that would be due to us. Furthermore, certain of the reserves included in the unaudited condensed consolidated financial statements as of March 31, 2019 were acquired by us and initially recorded at fair value with subsequent amortization, whereas the expected payments by period in the table above are the estimated payments at a future time and do not reflect the fair value adjustment in the amount payable.

(2) Policy benefits for life and annuity contracts recorded in our unaudited consolidated balance sheet as of March 31, 2019 of $100.7 million are computed on a discounted basis, whereas the expected payments by period in the table above are the estimated payments at a future time and do not reflect a discount of the amount payable.

In addition to the contractual obligations in the table above, we also have the right to purchase the redeemable noncontrolling interests ("RNCI") from the RNCI holders at certain times in the future (each such right, a "call right") and the RNCI holders have the right to sell their RNCI to us at certain times in the future (each such right, a "put right"). The RNCI rights are described in Note 21 - "Related Party Transactions" in the notes to our consolidated financial statements included within Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2018.

For additional information relating to our commitments and contingencies, see Note 19 - "Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

### *Off-Balance Sheet Arrangements*

At March 31, 2019, we did not have any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

## Critical Accounting Policies

Our critical accounting policies are discussed in Management's Discussion and Analysis of Results of Operations and Financial Condition contained in our Annual Report on Form 10-K for the year ended December 31, 2018 and have not materially changed.

### *Non-GAAP Financial Measures*

In addition to presenting net earnings (losses) attributable to Enstar Group Limited ordinary shareholders and diluted earnings (losses) per ordinary share determined in accordance with U.S. GAAP, we believe that presenting non-GAAP operating income (loss) attributable to Enstar Group Limited ordinary shareholders and fully diluted non-GAAP operating income (loss) per ordinary share, non-GAAP financial measures as defined in Item 10(e) of Regulation S-K, provides investors with valuable measures of our performance.

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

Further, these non-GAAP measures enable readers of the consolidated financial statements to more easily analyze our results in a manner more aligned with the manner in which management analyzes our underlying performance. We believe that presenting these non-GAAP financial measures, which may be defined and calculated differently by other companies, improves the understanding of our consolidated results of operations. These measures should not be viewed as a substitute for those calculated in accordance with U.S. GAAP.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (expressed in thousands of U.S. dollars, except share and per share data) | |
| Net earnings (loss) attributable to Enstar Group Limited ordinary shareholders | $ 358,751 | $ (41,210) |
| Adjustments: | | |
| Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed [1] | (246,151) | 138,106 |
| Change in fair value of insurance contracts for which we have elected the fair value option | 56,041 | (40,241) |
| Tax effects of adjustments [2] | 21,849 | (11,226) |
| Adjustments attributable to noncontrolling interest [3] | 9,170 | (5,802) |
| Non-GAAP operating income (loss) attributable to Enstar Group Limited ordinary shareholders [4] | $ 199,660 | $ 39,627 |
| | | |
| Diluted net earnings (loss) per ordinary share | $ 16.57 | $ (2.12) |
| Adjustments: | | |
| Net realized and unrealized (gains) losses on fixed maturity investments and funds held - directly managed [1] | (11.37) | 7.06 |
| Change in fair value of insurance contracts for which we have elected the fair value option | 2.59 | (2.05) |
| Tax effects of adjustments [2] | 1.01 | (0.57) |
| Adjustments attributable to noncontrolling interest [3] | 0.42 | (0.30) |
| Diluted non-GAAP operating income (loss) per ordinary share [4] | $ 9.22 | $ 2.02 |
| | | |
| Weighted average ordinary shares outstanding - diluted | 21,645,862 | 19,602,512 |

[1] Represents the net realized and unrealized gains and losses related to fixed maturity securities. Our fixed maturity securities are held directly on our balance sheet and also within the "Funds held - directly managed" balance. The changes in the value of these managed funds held balances are described in our financial statement notes as: (i) funds held - directly managed, (ii) embedded derivative on funds held - directly managed, and (iii) the fair value option on funds held - directly managed. Refer to Note 3 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q for further details on our net realized and unrealized gains and losses.

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

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

[4] Non-GAAP financial measure.

**Cautionary Statement Regarding Forward-Looking Statements**

This quarterly report and the documents incorporated by reference contain statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities, plans and objectives of our management, as well as the markets for our ordinary shares and the insurance and reinsurance sectors in general. Statements that include words such as "estimate," "project," "plan," "intend," "expect," "anticipate," "believe," "would," "should," "could," "seek," "may" and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements are necessarily estimates or expectations, and not statements of historical fact, reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward looking statements should, therefore, be considered in light of various important factors, including those set forth in this quarterly report and in our Annual Report on Form 10-K for the year ended December 31, 2018. These factors include:

- risks associated with implementing our business strategies and initiatives;
- the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time;
- risks relating to our acquisitions, including our ability to evaluate opportunities, successfully price acquisitions, evaluate opportunities, address operational challenges, support our planned growth and assimilate acquired companies into our internal control system in order to maintain effective internal controls, provide reliable financial reports and prevent fraud;
- risks relating to our active underwriting businesses, including unpredictability and severity of catastrophic and other major loss events, failure of risk management and loss limitation methods, the risk of a ratings downgrade or withdrawal, cyclicality of demand and pricing in the insurance and reinsurance markets;
- risks relating to the performance of our investment portfolio and our ability to structure our investments in a manner that recognizes our liquidity needs;
- changes and uncertainty in economic conditions, including interest rates, inflation, currency exchange rates, equity markets and credit conditions, which could affect our investment portfolio, our ability to finance future acquisitions and our profitability;
- the risk that ongoing or future industry regulatory developments will disrupt our business, affect the ability of our subsidiaries to operate in the ordinary course or to make distributions to us, or mandate changes in industry practices in ways that increase our costs, decrease our revenues or require us to alter aspects of the way we do business;
- risks relating to the variability of statutory capital requirements and the risk that we may require additional capital in the future, which may not be available or may be available only on unfavorable terms;
- risks relating to the availability and collectability of our reinsurance;
- losses due to foreign currency exchange rate fluctuations;
- increased competitive pressures, including the consolidation and increased globalization of reinsurance providers;
- emerging claim and coverage issues;
- lengthy and unpredictable litigation affecting assessment of losses and/or coverage issues;
- loss of key personnel;
- the ability of our subsidiaries to distribute funds to us and the resulting impact on our liquidity;
- our ability to comply with covenants in our debt agreements;
- changes in our plans, strategies, objectives, expectations or intentions, which may happen at any time at management’s discretion;
- operational risks, including system, data security or human failures and external hazards;

- risks relating to our ability to obtain regulatory approvals, including the timing, terms and conditions of any such approvals, and to satisfy other closing conditions in connection with our acquisition agreements, which could affect our ability to complete acquisitions;
- our ability to implement our strategies relating to our active underwriting businesses;
- risks relating to our subsidiaries with liabilities arising from legacy manufacturing operations;
- tax, regulatory or legal restrictions or limitations applicable to us or the insurance and reinsurance business generally;
- changes in tax laws or regulations applicable to us or our subsidiaries, or the risk that we or one of our non-U.S. subsidiaries become subject to significant, or significantly increased, income taxes in the United States or elsewhere;
- changes in Bermuda law or regulation or the political stability of Bermuda; and
- changes in accounting policies or practices.

The factors listed above should be not construed as exhaustive and should be read in conjunction with the other cautionary statements and Risk Factors that are included in our Annual Report on Form 10-K for the year ended December 31, 2018. We undertake no obligation to publicly update or review any forward looking statement, whether to reflect any change in our expectations with regard thereto, or as a result of new information, future developments or otherwise, except as required by law.

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

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

We are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk. Our policies to address these risks in 2019 are not materially different than those used in 2018, other than as described herein, and, based on our current knowledge and expectations, we do not currently anticipate significant changes in our market risk exposures or in how we will manage those exposures in future reporting periods.

**Interest Rate and Credit Spread Risk**

Interest rate risk is the price sensitivity of a security to changes in interest rates. Our investment portfolio and funds held - directly managed include fixed maturity and short-term investments, whose fair values will fluctuate with changes in interest rates. We attempt to maintain adequate liquidity in our fixed maturity investments portfolio with a strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. We also monitor the duration and structure of our investment portfolio.

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

| | Interest Rate Shift in Basis Points | | | | |
|---|---|---|---|---|---|
| **As of March 31, 2019** | **-100** | **-50** | **—** | **+50** | **+100** |
| | (in millions of U.S. dollars) | | | | |
| Total Market Value | $ 9,167 | $ 8,952 | $ 8,739 | $ 8,522 | $ 8,316 |
| Market Value Change from Base | 4.9% | 2.4% | — | (2.5)% | (4.8)% |
| Change in Unrealized Value | $ 428 | $ 213 | $ — | $ (217) | $ (423) |
| **As of December 31, 2018** | **-100** | **-50** | **—** | **+50** | **+100** |
| Total Market Value | $ 9,147 | $ 8,920 | $ 8,698 | $ 8,484 | $ 8,279 |
| Market Value Change from Base | 5.2% | 2.6% | — | (2.5)% | (4.8)% |
| Change in Unrealized Value | $ 449 | $ 222 | $ — | $ (214) | $ (419) |

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

The following table summarizes the aggregate hypothetical change in fair value from an immediate parallel shift in credit spreads assuming interest rates remain fixed, in our fixed maturity and short-term investments portfolio classified as trading and available-for-sale and our funds held directly managed portfolio as of March 31, 2019 and December 31, 2018:

| | Credit Spread Shift in Basis Points | | |
|---|---|---|---|
| **As at March 31, 2019** | **—** | **+50** | **+100** |
| | | **(in millions of U.S. dollars)** | |
| Total Market Value | $ 8,739 | $ 8,529 | $ 8,327 |
| Market Value Change from Base | — | (2.4)% | (4.7)% |
| Change in Unrealized Value | $ — | $ (210) | $ (412) |
| **As at December 31, 2018** | **—** | **+50** | **+100** |
| Total Market Value | $ 8,698 | $ 8,502 | $ 8,314 |
| Market Value Change from Base | — | (2.3)% | (4.4)% |
| Change in Unrealized Value | $ — | $ (196) | $ (384) |

**Credit Risk**

Credit risk relates to the uncertainty of a counterparty’s ability to make timely payments in accordance with contractual terms of the instrument or contract. We are exposed to direct credit risk primarily within our portfolios of fixed maturity and short-term investments, and through customers, brokers and reinsurers in the form of premiums receivable, reinsurance balances recoverables, and funds held by reinsured companies, as discussed below.

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

As a holder of $8.7 billion of fixed maturity and short-term investments, we also have exposure to credit risk as a result of investment ratings downgrades or issuer defaults. In an effort to mitigate this risk, our investment portfolio consists primarily of investment grade-rated, liquid, fixed maturity investments of short-to-medium duration and mutual funds. A table of credit ratings for our fixed maturity and short-term investments is in Note 3 - "Investments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q. In addition, we manage our portfolio pursuant to guidelines that follow what we believe are prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers and, as a result, we do not believe we have significant concentrations of credit risk. A summary of our fixed maturity and short-term investments by credit rating is as follows:

| Credit rating | March 31, 2019 | December 31, 2018 | Change |
|---|---|---|---|
| AAA | 24.3% | 28.2% | (3.9)% |
| AA | 14.9% | 14.4% | 0.5 % |
| A | 32.9% | 30.2% | 2.7 % |
| BBB | 24.0% | 23.4% | 0.6 % |
| Non-investment grade | 3.5% | 3.6% | (0.1)% |
| Not rated | 0.4% | 0.2% | 0.2 % |
| Total | 100.0% | 100.0% | |
| | | | |
| Average credit rating | A+ | A+ | |

***Reinsurance Balances Recoverable***

We have exposure to credit risk as it relates to our reinsurance balances recoverable. Our insurance subsidiaries remain liable to the extent that retrocessionaires do not meet their contractual obligations and, therefore, we evaluate and monitor concentration of credit risk among our reinsurers. A discussion of our reinsurance balances recoverable is in Note 5 - "Reinsurance Balances Recoverable on Paid and Unpaid Losses" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report on Form 10-Q.

***Funds Held***

Under funds held arrangements, the reinsured company has retained funds that would otherwise have been remitted to our reinsurance subsidiaries. The funds balance is credited with investment income and losses payable are deducted. We are subject to credit risk if the reinsured company is unable to honor the value of the funds held balances, such as in the event of insolvency. However, we generally have the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by us to the reinsured for losses payable and other amounts contractually due. Our funds held are shown under two categories on the consolidated balance sheets, where funds held upon which we receive the underlying portfolio economics are shown as "Funds held - directly managed", and funds held where we receive a fixed crediting rate are shown as "Funds held by reinsured companies". Both types of funds held are subject to credit risk. We routinely monitor the creditworthiness of reinsured companies with whom we have funds held arrangements. As of March 31, 2019, we have a significant concentration of $1,101.9 million to one reinsured company which has financial strength credit ratings of A+ from A.M. Best and AA from Standard & Poor's. In connection with the AmTrust RITC transactions, we have recorded, in aggregate $601.9 million as funds held, which is expected to be received in the second quarter of 2019 and subsequently invested in accordance with our investment guidelines.

**Equity Price Risk**

Our portfolio of equity investments, including the equity funds and call options on equities included in other investments and other assets (collectively, "equities at risk"), has exposure to equity price risk, which is the risk of potential loss in fair value resulting from adverse changes in stock prices. Our global equity portfolio is correlated with a blend of the S&P 500 and MSCI World indices, and changes in this blend of indices would approximate the impact on our portfolio. The following table summarizes the aggregate hypothetical change in fair value from a 10% decline in the overall market prices of our equities at risk:

| | March 31, 2019 | December 31, 2018 | Change |
|---|---|---|---|
| | (in millions of U.S. dollars) | | |
| Publicly traded equity investments in common and preferred stocks | $ 171.7 | $ 138.4 | $ 33.3 |
| Privately held equity investments in common and preferred stocks | 228.7 | 228.7 | — |
| Private equity funds | 235.5 | 248.6 | (13.1) |
| Equity funds | 374.2 | 333.7 | 40.5 |
| Fair value of equities at risk | $ 1,010.1 | $ 949.4 | $ 60.7 |
| | | | |
| Impact of 10% decline in fair value | $ 101.0 | $ 94.9 | $ 6.1 |

In addition to the above, at March 31, 2019 we also have investments of $979.3 million (December 31, 2018: $852.6 million) in hedge funds, included within our other investments, at fair value, that have exposure, among other items, to equity price risk.

**Foreign Currency Risk**

Our foreign currency policy is to broadly manage, where possible, our foreign currency risk by seeking to match our liabilities under insurance and reinsurance policies that are payable in foreign currencies with assets that are denominated in such currencies, subject to regulatory constraints. In addition, we may selectively utilize foreign currency forward contracts to mitigate foreign currency risk. To the extent our foreign currency exposure is not matched or hedged, we may experience foreign exchange losses or gains, which would be reflected in our results of operations and financial condition.

Through our subsidiaries located in various jurisdictions, we conduct our insurance and reinsurance operations in a variety of non-U.S. currencies. The functional currency for the majority of our subsidiaries is the U.S. dollar. Fluctuations in foreign currency exchange rates relative to a subsidiary's functional currency will have a direct impact on the valuation of our assets and liabilities denominated in other currencies. All changes in foreign exchange rates, with the exception of non-U.S. dollar denominated investments classified as available-for-sale, are recognized in foreign exchange gains (losses) in our unaudited condensed consolidated statements of earnings. Changes in foreign exchange rates relating to non-U.S. dollar denominated investments classified as available-for-sale are recorded in unrealized gains (losses) on investments, which is a component of accumulated other comprehensive income (loss) in shareholders' equity.

We have exposure to foreign currency risk through our ownership of European, British and Australian subsidiaries whose functional currencies are the Euro, British pound and Australian dollar, respectively. The foreign exchange gain or loss resulting from the translation of their financial statements from functional currency into U.S. dollars is recorded in the currency translation adjustment account, which is a component of accumulated other comprehensive income (loss) in shareholders' equity. During the year ended December 31, 2018, we fully repaid our borrowing of Euros under our revolving credit facility, which was hedging the foreign currency exposure on our net investment in certain of our subsidiaries whose functional currency is denominated in Euros, and replaced the hedge with a Euro-denominated foreign currency forward contract. During the three months ended March 31, 2019 and 2018, we utilized forward exchange contracts to hedge the foreign currency exposure on our net investment in certain of our subsidiaries whose functional currencies are denominated in Australian dollars. The loan and the forward contracts are discussed in Note 4 - "Derivatives and Hedging Instruments" in the notes to our unaudited condensed consolidated financial statements included within Item 1 of this Quarterly Report. We utilized hedge accounting to record the foreign exchange gain or loss on these instruments in the cumulative translation account.

In addition, we also have exposure to foreign currency risk through our investment and run-off portfolios and from time to time, we may utilize foreign currency forward contracts to hedge these foreign currency exposures in British pounds, Canadian dollars, Euros and Australian dollars which were not designated for hedge accounting.

The table below summarizes our net exposures to foreign currencies:

| **As of March 31, 2019** | **AUD** | **CAD** | **EUR** | **GBP** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **(in millions of U.S. dollars)** | | | | | |
| Total net foreign currency exposure | $ (20.7) | $ 12.6 | $ 30.5 | $ 56.5 | $ (1.8) | $ 77.1 |
| Pre-tax impact of a 10% movement of the U.S. dollar[(1)] | $ (2.1) | $ 1.3 | $ 3.1 | $ 5.7 | $ (0.2) | $ 7.7 |

| **As of December 31, 2018** | **AUD** | **CAD** | **EUR** | **GBP** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| | **(in millions of U.S. dollars)** | | | | | |
| Total net foreign currency exposure | $ 17.5 | $ 20.2 | $ 17.2 | $ (35.8) | $ 1.7 | $ 20.7 |
| Pre-tax impact of a 10% movement of the U.S. dollar[(1)] | $ 1.8 | $ 2.0 | $ 1.7 | $ (3.6) | $ 0.2 | $ 2.1 |

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

**Effects of Inflation**

Inflation may have a material effect on our consolidated results of operations by its effect on our assets and our liabilities. Inflation could lead to higher interest rates, resulting in a decrease in the market value of our fixed maturity portfolio. We may choose to hold our fixed maturity investments to maturity, which would result in the unrealized gains or losses accreting back over time. Inflation may also affect the value of certain of our liabilities, primarily our estimate for losses and LAE, such as our cost of claims which includes medical treatments, litigation costs and judicial awards. Although our estimate for losses and LAE is established to reflect the likely payments in the future, we would be subject to the risk that inflation could cause these amounts to be greater than the current estimate for losses and LAE. We seek to take this into account when setting reserves and pricing new business.

## ITEM 4. *CONTROLS AND PROCEDURES*

### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2019. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that we maintained effective disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and timely reported as specified in the rules and forms of the U.S. Securities and Exchange Commission and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. *LEGAL PROCEEDINGS*

For a discussion of legal proceedings, see Note 19 - "Commitments and Contingencies" in the notes to our unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

### ITEM 1A. *RISK FACTORS*

Our results of operations and financial condition are subject to numerous risks and uncertainties described in “Risk Factors” included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. The risk factors identified therein have not materially changed.

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

**Issuer Purchases of Equity Securities**

The following table provides information about ordinary shares acquired by the Company during the three months ended March 31, 2019, which were shares withheld from employees in order to facilitate the payment of withholding taxes on restricted shares. The Company does not have a share repurchase program.

| Period | Total Number of Shares Purchased[1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Program |
|---|---|---|---|---|
| January 1, 2019 - January 31, 2019 | 167 | $ 169.28 | — | — |
| February 1, 2019 - February 28, 2019 | — | $ — | — | — |
| March 1, 2019 - March 31, 2019 | 811 | $ 174.00 | — | — |
| Total | 978 | | — | — |

[1] Consists of shares withheld from employees in order to facilitate the payment of withholding taxes on restricted shares granted pursuant to our equity incentive plan. The price for the shares is their fair market value, as determined by reference to the closing price of our ordinary shares on the vesting date.

## ITEM 6. *EXHIBITS*

| Exhibit No. | Description |
|---|---|
| 3.1 | Memorandum of Association of Enstar Group Limited (incorporated by reference to Exhibit 3.1 of the Company's Form 10-K/A filed on May 2, 2011). |
| 3.2 | Fourth Amended and Restated Bye-Laws of Enstar Group Limited (incorporated by reference to Exhibit 3.2(b) of the Company's Form 10-Q filed on August 11, 2014). |
| 3.3 | Certificate of Designations of Series C Participating Non-Voting Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on June 17, 2016). |
| 3.4 | Certificate of Designations of 7.00% fixed-to-floating rate perpetual non-cumulative preference shares, Series D (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on June 27, 2018). |
| 3.5 | Certificate of Designations of 7.00% perpetual non-cumulative preference shares, Series E (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on November 21, 2018). |
| 4.1 | Second Supplemental Indenture, dated as of March 26, 2019, between the Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed March 26, 2019. |
| 10.1* | Employment Agreement, dated January 8, 2018, by and between Enstar Group Limited and Paul M.J. Brockman. |
| 10.2* | Master Agreement, dated March 1, 2019, by and among Maiden Holdings, Ltd., Maiden Reinsurance Ltd. and Enstar Group Limited. |
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | Interactive Data Files. |

* filed herewith

** furnished herewith

† Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby agrees to supplementally furnish to the SEC upon request any omitted schedule or exhibit.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 8, 2019.

ENSTAR GROUP LIMITED

By: /s/ GUY BOWKER

Guy Bowker
Chief Financial Officer, Authorized Signatory, Principal Financial Officer and Principal Accounting Officer

**Exhibit 10.1**

**Employment Agreement**

**This Employment Agreement** ("**Agreement**") is made by and between **Enstar (US) Inc.,** a Delaware corporation (the "**Company**"), and PAUL BROCKMAN ("**Executive**"). The Company is a subsidiary of Enstar Group Limited (collectively, with its subsidiaries, "**Enstar**"). This Agreement is effective as of January 8, 2018 ("**Effective Date**").

**1.** **Employment Period.** The Company acknowledges that Executive commenced employment on December 3, 2012, and now seeks to enter into terms and conditions pursuant to this Agreement, for the period commencing on January 8, 2018 (the "**Start Date**") and ending on the date that Executive's employment with the Company terminates ("**Termination Date**") pursuant to the provisions of this Agreement ("**Employment Period**").

**2.** **Terms of Employment.**

(a) Position and Duties. During the Employment Period, Executive shall serve as Enstar (US) Inc.'s President and Chief Executive Officer, with such duties, authority and responsibilities as are commensurate with such position and assigned by the Company. During the Employment Period, Executive shall faithfully perform all of the duties and responsibilities for the position and shall devote his best efforts and full time and attention to the business of Enstar (except for vacation periods and reasonable periods of absence for illness or incapacity as not prohibited by the Company's general employment policies and the terms of this Agreement). Executive shall directly report to the Enstar Group Limited Chief Executive Officer, who shall have authority to change such reporting line in his discretion. The Executive will be based in the Company's offices in St. Petersburg, Florida, although it is understood that Executive may be required to visit other offices and locations from time to time and that Executive's position will require travel. Notwithstanding the foregoing, Executive may devote reasonable time to personal and professional activities, including without limitation participation in committees, professional associations, and board memberships, in each case so long as such activities are in accordance with the Code of Conduct and approved in writing by Enstar Group Limited's Chief Executive Officer.

(b) Compensation.

(i) Base Salary. During the Employment Period, Executive shall receive a base salary ("**Base Salary**"), initially at an annualized rate of Four Hundred and Sixty Two Thousand Dollars ($462,000), payable in accordance with the Company's standard payroll practices (currently, semi-monthly on the 15th and last day of the month) and subject to statutory payroll deductions and withholdings. Executive acknowledges that he is an exempt employee and, accordingly, that he is not entitled to overtime pay regardless of the number of hours required to complete his duties hereunder. The Base Salary of Executive will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries for similarly situated employees and may be increased in the sole discretion of the Company. The Company's annual salary review is conducted on April 1 of each year. Executive will first be eligible for a merit increase on April 1st, 2018.

(ii) Performance Bonus Plan. During the Employment Period, except for the Notice Period (as defined in Section 6), Executive will be eligible to participate in the Enstar annual discretionary performance bonus program (the "**bonus program**") established by Enstar from time to time. Payment of the performance bonus under the bonus program (the "**performance bonus**"), if any, is not a wage and is not earned or accrued or payable until the date that it is actually tendered to Executive. If awarded, any performance bonus shall be payable at such time as the Company pays annual bonuses generally to its employees, but in no event later than April 30 following the end of each year; provided, however, that the accrual and payment of any performance bonus is conditioned upon Executive (A) being actually employed by the Company and (B) not having given notice of resignation of his employment as set forth in Section 6, on the date bonuses are paid to the Company's employees that year.

(A) For the performance year period beginning on January 1, 2017, Executive was selected as one of the Enstar employees whose performance bonus is governed by the group executive team program, which specifies performance bonus opportunity subject to achievement of the Enstar financial performance metrics and individual operational objectives adopted by Enstar's Compensation Committee. As part of this program, Enstar's Compensation Committee has established Executive's "threshold," "target," and “maximum” 2017 performance bonus opportunity as 100%, 125%, and 150% of Base Salary, respectively, with actual performance bonus payments subject to a 10% adjustment amount (increase or decrease).

(B) For performance year periods beginning on January 1, 2018, Executive shall, following the completion of each fiscal year, be eligible for a performance bonus in accordance with Enstar’s bonus program, as administered by Enstar’s Compensation Committee at a level commensurate with his position and in accordance with the policies and practices of Enstar.

(iii) Equity Incentives. During the Employment Period, Executive shall be eligible to participate in the Enstar long-term incentive program in effect from time to time at a level commensurate with his position and in accordance with the policies and practices of Enstar. The program is administered by the Enstar Compensation Committee and subject to its discretionary review and approval each year.

(iv) Employee Benefit Plans. During the Employment Period, Executive shall be eligible to participate in the Company’s group health and welfare insurance programs beginning on the first of the month coinciding with or following the Start Date. These benefits are subject to change, with advance notice to Executive as required by law, in the Company’s discretion.

(v) 401(k) Plan. Executive shall be eligible to participate in the Company’s 401(k) plan (subject to plan eligibility requirements), as such plan is amended from time to time in the Company’s discretion. If Executive elects to participate in the Company’s 401(k) plan, and such plan provides for employee matching contributions during his participation, the Company will make matching contributions, in accordance with the terms of the Company’s plan. As of the date of this Agreement, the Company’s plan provides for it to provide a matching contribution to Executive’s account in an amount equal to 100% of the first 6% of Executive’s eligible compensation per payroll, contributed to the 401(k) plan as pre-tax contributions, and that Executive will be 100% vested in Executive’s own pre-tax contributions and the Company’s matching contributions when made. These terms are subject to change in the future, in the Company’s discretion. Enrollment elections will become effective as soon as administratively feasible.

(vi) Paid Time Off. Executive shall be entitled to Thirty (30) business days of paid time off (“**PTO**”) per year in accordance with the Company’s PTO policy. PTO must be scheduled and taken in accordance with Enstar’s PTO policy, as may be amended from time to time.

(vii) Expenses. The Company shall reimburse Executive for reasonable business expenses incurred in the performance of his duties in accordance with the Company’s expense reimbursement guidelines, as may be amended from time to time.

(viii) Deductions and Withholding. The Company shall deduct and withhold from any salary or benefits or other compensation payable to Executive all federal, state, local, and other taxes and all other amounts as required by applicable law, rule or regulation.

(c) Policies and Procedures. The employment relationship between the parties shall be governed by the general employment practices, policies, and procedures of Enstar, and Executive agrees to comply with all of Enstar’s practices, policies, and procedures in effect from time to time.

**3. Other Activities.**

(a) Activities. During the Employment Period, Executive shall not, without the prior written consent of the Company in its sole discretion as signed by a duly authorized officer of the Company, (i) accept or engage in any employment other than with Enstar, (ii) solicit the business of any client or customer of Enstar other than on behalf of Enstar, and/or (iii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that does or may be expected to interfere with the obligations of Executive under this Agreement or that might create a conflict of interest with Enstar.

(b) No Conflict. Executive represents and warrants that his execution of this Agreement, his employment with the Company, and the performance of his duties under this Agreement will not violate any obligations he may have to any former employer or other person or entity, including any obligations with respect to proprietary or confidential information of any such employer or other person or entity or with respect to non-competition. By signing this Agreement, Executive confirms that he has not used or disclosed and that he will not use or disclose, for any purpose whatsoever, any confidential, proprietary, or trade secret information belonging to any former employer or other person or entity.

**4.** **<u>Confidentiality Agreement and Intellectual Property</u>**. Executive agrees to sign, at the commencement of the Employment Period, the Company's standard confidentiality agreement. Executive agrees to cooperate fully with Enstar, both during and after his employment with the Company, with respect to the procurement, maintenance, and enforcement of intellectual property rights in Enstar-related developments. Executive agrees to sign, both during and after the Employment Period, all papers, including without limitation copyright applications, patent applications, declarations, oaths, assignments of priority rights, and powers of attorney, which Enstar may deem necessary or desirable in order to protect its rights and interests in any Enstar-related development. If the Company is unable, after reasonable effort, to secure Executive's signature on any such papers, Executive hereby irrevocably designates and appoints each officer of the Company as his agent and attorney-in-fact to execute any such papers on his behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Company-related development. Executive hereby waives and irrevocably quitclaims to the Company or its designee any and all claims, of any nature whatsoever, which he now or hereafter has for infringement of any and all proprietary rights assigned to the Company or such designee.

**5.** **<u>At-Will Employment; Termination Without Cause by Company</u>.**

(a) <u>At-Will Employment</u>. The employment of employee shall be at-will at all times hereunder and subject only to the "notice" provisions of Sections 5 and 6, notwithstanding any provision to the contrary contained in or arising from any statements, policies, or practices of the Company relating to the employment, discipline, or termination of its employees. This at-will employment relationship cannot be changed except in writing signed by Executive and a duly authorized officer of the company other than Executive.

(b) <u>Termination without Cause by the Company</u>. The Company may unilaterally terminate the employment of Executive at any time without Cause, as defined in Section 7, upon thirty (30) days advance written notice. If Executive's employment is terminated by the Company without Cause, then upon Executive's signing (and non-revocation) of a separation agreement containing a plenary release of claims in a form acceptable to the Company (a "**Release**"), Executive shall be entitled to receive, in addition to all earned compensation through his Termination Date: (i) salary continuation at his then-current Base Salary for the greater of (A) six (6) months after the Termination Date or (B) the number of pay periods required by the Company's Severance Pay Plan and (ii) if, for the year in which Executive's employment is terminated pursuant to this Section, the Company achieves the performance goals established in accordance with any incentive plan in which he participates, the Company shall pay Executive an amount equal to the bonus that he would have received had he been employed by the Company for the full year, multiplied by a fraction, the numerator of which is the number of calendar days Executive was employed in such year and the denominator of which is 365 (the "**Severance Payments**"). Notwithstanding the foregoing, all Severance Payments not yet paid by March 15 of the calendar year following the Termination Date shall be paid in a lump sum on such March 15 or the first business day prior thereto.

**6.** **<u>Termination by Executive</u>.** Executive may terminate his employment with the Company at any time for any reason or no reason by providing one-hundred eighty (180) days advance written notice to the Company ("**Notice Period**"). For the avoidance of doubt, and consistent with Section 2(b)(ii), Executive shall not be entitled to any bonus accrual or bonus payment during the Notice Period. The Company shall have the option, in its sole discretion, to make Executive's termination effective at any time prior to the end of such Notice Period as long as the Company pays Executive all compensation to which Executive is entitled up through the last day of the Notice Period.

**7.** **<u>Other Terminations of Employment</u>.**

(a) <u>Termination for Cause</u>. The Company may immediately terminate the employment of Executive for Cause upon the occurrence of any of the following events (each a "**Cause**"):

(i) Conviction or plea to a felony or a crime involving fraud or misrepresentation;

(ii) Indictment for a felony or a crime involving fraud, misrepresentation, or misconduct; provided, however, that in the event Executive is subsequently acquitted of such crime or the indictment is subsequently dismissed, Executive shall be entitled to all severance benefits following a termination without Cause;

(iii) Failure by Executive to follow lawful written instructions from Executive's supervisor or the Board of Directors of the Company;

(iv) Failure to perform Executive's duties hereunder following written notice and a reasonable opportunity to cure, if curable, within a time frame determined by the Company, but no less than twenty (20) days from such notice;

(v) Material gross neglect by Executive in the performance of his duties hereunder following written notice and a reasonable opportunity to cure, if curable, not to exceed twenty (20) days from such notice;

(vi) Fraud or dishonesty in connection with Executive's employment;

(vii) Breach of fiduciary duty related to the business or affairs of the Company;

(viii) Executive's material breach of any written employment agreement with the Company, following written notice and a reasonable opportunity to cure, if curable, not to exceed ten (10) days from such notice; or

(ix) Willful conduct that may be materially harmful to the business, interests, or reputation of Enstar, including any material violation of Enstar written policy;

provided, however, that any right to cure hereunder shall not be applicable to two or more of the same or similar or related breaches, acts, or omissions.

In the event of a termination for Cause, the Company shall pay to Executive all compensation to which Executive is entitled up through the Termination Date, subject to any other rights or remedies of the Company under law; and thereafter all obligations of the Company under this Agreement shall cease.

(b) By Death. The employment of Executive shall terminate automatically upon Executive's death. The Company shall pay to Executive's beneficiaries or estate, as appropriate, any compensation to which Executive would have been entitled up through the date of death; and thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect any entitlement of the heirs or devisees of the Executive to the benefits of any life insurance plan or policy or other applicable benefits.

(c) By Disability. If Executive becomes eligible for the long term disability benefits of the Company or if, in the reasonable opinion of the Board of Directors of the Company, Executive is unable to carry out the responsibilities and functions of the position held by Executive by reason of any physical or mental impairment for more than ninety (90) consecutive days or more than one hundred and twenty (120) days in any twelve (12) month period, then, to the extent not prohibited by law, the Company may terminate Executive's employment. The Company shall pay to Executive all compensation to which Executive is entitled up through the Termination Date; and thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect Executive's rights under any disability plan in which Executive is a participant.

**8. Return of Property**. Upon termination of employment with the Company, Executive agrees to promptly return to the Company and not retain any and all property, equipment, documents, data, and materials of Enstar of any kind in the possession and/or control of Executive.

**9. Cooperation in Pending Work**. Following any termination of Executive's employment, Executive shall reasonably cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees or contractors of the Company. Executive shall also reasonably cooperate in the defense of any action brought by any third party against the Company that relates in any manner to Executive's acts or omissions while employed by the Company. The Company's request for cooperation pursuant to this Section shall take into consideration Executive's personal and business commitments and the amount of notice provided to Executive. The Company will reimburse Executive, in accordance with Company policy, for reasonable expenses incurred as a result of Executive's cooperation pursuant to this Section.

**10.** **Non-Solicitation**. During the term of his employment with the Company and for a period of six (6) months immediately after the date his employment terminates for any reason, Executive agrees that Executive will not, directly or indirectly, (i) call upon, solicit, divert, or take away any of the clients, business, or business partners of the Company, or request or cause any of the above to abandon, cancel or terminate any part of their relationship with the Company, or (ii) solicit, entice, or attempt to persuade any employee, agent, consultant, or independent contractor of the Company to leave the service of the Company for any reason or take any other action that may cause any such individual to terminate his relationship with the Company.

**11**. **Injunctive Relief**. Executive acknowledges that the remedy at law for any Executive breach or threatened breach of this Agreement will be inadequate and, accordingly, that the Company, in addition to all other available remedies (including without limitation seeking such damages as it has sustained by reason of such breach), shall be entitled to seek injunctive or any other appropriate form of equitable relief.

**12.** **Alternative Dispute Resolution**.

(a) Arbitrable Claims. To ensure the rapid, economical, and private resolution of any disputes which may arise concerning the relationship between Executive and the Company, the parties hereby agree that any and all disputes, claims or controversies (collectively "**disputes**") in any manner arising out of or relating to or in connection with this Agreement or any of the breach, termination, enforcement, interpretation or validity thereof, including but not limited to any of the employment of Executive or any termination of employment (subject to the following proviso, "**Arbitrable Claims**"), shall be resolved to the fullest extent not prohibited by law by final and binding arbitration administered by the American Arbitration Association or its successor ("**AAA**") pursuant to its then applicable employment arbitration rules and procedures ("**AAA Rules**"); provided, however, that notwithstanding the foregoing or any contrary provision of this Agreement, binding arbitration shall not be applicable to any dispute relating to (i) any of the ownership or scope or validity or enforceability of any patent, copyright, trade mark, trade secret or other intellectual property or intellectual property rights or the infringement or misappropriation or violation thereof or (ii) the Company's request for injunctive relief. Subject to the foregoing proviso, Arbitrable Claims shall include without limitation claims for breach of contract (express or implied), tort of any kind, employment discrimination (including harassment), as well as all claims based on any federal, state, or local law, statute, or regulation, and claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and any other comparable state laws.

(b) Arbitration Procedures. The arbitration of Arbitrable Claims shall be in accordance with the AAA Rules and shall take place in St. Petersburg, Florida before a single neutral arbitrator, unless otherwise agreed by the parties. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Executive shall have the right to be represented by legal counsel at any arbitration proceeding. The arbitrator shall (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (ii) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. Either party may bring an action in court to compel arbitration under this Agreement, to enforce an arbitration award or to obtain temporary injunctive relief pending a judgment based on the arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or administrative action in any manner related to any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this provision.

(c) Class Arbitration Waiver. Any arbitration will be conducted and resolved on an individual basis and not a class-wide, multiple plaintiff, or similar basis. Any arbitration will not be consolidated with any other arbitration proceeding involving any other person.

**13.** **Compliance with Section 409A of the Internal Revenue Code.** Notwithstanding anything herein to the contrary:

(a) As determined by the Company, to the extent any provision herein constitutes a "nonqualified deferred compensation plan" under Section 409A(d)(1) of the Internal Revenue Code of 1986, as amended (the "**Code**"), which provides for the payment of compensation provides to Executive upon his "separation from service" under Section 409A(a)(2)(A)(i) of the Code, and Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code, then any such compensation or benefit otherwise payable to Executive shall be suspended and not be paid to Executive until the date that is six (6) months after the date of his separation from service and any amounts suspended during such six-month period shall be paid once benefits commence. The right to any series of installment payments hereunder shall be treated for purposes of Section 409A of the Code as a right to a series of separate payments.

(b) The provisions herein, and plans and arrangements referenced hereunder, are intended to comply with or be exempt from the applicable requirements of Section 409A of the Code and may be limited, construed and interpreted in accordance with such intent. References in this Agreement to “termination of employment” or word to similar effect shall mean a “separation from service” as defined in final regulations promulgated under Section 409A of the Code. Notwithstanding anything herein to the contrary, any provision hereunder that is inconsistent with Section 409A of the Code may be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision may be null and void.

(c) To the extent Executive is entitled to receive taxable reimbursements and/or in-kind benefits, the following provisions apply: (i) Executive shall receive such reimbursements and benefits for the period set forth in this Agreement and, if no such period is specified, Executive shall receive such reimbursements and benefits for the term of this Agreement, (ii) the amount of such reimbursements and benefits Executive receives in one year shall not affect amounts provided in any other year, (iii) such reimbursements must be made by the last day of the year following the year in which the expense was incurred, and (iv) such reimbursements and benefits may not be liquidated or exchanged for any other reimbursement or benefit.

(d) No acceleration of any payment, including separation payments, shall be permitted if such acceleration would result in Executive being taxed under Section 409A of the Code.

**14. <u>Section 280G of the Code</u>**. If any payment or benefit due under this Agreement, together with all other payments and benefits that Executive receives or is entitled to receive from the Company or any of its subsidiaries, Affiliates or related entities, would (if paid or provided) constitute an excess parachute payment for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state or local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be subject to the excise tax imposed under Section 4999 of the Code. In the event that the payments and/or benefits are to be reduced pursuant to this Section 14, such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 14 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 14 shall be made by the Company’s independent public accounting firm, or by another advisor mutually agreed to by the parties.

**15. <u>Indemnification</u>**. Company shall indemnify and defend the Executive against all claims arising out of Executive's activities as an officer or employee of Company or its affiliates to the fullest extent permitted by law and under Company’s organizational documents, except that the Company shall not indemnify and defend the Executive against any such claims brought against the Executive by the Company or any of its affiliates. During employment and for six years following the end of employment, Executive shall be entitled to be covered by a policy of directors' and officers' liability insurance on commercially reasonable terms sufficient to cover the risk to Executive that would reasonably be expected to result from his activities as aforesaid and a copy of the policy shall be provided to Executive upon his request from time to time. At the request of the Company, Executive shall during and after employment render reasonable assistance to the Company in connection with any litigation or other proceeding involving the Company or any of its affiliates, unless precluded from so doing by law. The Company shall provide reasonable compensation to Executive for such assistance rendered after employment ceases.

**16. <u>Clawback Right</u>**. Notwithstanding any other provisions in this Agreement to the contrary, any incentive-based compensation paid to Executive pursuant to this Agreement or any other agreement or arrangement with Enstar that is subject to recovery under any law, government regulation, stock exchange listing requirement or Enstar policy approved by the Enstar or Company board and notified to Executive, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, stock exchange listing requirement or Enstar policy.

**17. <u>General Provisions</u>.**

(a) Entire Agreement. This Agreement (including the Company's standard confidentiality agreement) is the entire and final agreement and understanding of the parties relating to the subject matter hereof and shall supersede all prior or other current negotiations, agreements, representations, warranties and understandings between the parties or any subsidiaries or other affiliates of a party.

(b) Assignment; Binding Effect. This Agreement is a personal service contract, and neither this Agreement nor any rights or obligations hereunder may be assigned or transferred or delegated or otherwise disposed of by Executive without the prior written consent of the Company, which may be withheld in its sole discretion, and any purported assignment or transfer or delegation or other disposition by Executive without such consent shall be null and void. Executive acknowledges and agrees that the Company has the right and power to assign or transfer or delegate or otherwise dispose of this Agreement or any rights or obligations hereunder in its sole discretion and in whole or in part, whether by merger, consolidation, reorganization, sale or other transfer or disposition of assets or stock or operation of law or otherwise. Subject to the foregoing restrictions on Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the affiliates, officers, directors, agents, successors and assigns of the Company; and the heirs, devisees, spouses, legal representatives, successors and permitted assigns of Executive. There are no intended third party beneficiaries under this Agreement, except as expressly stated herein.

(c) Amendments, Waivers. This Agreement or any provision hereof may not be amended otherwise except by a writing signed by Executive and by a duly authorized representative of the Company other than Executive. Any waiver of any provision of this Agreement must be in writing and executed by the party waiving such provision. The waiver of a party of any default or breach of this Agreement shall not constitute a waiver of any other or subsequent default or breach. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

(d) Severability. If any provision of this Agreement shall be held by a court or arbitrator of competent jurisdiction to be invalid or unenforceable or void, such provision shall be enforced to the fullest extent not prohibited by law and shall be revised to the extent necessary to make such provision a valid and enforceable and legal provision consistent with the original intent and economic effect of such provision, and the remaining provisions hereof will remain in full force and effect. In addition, if any one or more provisions contained in this Agreement shall be held to be excessively broad as to duration, geographical scope, activity or subject, such provision shall be construed by limiting or reducing it, so as to be enforceable under applicable law.

(e) Governing Law. This Agreement and all matters arising out of or relating to or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without application of conflict of law rules, subject to the application of the Federal Arbitration Act.

(f) Attorney's Fees. In any arbitration proceeding or other action or proceeding arising out of or relating to this Agreement, the parties agree that the prevailing party in the proceeding or action shall be entitled to an award of all reasonable attorneys' fees and costs incurred by the prevailing party.

(g) Notices. Any notice, request, demand or other communication required or permitted hereunder shall be in writing, shall reference this Agreement and shall be deemed to be properly given: (i) when delivered personally, by courier, or by e-mail or (ii) five (5) business days after having been sent by registered or certified mail, return receipt requested, postage prepaid. All notices shall be sent to the respective addresses set forth in the signature page of this Agreement. Any party may change its notice address or e-mail address by notifying the other party of such change in compliance with this Section.

(h) Taxes. All amounts paid under this Agreement shall be subject to and paid less all applicable federal, state, local and other applicable tax withholdings.

(i) Representations. Each party represents and warrants that such party has the full right, power and authority to enter into, execute and deliver this Agreement and to perform its or his obligations hereunder, and that this Agreement shall constitute its or his valid and legally binding agreement enforceable in accordance with its terms.

(j) Remedies Cumulative. The remedies provided in this Agreement shall be cumulative and shall not preclude any party from asserting any other right, or seeking any other remedies, against the other party.

(k) Interpretation. When the context requires, the plural shall include the singular and the singular the plural; and any gender shall include any other gender. All references to “including” or “includes” or any variation thereof shall be deemed to include the terms “without limitation”. The words “hereunder,” “hereof,” “hereto” and words of similar import shall be deemed references to this Agreement as a whole. To the extent not prohibited by law, this Agreement shall not be construed against the drafter. Section headings are not part of this Agreement and are only for the convenience of the parties.

(l) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Facsimile signatures shall be deemed as effective as originals.

(m) Executive Acknowledgment. Executive hereby acknowledges that he has had the opportunity to consult legal counsel concerning this agreement, that he has read and understands the agreement, that he is fully aware of its legal effect, and that he has entered into the agreement freely and based on his own judgment and not on any representations or promises other than those expressly provided in this agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Effective Date.

**Enstar (US) Inc.**

By: /s/ Steven Norrington Dated: January 8, 2018
Name: Steven Norrington
Title: SVP

Address:
150 2nd Ave. North
3rd Floor
St. Petersburg, FL 33701

Email Notice: audrey.taranto@enstargroup.com
corpsec@enstargroup.com

**Executive:**

/s/ Paul Brockman Dated: January 8, 2018
Name: Paul Brockman

Address:
555 5th Avenue NE
Apt. 314
St. Petersburg, FL 33701

Email Notice: paul.brockman@enstargroup.com

# MASTER AGREEMENT

by and among

MAIDEN HOLDINGS, LTD.,

MAIDEN REINSURANCE LTD.

and

ENSTAR GROUP LIMITED

Dated as of March 1, 2019

**TABLE OF CONTENTS**

Page

**MASTER AGREEMENT**

This MASTER AGREEMENT, dated as of March 1, 2019 (this "Agreement"), is made by and among Maiden Holdings, Ltd., a Bermuda company ("Maiden"), Maiden Reinsurance Ltd., a Bermuda insurance company ("Maiden Insurance"), and Enstar Group Limited, a Bermuda company ("Enstar"). Capitalized terms used but not otherwise defined herein have the respective meanings set forth in Section 1.1.

**RECITALS**

WHEREAS, certain insurance companies owned directly or indirectly by AmTrust Financial Services, Inc., a Delaware corporation ("AmTrust"), (collectively, the "Original Cedents" and each, an "Original Cedent"), have issued the Reinsured Policies constituting the Underlying Business; and

WHEREAS, Maiden Insurance has reinsured a quota share portion of certain risks and liabilities of the Original Cedents arising from the Reinsured Policies pursuant to the Existing Quota Share Agreements; and

WHEREAS, the Parties hereto entered into that certain Master Agreement, dated as of November 9, 2018 (the "2018 Master Agreement"), pursuant to which, among other things, a newly-formed affiliate of Enstar would reinsure certain risks of Maiden Insurance related to the Underlying Business; and

WHEREAS, the Parties hereto desire to terminate the 2018 Master Agreement and the transactions contemplated therein upon the date of execution of this Agreement, all as more fully set forth herein; and

WHEREAS, the Parties hereto desire to enter into this new Agreement pursuant to which, on the terms and subject to the conditions set forth herein, at the Closing, among other things:

(a) Cavello Bay Reinsurance Limited, or a segregated cell of Fitzwilliam Insurance Limited, which cell has and shall have no other business, both of which are indirect subsidiaries of Enstar (the "Retrocessionaire"), and Maiden Insurance will enter into an Adverse Development Cover Agreement containing the principal terms set forth on Exhibit A (the "ADC Agreement") pursuant to which Maiden Insurance will cede and the Retrocessionaire will reinsure 100% of the liability of Maiden Insurance, as reinsurer, for certain losses under the Existing Quota Share Agreements incurred on or prior to December 31, 2018 in excess of the Retention and up to the Limit, subject to the terms and conditions of the ADC Agreement; and

(b) Maiden and the Retrocessionaire will seek to amend the terms of the Existing Trust Agreements and the trust accounts originally created thereunder or pursuant to the Existing Quota Share Agreements to create sub-accounts to secure Retrocessionaire's share of losses to be reinsured pursuant to the ADC Agreement and to grant Enstar and its Affiliates investment control over such sub-accounts, which will be managed pursuant to the Investment Guidelines.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, Maiden, Maiden Insurance and Enstar (each individually, a "Party" and collectively, the "Parties") agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Action" means any civil, criminal or administrative action, arbitration, suit, claim, litigation, examination or similar proceeding, in each case by or before a Governmental Authority or an arbitrator.

"Affiliate" means, with respect to any Person, another Person that, directly or indirectly, controls, is controlled by, or is under common control with, such first Person, where "control," including the terms "controlling," "controlled by" and "under common control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Law" means any domestic or foreign, federal, state or local statute, law, ordinance or code, or any written rules or regulations, in each case applicable to any Party, and any Order, writ, injunction, directive, judgment or decree of a court of competent jurisdiction applicable to any Party.

"Books and Records" means originals or copies of all records and all other data and information (in whatever form maintained) in the possession or control of Maiden, Maiden Insurance or their respective Affiliates to the extent relating to the Underlying Business, including (i) administrative records, (ii) claim records, (iii) policy files, (iv) sales records, (v) files and records relating to Applicable Law, (vi) underwriting records and (vii) accounting records, but excluding (a) Tax Returns, (b) files, records, data and information with respect to employees, (c) records, data and information with respect to any employee benefit plan, (d) any materials or other information the disclosure or transfer of which would violate Applicable Law and (e) any internal drafts, opinions, valuations, correspondence or other materials prepared in connection with the negotiation, valuation and consummation of the transactions contemplated by this Agreement.

"Burdensome Condition" means any condition sought or imposed by a Governmental Authority on the transactions contemplated by this Agreement or on any Party or its Affiliate that would materially adversely affect the economic benefits reasonably expected to be derived by such Party or any of its Affiliates under this Agreement, the Transaction Agreements or in connection with the consummation of the transactions contemplated hereunder or thereunder, taken as a whole.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks in New York City or Bermuda are required or authorized by law to be closed.

"Deadline Date" means April 30, 2019.

"Domicile SAP" means, as to each Original Cedent, the statutory accounting principles prescribed by the Commissioner of Insurance (or other applicable designation) of the country, state or commonwealth in which a particular entity is domiciled.

"Encumbrance" means any pledge, security interest, mortgage, lien, attachment, right of first refusal or option, including any restriction on receipt of income or exercise of any other attribute of ownership, except such restrictions as may be contained in any insurance Applicable Law.

"Enstar Disclosure Schedule" means the disclosure schedule (including any attachments thereto) delivered by Enstar in connection with, and constituting a part of, this Agreement.

"Existing Trust Agreements" means the various trust agreements establishing trust accounts supporting the obligations of Affiliates of AmTrust as the reinsurer under the Reinsured Policies.

"Existing AEL Quota Share Agreement" means that certain Quota Share Reinsurance Contract among AmTrust Europe Limited, AmTrust International Underwriters Limited and Maiden Insurance dated as of April 1, 2011, as amended.

"Existing AII Quota Share Agreement" means that certain Amended and Restated Quota Share Reinsurance Agreement between AmTrust International Insurance, Ltd and Maiden Insurance dated as of July 1, 2017, as amended.

"Existing Master Agreement" means that certain Master Agreement by and between AmTrust and Maiden dated as of July 3, 2007, as amended.

"Existing Quota Share Agreements" means collectively the Existing AII Quota Share Agreement and the Existing AEL Quota Share Agreement.

"Funds Withheld Account" means the notional account created on the books and records of Maiden Insurance pursuant to the ADC Agreement to which will be credited (i) the Market Value of the assets held in the sub-accounts to be created under the trust accounts originally created under the Existing Trust Agreements or pursuant to the Existing Quota Share Agreements to secure the Retrocessionaire's share of losses related to the Subject Business, and (ii) all investment income thereon. The Parties acknowledge that the assets in the sub-accounts contemplated by item (i) in this definition will initially be funded by Maiden Insurance, on behalf of the

Retrocessionaire, from the Retrocession Premium as contemplated by this Agreement and thereafter the amount of assets held in such sub-accounts shall be adjusted as between Maiden Insurance and the Retrocessionaire pursuant to the ADC Agreement.

"Governmental Authority" means any government, political subdivision, court, arbitrator, arbitration panel, mediator, mediation panel, board, commission, regulatory or administrative agency or other instrumentality thereof, whether federal, state, provincial, local or foreign and including any regulatory authority which may be partly or wholly autonomous.

"Initial Funds Withheld Account Balance" means $500,000,000.

"Insurance Regulator" means, with respect to any jurisdiction, the Governmental Authority charged with the supervision of insurance companies in such jurisdiction.

"Investment Guidelines" means investments permitted to be held by a Delaware domestic insurer in a credit for reinsurance trust.

"knowledge" of a Party means the actual knowledge of such Party's senior officers after reasonable inquiry.

"Limit" means $675,000,000.

"Maiden Disclosure Schedule" means the disclosure schedule (including any attachments thereto) delivered by Maiden and Maiden Insurance in connection with, and constituting a part of, this Agreement.

"Market Value" means, as of any time, (i) with respect to any assets other than cash, the amount at which such asset could be bought or sold in a current transaction between willing parties other than in a forced or liquidation sale or (ii) with respect to cash, the dollar amount thereof.

"Material Adverse Effect" means a material adverse effect on the financial condition or results of operations of the Underlying Business, taken as a whole, but excluding any such effect to the extent resulting from, arising out of, or relating to: (i) general political, economic, or securities or financial market conditions (including changes in interest rates, changes in currency exchange rates, or changes in equity prices and corresponding changes in the value of the Underlying Business); (ii) any occurrence or condition generally affecting participants in any jurisdiction or geographic area in any segment of the industries or markets in which the Underlying Business operates; (iii) any change or proposed change in Domicile SAP or Applicable Law, or the final and binding official interpretation or the enforcement thereof; (iv) natural disasters, catastrophic events, pandemics, hostilities, acts of war or terrorism, or any escalation or worsening thereof; (v) the negotiation, execution and delivery of, or the taking of any action required by, the Transaction Agreements (including the termination of the 2018 Master Agreement), the failure to take any action prohibited by the Transaction Agreements, or the public announcement of, or consummation of, any of the transactions contemplated thereby; or (vi) any downgrade or threatened downgrade in the rating assigned to the Original Cedents or Maiden Insurance by any rating agency solely to the extent related to the Transaction Agreements (provided that this clause (vi) shall not by itself exclude the underlying causes of any such downgrade or threatened downgrade); provided, however, that any effect resulting from, arising out of or relating to any event, change, condition or occurrence referred to in clauses (i), (ii), (iii) or (iv) shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur if such event, change, condition or occurrence has a disproportionate effect on the Underlying Business compared to other similarly situated businesses.

"Net Retrocession Premium" means an amount equal to the Retrocession Premium, minus (i) the Initial Funds Withheld Account Balance and (ii) the portion of the Retrocession Premium that the Retrocessionaire elects to receive in cash at the Closing pursuant to Section 2.3, if any, with the Parties acknowledging the Net Retrocession Premium as of the Effective Time would have been equal zero.

"Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Person" means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization, Governmental Authority or other entity.

"Reinsured Policies" means, collectively, each "Underlying Reinsurance Agreement" as such term is defined in the Existing AII Quota Share Agreement and each policy or agreement reinsured under the Existing AEL Quota Share Agreement.

"Representative" means, with respect to any Person, means an employee, attorney or consultant of such Person or an Affiliate of such Person.

"Retention" means the greater of (i) $2,441,358,809 or (ii) the amount equal to (A) the amount of reserves reported by Maiden with respect to the Underlying Business on its audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles as of December 31, 2018, minus (B) $500,000,000.

"Retrocession Premium" means $500,000,000, plus a credited interest rate, compounded monthly, of 2.64% per annum from January 1, 2019 through the Closing Date.

"Subject Business" means the Underlying Business, but only with respect to liabilities reinsured under the ADC Agreement incurred on or prior to December 31, 2018 in excess of the Retention and up to the Limit. For the avoidance of doubt, liabilities reinsured under the ADC Agreement will include all amounts payable by Maiden Insurance with respect to the Subject Business under the Existing Quota Share Agreements, including, as applicable, allocated loss adjustment expenses, extra contractual obligations and excess of loss payments, but will not include any claims, commissions, asset management fees, brokerage expenses or other amounts that were due under the Existing Quota Share Agreements with respect to cession statements for periods ending on or prior to December 31, 2018, but unpaid as of that date, or other liabilities expressly excluded under the ADC Agreement.

"Tax" means any and all federal, state, foreign or local income, gross receipts, premium, capital stock, franchise, guaranty fund assessment, retaliatory, profits, withholding, social security, unemployment, disability, real property, ad valorem/personal property, stamp, excise, occupation, sales, use, transfer, value added, alternative minimum, estimated or other tax, fee, duty, levy, custom, tariff, impost, assessment, obligation or charge of the same or of a similar nature to any of the foregoing, including any interest, penalty or addition thereto.

"Tax Return" means any report, estimate, extension request, information statement, claim for refund, or return relating to, or required to be filed in connection with, any Tax, including any schedule or attachment thereto, and any amendment thereof.

"Third Party Reinsurance Agreements" means ceded reinsurance related to the Underlying Business, other than the Existing Quota Share Agreements.

"Transaction Agreements" means this Agreement, the Existing Quota Share Agreements, the ADC Agreement and the Trust Agreement Amendments.

"Transaction Expenses" means, without duplication, all liabilities (except for any Taxes) incurred by any Party hereto for fees, expenses, costs or charges as a result of the contemplation, negotiation, efforts to consummate or consummation of the transactions contemplated by this Agreement, including any fees and expenses of investment bankers, attorneys, accountants or other advisors, and any fees payable by such Parties to Governmental Authorities or other third parties, in each case, in connection with the consummation of the transactions contemplated by this Agreement.

"Transfer Taxes" means any and all sales, use, value added, stamp, documentary, filing, recording, transfer, real estate, stock transfer, intangible property transfer, personal property transfer, gross receipts, registration, securities transactions, conveyance and notarial Taxes, and similar fees, Taxes and governmental charges (together with any interest, penalty, addition to Tax, and additional amount imposed in respect thereof) arising out of or in connection with the transactions contemplated by this Agreement.

"Trust Agreement Amendments" means, collectively, the amendments to the Existing Trust Agreements and the amendments to the trusts created under the Existing Quota Share Agreements that are contemplated by Section 5.10 of this Agreement and are in a form reasonably acceptable to Enstar and Maiden Insurance.

"Underlying Business" means, collectively, "Covered Business" as such term is defined in the Existing AII Quota Share Agreement and the business as described under the heading "Class and Period of Business" in the Existing AEL Quota Share Agreement.

In addition, the following terms shall have the respective meanings set forth in the following sections of this Agreement:

| Term | Section |
|---|---|
| 2018 Master Agreement | Recitals |
| ADC Agreement | Recitals |
| Agreement | Preamble |
| AmTrust | Recitals |
| Closing | 2.1(a) |
| Closing Date | 2.1(b) |
| Closing Statement | 2.3 |
| Enforceability Exceptions | 3.2 |
| Enstar | Preamble |
| Enstar Parties | 5.12(b) |
| Extended Deadline Date | 8.1(b)(i) |
| Final Deadline Date | 8.1(b)(ii) |
| Maiden | Preamble |
| Maiden Insurance | Preamble |
| Maiden Parties | 5.12(b) |
| Material Third Party Reinsurance Agreements | 3.13(a) |
| New York Court | 9.7(a) |
| Original Cedents | Recitals |
| Party | Recitals |
| Released Claims | 5.12(b) |
| Retrocessionaire | Recitals |

## ARTICLE II

## CLOSING AND RETROCESSION PREMIUM

Section 2.1 Closing.

(a) The closing of the transactions contemplated hereby (the "Closing") shall take place at such time and place as the Parties shall agree on the following date:

(i) if all conditions set forth in Article VI have been satisfied or waived in accordance with this Agreement (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions) on or prior to the Deadline Date, on the earlier of (A) the fifth Business Day following the date on which all such conditions have been so satisfied or waived and (B) the Deadline Date; or

(ii) if (1) the Deadline Date has been extended pursuant to Section 8.1(b)(i) and (2) all conditions set forth in Article VI have been satisfied or waived in accordance with this Agreement (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions) after the Deadline Date and on or prior to the Extended Deadline Date, on the earlier of (A) the fifth Business Day following the date on which all such conditions have been so satisfied or waived and (B) the Extended Deadline Date; or

(iii) if (1) the Extended Deadline Date has been extended pursuant to Section 8.1(b)(ii) and (2) all conditions set forth in Article VI have been satisfied or waived in accordance with this Agreement (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions) after the Extended Deadline Date and on or prior to the Final Deadline Date, on the earlier of (A) the fifth Business Day following the date on which all such conditions have been so satisfied or waived and (B) the Final Deadline Date;

unless, in any case, another date, time or place is agreed to in writing by the Parties hereto.

(b) The actual date and time on which the Closing occurs are referred to herein as the "Closing Date." The "Effective Time" for purposes of the ADC Agreement shall be as of 12:01 a.m. Eastern time on January 1, 2019.

Section 2.2 Closing Deliveries.

(a) Maiden's and Maiden Insurance's Closing Deliveries. At the Closing, Maiden Insurance shall make the payment contemplated by Section 2.3 and Maiden and Maiden Insurance shall deliver to Enstar:

(i) a certificate duly executed by an authorized officer of Maiden and Maiden Insurance, dated as of the Closing Date, certifying as to Maiden's and Maiden Insurance's compliance with the conditions set forth in Section 6.2(a) and Section 6.2(b);

(ii) counterparts of the ADC Agreement, duly executed by Maiden Insurance; and

(iii) evidence reasonably satisfactory to Enstar, including duly executed copies of the Trust Agreement Amendments, that sub-accounts have been created in the trust accounts under the Existing Trust Agreements and the Existing Quota Share Agreements related to the Subject Business and that Enstar or its designee has been granted investment control over such sub-accounts, which will be managed pursuant to the Investment Guidelines.

(b) Enstar's Closing Deliveries. At the Closing, Enstar shall deliver to Maiden and Maiden Insurance:

(i) a certificate duly executed by an authorized officer of Enstar, dated as of the Closing Date, certifying as to Enstar's compliance with the conditions set forth in Section 6.3(a) and Section 6.3(b);

(ii) counterparts of the ADC Agreement, duly executed by the Retrocessionaire; and

(iii) the letters of credit, if any, contemplated by Section 2.3.

Section 2.3 Payment at Closing. No later than five (5) Business Days prior to the anticipated Closing Date, Maiden Insurance shall deliver to Enstar a statement (the "Closing Statement") setting forth Maiden Insurance's good faith calculation of the Retrocession Premium and the Net Retrocession Premium. As consideration for the reinsurance by the Retrocessionaire of the Reinsured Policies under the ADC Agreement, on the Closing Date Maiden Insurance shall pay to the Retrocessionaire an amount equal to the Retrocession Premium as more fully set forth in this Section 2.3. This payment of the Retrocession Premium shall consist of (i) a payment of cash equal to the Net Retrocession Premium, if any, by Maiden Insurance to the Retrocessionaire, and (ii) a credit by Maiden Insurance, on behalf of the Retrocessionaire, to the Funds Withheld Account in an amount equal to the Initial Funds Withheld Account Balance. Notwithstanding the foregoing, at the election of the Retrocessionaire exercised by written notice to Maiden Insurance at least ten (10) Business Days prior to the Closing, Maiden Insurance shall pay up to $500,000,000 of the Retrocession Premium to the Retrocessionaire in cash at the Closing by wire transfer of immediately available funds, provided that at the Closing the Retrocessionaire has first provided a letter of credit in an amount equal to such cash payment, in a form and type, and from an institution, customarily accepted in reinsurance transactions, for the benefit of Maiden Insurance or the Original Cedents as collateral support for the Retrocessionaire's obligations under the ADC Agreement in an amount equal to the portion of the Retrocession Premium it elects to receive in cash. If any portion of the Retrocession Premium is paid in cash at the Retrocessionaire's election, such amount shall reduce the amount of the Initial Funds Withheld Account Balance.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF MAIDEN

Subject to and as qualified by the matters set forth in the Maiden Disclosure Schedule, Maiden and Maiden Insurance, jointly and severally, represent and warrant to Enstar as of the date of this Agreement and as of the Closing Date (except for representations and warranties which address matters only as of a specific date, which representations and warranties shall be true and correct as of such specific date) as follows:

Section 3.1 Organization, Standing and Corporate Power. Each of Maiden and Maiden Insurance is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, and has all requisite corporate power and authority to carry on the operations of its business as it is now being conducted. As of the Closing Date, each of Maiden and Maiden Insurance will have obtained all authorizations and approvals required under Applicable Law to perform their respective obligations under the Transaction Agreements.

Section 3.2 Authority. Each of Maiden and Maiden Insurance have the requisite corporate (or other organizational) power and authority to enter into the Transaction Agreements to which it is a party and to consummate the respective transactions contemplated thereby. The execution and delivery by Maiden and Maiden Insurance of the respective Transaction Agreements to which they are a party and the consummation by Maiden and Maiden Insurance of the respective transactions contemplated thereby have been and, with respect to the Transaction Agreements to which it is a party to be executed and delivered at Closing, will be duly authorized by all necessary corporate or other organizational action on the part of Maiden and Maiden Insurance. The shareholders of Maiden are not required to approve any of the transactions contemplated by the Transaction Agreements under Applicable Law or the rules of any stock exchange on which common shares of Maiden are listed for trading. Each of the Transaction Agreements have been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be duly executed and delivered by Maiden and Maiden Insurance as applicable and, assuming the Transaction Agreements constitute valid and binding agreements of the other parties thereto (other than Maiden and Maiden Insurance), constitute valid and binding obligations of Maiden and Maiden Insurance, enforceable against Maiden and Maiden Insurance in accordance with their terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought (clauses (a) and (b) shall be referred to as, the "Enforceability Exceptions").

Section 3.3 No Conflict or Violation. The execution, delivery and performance by Maiden and Maiden Insurance of the Transaction Agreements to which it is a party and the consummation of the respective transactions contemplated thereby in accordance with the respective terms and conditions hereof will not (i) violate any provision of the organizational documents of Maiden or Maiden Insurance, or (ii) violate any material contract, permit, Order, judgment, injunction, condition, agreement, award or decree of any court, arbitrator or Governmental Authority, foreign or domestic, against or imposed or binding upon, Maiden or Maiden Insurance in any material respect.

Section 3.4 Consents. Subject to the matters referred to in the next sentence, the execution, delivery and performance by Maiden and Maiden Insurance of the Transaction Agreements to which it is a party and the consummation of the respective transactions contemplated thereby in accordance with the respective terms and conditions hereof will not contravene any Applicable Law in any material respect. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Authority or any other Person is required by or with respect to Maiden or Maiden Insurance in connection with the execution and delivery of any Transaction Agreements by Maiden or Maiden Insurance, or the consummation by Maiden or Maiden Insurance of the transactions contemplated hereby or thereby, except for the approvals, filings and notices set forth in Section 3.4 of the Maiden Disclosure Schedule.

Section 3.5 Compliance. Except as disclosed in Section 3.5 of the Maiden Disclosure Schedule, Maiden and Maiden Insurance are in compliance in all material respects with each of the following: (i) their organizational documents; (ii) all Applicable Law to the extent related to the Underlying Business; (iii) the Transaction Agreements to which it is a party; and (iv) all material permits and licenses issued to either of them by any Governmental Authority in connection with the Underlying Business.

Section 3.6 Broker. Except as disclosed in Section 3.6 of the Maiden Disclosure Schedule, no broker or finder has acted directly or indirectly for Maiden or its Affiliates, and Maiden has not incurred any obligation in respect of any broker or finder, which might be entitled to any fee or commission from Enstar or its Affiliates in connection with the transactions contemplated by this Agreement.

Section 3.7 Taxes and Encumbrances. There are no Encumbrances resulting from Taxes or otherwise on any of the rights or other assets to be transferred from Maiden Insurance to Enstar pursuant to any Transaction Agreement.

Section 3.8 Claims Data. The historical claims data made available to Enstar by Maiden, Maiden Insurance or their Affiliates as regards the Underlying Business is accurate in all material respects as of the date indicated; provided, however, that no representation or warranty is made as to the adequacy or sufficiency of any reserves data as of any date.

Section 3.9 Reports on Underlying Business. Maiden and Maiden Insurance have made available to Enstar true and complete copies of those reports set forth on Section 3.9 of the Maiden Disclosure Schedule. The insurance reserves reflected in such reports were in each case prepared in all material respects in accordance with generally accepted actuarial standards consistently applied and the factual information and factual data upon which such reports are based are true and correct in all material respects.

Section 3.10 Absence of Certain Changes. Except as disclosed in Section 3.10 of the Maiden Disclosure Schedule, since December 31, 2017 through the date hereof, (a) to the knowledge of Maiden and Maiden Insurance, the Underlying Business have been conducted in all material respects in the ordinary course consistent with past practices, (b) the Existing Quota Share Agreements have been administered in all material respects in the ordinary course, consistent with past practice, and (c) there has not been any adverse event, change or circumstance that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.11 Orders and Proceedings. As of the date hereof, there are no (i) material outstanding Orders relating to the Underlying Business against or involving Maiden or Maiden Insurance or any of their respective assets related to the Underlying Business, or (ii) material consent agreements, commitment agreements, capital maintenance or similar written agreements entered into between any Governmental Authority and Maiden or any of its Affiliates that expressly relate to the Underlying Business under which Maiden or any of its Affiliates has any continuing obligations. As of the date of this Agreement, there is no material claim, action, suit, litigation, legal, administrative or arbitration proceeding, regulatory inquiry, investigation or examination relating to the Underlying Business which is pending or threatened against or involving Maiden, Maiden Insurance or any assets, properties, rights or privileges of Maiden or Maiden Insurance relating to the Underlying Business that, in each case, challenges or may reasonably be expected to have the effect of preventing or delaying or making unlawful the consummation of the transactions contemplated by this Agreement or the Transaction Agreements.

Section 3.12 Reinsured Policies. With respect to each Reinsured Policy, to the knowledge of Maiden and Maiden Insurance, (i) the applicable Original Cedent is not in default under such Reinsured Policy in any material respect and no event has occurred which would create such a default by such Original Cedent under such Reinsured Policy (it being understood that claims under the Reinsured Policies that are the subject of a good faith dispute shall not constitute defaults under the Reinsured Policies for the purposes of this Section 3.12) and (ii) such Reinsured Policy was issued in compliance in all material respects with Applicable Law. To the knowledge of Maiden and Maiden Insurance, there are no material pending or threatened disputes with respect to the validity of any Reinsured Policy.

Section 3.13 Ceded Reinsurance.

(a) Section 3.13(a) of the Maiden Disclosure Schedule identifies reinsurers that are party to Third Party Reinsurance Agreements (i) which have an effective date on or prior to the Closing Date; and (ii) as to which there were claim reserves, associated reserves for incurred but not reported claims, unearned premiums, refunds or policy reserves, in the aggregate, equal to or exceeding $1,000,000 as of December 31, 2018. The

Third Party Reinsurance Agreements entered into by the Original Cedents (or its Affiliates) or by or for the benefit of Maiden Insurance with such reinsurers are referred to herein as the "Material Third Party Reinsurance Agreements." Maiden and Maiden Insurance have made available to Enstar for inspection true and complete copies, to the extent in the possession or control of Maiden or Maiden Insurance, of the Material Third Party Reinsurance Agreements and all amendments thereto and all Books and Records to the extent relating to the foregoing.

(b) Except as set forth in Section 3.13(b) of the Maiden Disclosure Schedule, to the knowledge of Maiden and Maiden Insurance: (i) no Material Third Party Reinsurance Agreement contains any provision under which the reinsurer may terminate such agreement by reason of the transactions contemplated by this Agreement or the agreements contemplated hereby; and (ii) there has been no separate contract between the applicable Original Cedent (or its Affiliates), Maiden Insurance and any other party to such Material Third Party Reinsurance Agreement that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under any such Material Third Party Reinsurance Agreement, other than inuring contracts that are explicitly defined in any such Material Third Party Reinsurance Agreement.

(c) With respect to each Material Third Party Reinsurance Agreement, except as set forth in Section 3.13(c) of the Maiden Disclosure Schedule, to the knowledge of Maiden and Maiden Insurance, (i) neither the applicable Original Cedent (or its Affiliates) or Maiden Insurance, on the one hand, nor the reinsurer, on the other, is in default under such Material Third Party Reinsurance Agreement, and no event has occurred which would create a default or breach by such Original Cedent (or its Affiliates) under such Material Third Party Reinsurance Agreement, (ii) such Material Third Party Reinsurance Agreement is in full force and effect and is valid and enforceable in accordance with its terms subject to the Enforceability Exceptions, and (iii) such Material Third Party Reinsurance Agreement complies in all material respects with Applicable Law. To the knowledge of Maiden and Maiden Insurance, there are no material pending or threatened disputes with respect to the validity of any Material Third Party Reinsurance Agreement.

## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES OF ENSTAR

Subject to and as qualified by the matters set forth in the Enstar Disclosure Schedule, Enstar represents and warrants to Maiden and Maiden Insurance as of the date of this Agreement and as of the Closing Date (except for representations and warranties which address matters only as of a specific date, which representations and warranties shall be true and correct as of such specific date) as follows:

Section 4.1 Organization, Standing and Corporate Power. Each of Enstar and Retrocessionaire is duly organized, validly existing and in good standing under the laws of Bermuda, and has all requisite corporate power and authority to carry on the operations of its business as it is now being conducted. As of the Closing Date, each of Enstar and the Retrocessionaire will have obtained all authorizations and approvals required under Applicable Law to perform their respective obligations under the Transaction Agreements.

Section 4.2 Authority. Each of Enstar and the Retrocessionaire has the requisite corporate (or other organizational) power and authority to enter into the Transaction Agreements to which it is a party and to consummate the transactions contemplated thereby. The execution and delivery by Enstar and the Retrocessionaire of the respective Transaction Agreements to which they are a party and the consummation by Enstar and the Retrocessionaire of the respective transactions contemplated thereby have been and, with respect to the Transaction Agreements to which it is a party to be executed and delivered at Closing, will be duly authorized by all necessary corporate or other organizational action on the part of Enstar and the Retrocessionaire. Each of the Transaction Agreements has been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be duly executed and delivered by Enstar and the Retrocessionaire as applicable and, assuming the Transaction Agreements constitute valid and binding agreements of the other parties thereto (other than Enstar and the Retrocessionaire), constitute valid and binding obligations of Enstar and the Retrocessionaire, enforceable against Enstar and the Retrocessionaire in accordance with their terms, subject to the Enforceability Exceptions.

Section 4.3 No Conflict or Violation. The execution, delivery and performance by Enstar and the Retrocessionaire of the Transaction Agreements to which it is a party and the consummation of the transactions contemplated thereby in accordance with the respective terms and conditions hereof will not (i) violate any provision of the organizational documents of Enstar or the Retrocessionaire, or (ii) violate any material contract, permit, Order, judgment, injunction, condition, agreement, award or decree of any court, arbitrator or Governmental Authority, foreign or domestic, against or imposed or binding upon, Enstar or the Retrocessionaire in any material respect.

Section 4.4 Consents. Subject to the matters referred to in the next sentence, the execution, delivery and performance by Enstar and the Retrocessionaire of the Transaction Agreements to which it is a party and the consummation of the transactions contemplated thereby in accordance with the respective terms and conditions hereof will not contravene any Applicable Law in any material respect. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Authority or any other Person is required by or with respect to Enstar or the Retrocessionaire in connection with the execution and delivery of the Transaction Agreements by Enstar or the Retrocessionaire, or the consummation by Enstar or the Retrocessionaire of the transactions contemplated hereby or thereby, except for the approvals, filings and notices set forth in Section 4.4 of the Enstar Disclosure Schedule.

Section 4.5 Compliance. Except as disclosed in Section 4.5 of the Enstar Disclosure Schedule, Enstar and the Retrocessionaire are in compliance with each if the following: (i) their organizational documents; (ii) all Applicable Law; (iii) the Transactions Agreements to which it is a party; and (iv) all material permits and licenses issued to either of them by any Governmental Authority, except for any non-compliance which would not, individually or in the aggregate, reasonably be expected to impair the ability of Enstar or the Retrocessionaire to consummate the transactions contemplated by the Transaction Agreements or perform its obligations thereunder.

Section 4.6 Broker. No broker or finder has acted directly or indirectly for Enstar or its Affiliates, and Enstar has not incurred any obligation in respect of any broker or finder, which might be entitled to any fee or commission from Maiden, Maiden Insurance or their respective Affiliates in connection with the transactions contemplated by this Agreement.

## ARTICLE V

## COVENANTS

Section 5.1 Conduct of Maiden Insurance. Except as contemplated by any Transaction Agreement, as required by Applicable Law or Domicile SAP, or as the Parties otherwise agree, Maiden and Maiden Insurance shall not (and shall cause their respective Affiliates not to) without the consent of Enstar amend (other than changes in reinsurance rates) or terminate the Existing Quota Share Agreements, the Reinsured Policies, the Existing Trust Agreements or any Third Party Reinsurance Agreements to the extent relating to any Reinsured Policy or waive any material rights thereunder or settle any material disputes thereunder to the extent that any such actions relate in whole or in part to the Reinsured Policies, enter into any new reinsurance agreements with respect to any Reinsured Policy or enter into a binding agreement to take any of the foregoing actions. With respect to Third Party Reinsurance Agreements that reinsure both the Underlying Business and other insurance business of the Original Cedents, Maiden Insurance shall, and shall cause the Original Cedents to, allocate reinsurance recoverables under such Third Party Reinsurance Agreements between or among the Underlying Business and such other insurance business equitably, taking into account the extent to which reinsurance recoverables relate to policies that are included in the Underlying Business and in the ordinary course of business and consistent with past practices. Notwithstanding anything to the contrary in this Section 5.1, to the extent that Enstar does not consent to any action by Maiden Insurance with respect to Third Party Reinsurance Agreements for which Enstar's consent is otherwise required by this Section 5.1, Maiden Insurance shall not be prohibited from taking such action, but for purposes of determining the Retrocessionaire's liability under the ADC Agreement, the applicable Third Party Reinsurance Agreements shall be deemed to remain in effect as if action had not occurred.

Section 5.2 Access to Information. From and after the date hereof until the earlier of the Closing Date or the termination of this Agreement, upon reasonable prior notice, Enstar, at its own expense, shall have the right to inspect all Books and Records at any reasonable time during normal business hours at the office of Maiden and Maiden Insurance; provided, however, that Maiden and Maiden Insurance shall not be obligated to provide access to any Books and Records if they believe in good faith that doing so would violate a contract, agreement or obligation of confidentiality owing to a third party, jeopardize the protection of an attorney-client privilege or be reasonably expected to expose Maiden, Maiden Insurance or their respective Affiliates to liability for disclosure of sensitive or personal information, it being understood that Maiden and Maiden Insurance shall use their respective commercially reasonable efforts to enable such information to be furnished or made available to

Enstar without so jeopardizing privilege, contravening such obligation or exposing such party to such liability. Without limiting the terms thereof, the provisions of Section 5.7 shall govern the obligations of Enstar and its Representatives with respect to all information of any type furnished or made available to them pursuant to this Section 5.2.

Section 5.3 Commercially Reasonable Efforts. Upon the terms and subject to the conditions and other agreements set forth in this Agreement, each of the Parties agrees to use its commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Transaction Agreements, and not to take any actions intended to cause any delay or failure in the consummation of such transactions.

Section 5.4 Consents, Approvals and Filings.

(a) Subject to the terms and conditions hereof, the Parties shall each use their reasonable best efforts, and shall cooperate fully with each other: (i) to comply as promptly as practicable with all requirements of Government Authorities applicable to the transactions contemplated by the Transaction Agreements; and (ii) to obtain as promptly as practicable all necessary permits, orders, or other consents, approvals or authorizations of Governmental Authorities and consents or waivers of all other third parties necessary in connection with the consummation of the transactions contemplated by the Transaction Agreements. In connection therewith, the Parties shall make and cause their respective Affiliates to make all legally required filings as promptly as practicable in order to facilitate prompt consummation of the transactions contemplated by the Transaction Agreements, shall provide and shall cause their respective Affiliates to provide such information and communications to Governmental Authorities as such Governmental Authorities may request, shall take and shall cause their respective Affiliates to take all steps that are necessary, proper or advisable to avoid any Action by any Governmental Authority with respect to the transactions contemplated by the Transaction Agreements, and shall defend or contest in good faith any Action by any third party (including any Governmental Authority), whether judicial or administrative, challenging any of the Transaction Agreements or the transactions contemplated thereby, or that could otherwise prevent, impede, interfere with, hinder, or delay in any material respect the consummation of the transactions contemplated thereby, including by using its reasonable best efforts to have vacated or reversed any stay or temporary restraining Order entered with respect to the transactions contemplated by any of the Transaction Agreements, and shall consent to and comply with any condition other than a Burdensome Condition imposed by any Governmental Authority on its grant of any such permit, Order, consent, approval or authorization. Each of the Parties shall provide to the other Party copies of the non-confidential portions of all applications or other communications to or with Governmental Authorities in connection with this Agreement at least three (3) Business Days in advance of the filing or submission thereof.

(b) Without limiting the generality of the foregoing, promptly following the date hereof, to the extent not already filed, Maiden and Maiden Insurance shall, and shall cause their respective Affiliates to, file with all applicable Insurance Regulators requests for approval or non-disapproval of any Transaction Agreement that constitutes a related party transaction, as applicable, that are required to be obtained by any of them. Maiden and Maiden Insurance shall give to Enstar prompt written notice if either of them receives or their respective Affiliates receive any notice or other communication from any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, and, in the case of any such notice or communication that is in writing, shall promptly furnish Enstar with a copy thereof.

Section 5.5 Public Announcements. Each Party and its respective Affiliates shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statement with respect to the transactions contemplated by the Transaction Agreements and shall not issue any such press release or make any such public statement with respect to such matters without the advance approval of the other Parties following such consultation (such approval not to be unreasonably withheld, delayed or conditioned), except as may be required by Applicable Law or by the requirements of any securities exchange; provided that, in the event that any Party is required by Applicable Law or the requirements of any securities exchange to issue any such press release or make any public statement and it is not feasible to obtain the advance approval of the other Parties hereto as required by this Section 5.5, the Party that issues such press release or makes such public statement shall provide the other Parties with notice and a copy of such press release or public statement as soon as reasonably practicable.

Section 5.6 Further Assurances. Each Party shall (a) execute and deliver, or shall cause to be executed and delivered, such documents, certificates, agreements, and other writings and shall take, or shall cause to be taken, such further actions as may be reasonably required or requested by any Party to carry out the provisions of the Transaction Agreements and consummate or implement expeditiously the transactions contemplated by the Transaction Agreements and (b) refrain from taking any actions that could reasonably be expected to impair, delay or impede the Closing. After the Closing, each of the Parties shall cooperate with the other Parties by taking such further actions, furnishing any additional information and executing and delivering any additional documents as may be reasonably requested by the other Parties to further perfect or evidence the consummation of, or otherwise implement, any transaction contemplated by this Agreement or the other Transaction Agreements, or to aid in the preparation of any regulatory filing or financial statement; provided, however, that any such additional documents must be reasonably satisfactory to each of the Parties and not impose upon any Party any material liability, risk, obligation, loss, cost or expense not contemplated by this Agreement or the other Transaction Agreements.

Section 5.7 Confidentiality. The Parties shall keep confidential the information provided by the other Parties pursuant to this Agreement. If this Agreement is, for any reason, terminated prior to the Closing, the provisions of this Section 5.7 shall nonetheless continue in full force and effect.

Section 5.8 Burdensome Condition. Notwithstanding anything to the contrary set forth in this Agreement, (i) none of the Parties or any of their respective Affiliates shall be required to consent to or comply with any Burdensome Condition or otherwise be required to take any action that would result in a Burdensome Condition in order to perform any of its obligations under any Transaction Agreement and (ii) the Parties shall not, and shall cause their respective Affiliates not to, consent to, offer or agree to any Burdensome Condition, with respect to the Underlying Business.

Section 5.9 Transfer Taxes. All Transfer Taxes, if any, shall be borne by Maiden Insurance, and it shall indemnify and hold harmless Enstar and its Affiliates with respect to its share of such Transfer Taxes.

Section 5.10 Existing Trust Agreements. Prior to the Closing Date, the Parties will use their commercially reasonable efforts to cause AmTrust and its Affiliates to amend the Existing Trust Agreements and, as applicable, the Existing Quota Share Reinsurance Agreements, to provide for sub-accounts to hold assets allocable to the Retrocessionaire's share of losses related to the Subject Business. Such sub-accounts shall be held by third-party trustees reasonably acceptable to Enstar, and Enstar or its designee shall have investment control of the assets in such sub-accounts, subject to the Investment Guidelines. Maiden and Maiden Insurance shall cooperate as reasonably requested by Enstar to secure such amendments. Maiden Insurance shall cause investment assets having a Market Value equal to the Initial Funds Withheld Account Balance, less the portion of the Retrocession Premium that the Retrocessionaire elects to receive in cash at the Closing pursuant to Section 2.3, to be deposited into such sub-accounts as of the Closing Date. Such investment assets shall comply with the Investment Guidelines and Maiden shall use its commercially reasonable efforts to cause such investments to consist of securities selected by Enstar. If the Retrocessionaire does not elect to receive $500,000,000 of the Retrocession Premium in cash at the Closing in exchange for posting a letter of credit as contemplated by Section 2.3, the Trust Agreement Amendments shall allow for the Retrocessionaire to withdraw up to $500,000,000, minus any amount the Retrocessionaire did elect to receive in cash at the Closing pursuant to Section 2.3, from the sub-accounts allocable to the Retrocessionaire's share of losses related to the Subject Business upon the Retrocessionaire first posting a letter of credit meeting the requirements of Section 2.3 in an amount equal to the amount the Retrocessionaire seeks to withdraw from such sub-accounts.

Section 5.11 Inspection of Books and Records. Following the Closing Date, Enstar, at its own expense, shall have the right to inspect all Books and Records at any reasonable time during normal business hours at the office of Maiden and Maiden Insurance, provided that such inspection shall be subject to the same terms and conditions set forth in Section 5.2.

Section 5.12 Termination of 2018 Master Agreement; Release.

(a) The Parties hereby terminate the 2018 Master Agreement and the transactions contemplated therein effective on the date of execution of this Agreement and the 2018 Master Agreement shall be of no further force or effect.

(b) Each of Maiden and Maiden Insurance, on behalf of itself, its Affiliates, and each of their respective directors, officers, employees, agents, representatives, assigns, predecessors and successors (collectively, the "Maiden Parties"), hereby releases Enstar, its Affiliates, and each of their respective directors, officers, employees, agents, representatives, assigns, predecessors and successors (collectively, the "Enstar Parties"), from any and all claims, demands, setoffs, defenses, contracts, accounts, suits, debts, agreements, actions, causes of action, sums of money, covenants, promises, damages, judgments, findings, controversies, disputes, duties, responsibilities, or obligations of any nature whatsoever, legal or equitable, whether known or unknown, from the beginning of time to and including the date of execution of this Agreement, to the extent related to 2018 Master Agreement or the transactions contemplated therein (the "Released Claims"). For the avoidance of doubt, the Released Claims shall not include any matters related to this Agreement (other than matters included in the Released Claims as defined above), the Transaction Agreements, or the transactions contemplated herein or therein.

(c) Enstar, on behalf of itself and each of the Enstar Parties, hereby releases each of the Maiden Parties from any and all claims, demands, setoffs, defenses, contracts, accounts, suits, debts, agreements, actions, causes of action, sums of money, covenants, promises, damages, judgments, findings, controversies, disputes, duties, responsibilities or obligations of any nature whatsoever, legal or equitable, whether known or unknown, from the beginning of time to and including the date of execution of this Agreement, to the extent related to the Released Claims. For the avoidance of doubt, the Released Claims shall not include any matters related to this Agreement (other than matters included in the Released Claims as defined above), the Transaction Agreements, or the transactions contemplated herein or therein.

Section 5.13 Existing Master Agreement. Maiden acknowledges that certain provisions of the Existing Master Agreement inure to the benefit of Maiden Insurance as the reinsurer of the Underlying Business under the Existing Quota Share Agreements, and Maiden shall (a) to the extent reasonably requested by Enstar with respect to the Subject Business, exercise such rights for the benefit of Maiden Insurance and correspondingly for the benefit of Enstar or the Retrocessionaire, (b) not consent to any action by AmTrust or its Affiliates with respect to the Subject Business pursuant to the terms of the Existing Master Agreement without obtaining the prior written consent of Enstar, (c) not amend the provisions of the Existing Master Agreement with respect to the Subject Business that inure to the benefit of Maiden Insurance as the reinsurer under the Existing Quota Share Agreements without obtaining the prior written consent of Enstar, or (d) not terminate the Existing Master Agreement without providing for such provisions to survive such termination for the direct benefit of Enstar and the Retrocessionaire.

## ARTICLE VI

## CONDITIONS PRECEDENT

Section 6.1 Conditions to Each Party's Obligations. The obligations of the Parties to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following conditions:

(a) Approvals. All consents, approvals or authorizations of, declarations or filings with, or notices to any Governmental Authority in connection with the transactions contemplated hereby that are set forth in Section 3.4 of the Maiden Disclosure Schedule or Section 4.4 of the Enstar Disclosure Schedule shall have been obtained or made and shall be in full force and effect, and all waiting periods required under Applicable Law with respect thereto shall have expired or been terminated.

(b) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction and no statute, rule or regulation of any Governmental Authority preventing the consummation of the transactions contemplated by the Transaction Agreements shall be in effect; provided that the Party asserting the failure of this condition shall have used its reasonable best efforts to have any such order or injunction vacated (in accordance with the terms of this Agreement).

(c) Burdensome Condition. None of Maiden, Enstar, the Retrocessionaire nor any of their respective Affiliates shall have become subject to any Burdensome Condition.

If the Closing occurs, all conditions set forth in this Section 6.1 that have not been fully satisfied as of the Closing shall be deemed to have been duly waived by the Parties.

Section 6.2 Conditions to Obligations of Enstar. The obligations of Enstar to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Maiden and Maiden Insurance set forth in this Agreement (without giving effect to any limitation set forth therein as to materiality or Material Adverse Effect) shall be true and correct in all material respects on and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to materially adversely affect the Underlying Business.

(b) Performance of Obligations of Maiden and Maiden Insurance. Maiden and Maiden Insurance shall have performed and complied in all material respects with all agreements, obligations, and covenants required to be performed or complied with by them under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Maiden and Maiden Insurance shall have delivered or caused to have been delivered to Enstar each of the documents required to be delivered pursuant to Section 2.2.

(d) Trust Sub-Accounts. AmTrust and the Original Cedents shall have amended the terms of the Existing Trust Agreements and the trusts created under the Existing Quota Share Agreements to (i) create sub-accounts to hold assets allocable to the Retrocessionaire's share of losses related to the Subject Business with third-party trustees reasonably acceptable to Enstar, (ii) grant Enstar or its designee investment control over such sub-accounts and all other funds withheld assets, which will be managed pursuant to the Investment Guidelines, and (iii) otherwise comply with the terms set forth in Section 5.10. Further, Maiden Insurance shall have caused investment assets that comply with the Investment Guidelines and that have a Market Value equal to the Initial Funds Withheld Account Balance, less the portion of the Retrocession Premium that the Retrocessionaire elects to receive in cash at the Closing pursuant to Section 2.3, to be deposited into such sub-accounts as of the Closing Date.

(e) Retrocessionaire Approvals. The Retrocessionaire shall have received approval for the transactions contemplated by this Agreement and without the imposition of any Burdensome Condition by any Insurance Regulator.

(f) Maiden Good Standing. Maiden shall have received an audit opinion from Deloitte Ltd. with respect to Maiden Holdings, Ltd.'s financial statements for the year ended December 31, 2018 on or prior to March 18, 2019 that is without any qualification or explanatory paragraph regarding doubts about the entity's ability to continue as a going concern. In addition, neither Maiden nor Maiden Insurance shall have become subject to any materially adverse regulatory action by any Insurance Regulator, including any order of supervision, corrective action or similar order, or the appointment of any receiver, rehabilitator, conservator, liquidator or similar Person, nor shall Maiden or Maiden Insurance have become subject to any receivership, rehabilitation, conservation, liquidation or similar process or proceeding.

If the Closing occurs, all conditions set forth in this Section 6.2 that have not been fully satisfied as of the Closing shall be deemed to have been duly waived by Enstar.

Section 6.3 Conditions to Obligations of Maiden and Maiden Insurance. The obligations of Maiden and Maiden Insurance to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Enstar set forth in this Agreement (without giving effect to any limitation set forth therein as to materiality) shall be true and correct in all material respects on and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, impair the ability of Enstar or the Retrocessionaire to consummate any of the transactions contemplated by the Transaction Agreements.

(b) Performance of Obligations of Enstar. Enstar shall have performed and complied in all material respects with all agreements, obligations and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Enstar shall have delivered or caused to have been delivered to Maiden and Maiden Insurance each of the documents required to be delivered pursuant to Section 2.2.

If the Closing occurs, all conditions set forth in this Section 6.3 that have not been fully satisfied as of the Closing shall be deemed to have been duly waived by Maiden and Maiden Insurance.

ARTICLE VII

SURVIVAL

Section 7.1 Survival of Representations and Warranties. The representations and warranties of the Parties contained in this Agreement shall survive the Closing and shall terminate and expire on the date that is eighteen (18) months from the Closing Date; provided that (i) the representations and warranties made in Sections 3.1 (Organization, Standing and Corporate Power), Section 3.2 (Authority), Section 3.6 (Broker), Section 4.1 (Organization, Standing and Corporate Power), Section 4.2 (Authority) and Section 4.6 (Broker) shall survive indefinitely.

ARTICLE VIII

TERMINATION PRIOR TO CLOSING

Section 8.1 Termination of Agreement. This Agreement may be terminated at any time prior to the Closing:

(a) by any Party in writing, if there shall be any order, injunction or decree of any Governmental Authority that prohibits or restrains any Party from consummating the transactions contemplated hereby, and such order, injunction or decree shall have become final and non-appealable; provided that the Party seeking to terminate this Agreement pursuant to this Section 8.1(a) shall have performed in all material respects its obligations under this Agreement, acted in good faith, and, if binding on such Party, used reasonable best efforts to prevent the entry of, and to remove, such order, injunction or decree in accordance with its obligations under this Agreement; provided that no Party shall be required to consent to or comply with a Burdensome Condition in connection with preventing the entry of or removing such order, injunction or decree;

(b) except as provided herein, by any Party, in writing, if the Closing has not occurred on or prior to the Deadline Date (as it may be extended pursuant to Section 8.1(b)(i) and/or (ii) below), unless the failure of the Closing to occur is the result of a material breach of this Agreement by the Party seeking to terminate this Agreement; provided that:

(i) if on the Deadline Date the condition set forth in Section 6.1(a) or the condition set forth in Section 6.1(b) has not been satisfied, the Deadline Date shall be automatically extended (and without the requirement of any further action by the Parties hereunder) to 5:00 p.m., New York City time, on May 31, 2019 (the "Extended Deadline Date"); and

(ii) if on the Extended Deadline Date the condition set forth in Section 6.1(a) or the condition set forth in Section 6.1(b) has not been satisfied, the Extended Deadline Date shall be automatically extended (and without the requirement of any further action by the Parties hereunder) to 5:00 p.m., New York City time, on June 30, 2019 (the "Final Deadline Date");

(c) by any Party (but only so long as such Party is not in material breach of its obligations under this Agreement) in writing, if a breach of any provision of this Agreement that has been committed by any other Party would cause the failure of any mutual condition to Closing or any condition to Closing for the benefit of the non-breaching Party and such breach is not subsequently waived by the non-breaching Party or capable of being cured or is not cured within 30 calendar days after the breaching Party receives written notice from the non-breaching Party that the non-breaching Party intends to terminate this Agreement pursuant to this Section 8.1(c); or

(d) by mutual written consent of the Parties.

Section 8.2 Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, this Agreement shall become null and void and of no further force and effect without liability of any Party (or any Representative of such Party) to the other Parties to this Agreement; provided that no such termination shall relieve a Party from liability for any breach of this Agreement prior to such termination. Notwithstanding the foregoing, Section 1.1, this Section 8.2, Section 5.7, Section 5.12 and Article IX and all existing confidentiality agreements between the Parties related to the transactions contemplated by this Agreement shall survive termination hereof pursuant to Section 8.1. If this Agreement is terminated pursuant to Section 8.1, each Party shall return all documents received from the other Parties, their Affiliates, and their Representatives relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to such other Party.

## ARTICLE IX

## GENERAL PROVISIONS

Section 9.1 Fees and Expenses. Each Party hereto shall, except as otherwise provided in this Agreement, pay its own Transaction Expenses incident to preparing for, entering into, and carrying out the Transaction Agreements and the consummation or termination of the transactions contemplated thereby. Notwithstanding the foregoing, to the extent that the Retrocessionaire elects to provide any letters of credit in accordance with the terms of this Agreement, Maiden Insurance shall reimburse the Retrocessionaire for its reasonably documented, customary fees and expenses owed to the issuing banks with respect to such letters of credit, provided that with respect to the Retrocessionaire's first $500,000,000 of letters of credit for collateral obligations under the ADC Agreement, Maiden Insurance's reimbursement obligation shall be subject to an annual limit equal to $1,500,000. To the extent that the Retrocessionaire elects to provide any letters of credit with respect to any additional collateral required under the ADC Agreement, including any additional collateral related to the $175,000,000 difference between the Limit and the Initial Funds Withheld Account Balance, Maiden Insurance's obligations under this Section 9.1 with respect to reasonably documented, customary fees and expenses owed to the issuing banks with respect to such letters of credit shall not be subject to any limit.

Section 9.2 Notices. Notices and other communications required or permitted to be given under this Agreement shall be effective if in writing and (i) mailed by United States registered or certified mail, return receipt requested, (ii) delivered by overnight express mail, or (iii) e-mailed (with confirmation of receipt) to:

(a) if to Enstar:

Enstar Group Limited
Windsor Place, 3rd Floor
22 Queen Street
Hamilton, HM11
Bermuda
Attention: Paul J. O'Shea
Email: Paul.O'Shea@enstargroup.com

with copies (which shall not constitute notice) to:

Drinker Biddle & Reath LLP
One Logan Square, Suite 2000
Philadelphia, PA 19103-6996
Attention: Robert C. Juelke
Telephone: 215-988-2700
Email: Robert.Juelke@dbr.com

(b) if to Maiden:

Maiden Holdings, Ltd.
Ideation House
94 Pitts Bay Road
Pembroke HM 08
Bermuda
Attention: Denis Butkovic
Email: DButkovic@maidenre.com

with copies (which shall not constitute notice) to:

Locke Lord LLP
20 Church Street, 20th Floor
Hartford, CT 06103
Attention: Alan J. Levin
Email: alan.levin@lockelord.com

(c) if to Maiden Insurance:

Maiden Reinsurance Ltd.
Ideation House
94 Pitts Bay Road
Pembroke HM08
Bermuda
Attention: Denis Butkovic
Email: DButkovic@maidenre.com

with copies (which shall not constitute notice) to:

Locke Lord LLP
20 Church Street, 20th Floor
Hartford, CT 06103
Attention: Alan J. Levin
Email: alan.levin@lockelord.com

Each Party hereto may change the names or addresses where notice is to be given by providing notice to the other Parties of such change in accordance with this Section.

Section 9.3 Construction.

(a) Any reference herein to “days” (as opposed to “Business Days”) shall be deemed to mean calendar days.

(b) Any reference herein to a “consent” shall be deemed to mean prior written consent.

(c) Any reference herein to “notice” shall be deemed to mean prior written notice.

(d) Any reference herein to “including” and words of similar import shall mean “including without limitation,” unless otherwise specified.

(e) When a reference is made in this Agreement to a Section, Exhibit, or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement, unless otherwise indicated.

(f) Unless otherwise specified, all references herein to any agreement, instrument, statute, rule, or regulation are to the agreement, instrument, statute, rule, or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, includes any rules and regulations promulgated under said statutes) and to any section of any statute, rule, or regulation, including any successor to said section.

(g) Any fact or item disclosed in any section of each of the Maiden Disclosure Schedule or the Enstar Disclosure Schedule shall be deemed disclosed in all other sections of such Disclosure Schedule to the extent the applicability of such fact or item to such other section of such Disclosure Schedule is reasonably apparent on its face. Disclosure of any item in the Maiden Disclosure Schedule or the Enstar Disclosure Schedule, as the case may be, shall not be deemed an admission that such item represents a material item, fact, exception of fact, event or circumstance or that occurrence or non-occurrence of any change or effect related to such item would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate.

(j) All time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the date on which the period commences and including the date on which the period ends and by extending the period to the first succeeding Business Day if the last day of the period is not a Business Day.

(k) This Agreement has been fully negotiated by the Parties hereto and shall not be construed by any Governmental Authority or other Person against either Party by virtue of the fact that such Party was the drafting party.

Section 9.4 Entire Agreement. This Agreement (including all exhibits and schedules hereto) and the other Transaction Agreements constitute the entire agreement, and supersede all prior agreements, understandings, obligations, representations and warranties, both written and oral, among the Parties with respect to the subject matter of this Agreement.

Section 9.5 Third Party Beneficiaries. Except as set forth in Sections 5.12(b) and 5.12(c) of this Agreement, this Agreement is not intended to confer upon any Person other than the Parties hereto any rights or remedies.

Section 9.6 Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

Section 9.7 Jurisdiction; Enforcement; Specific Performance.

(a) Each of the Parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit or other proceeding, each of the Parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit, or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit, or other proceeding is brought in an inconvenient forum or that the venue of such action, suit, or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the Parties hereto from removing any matter from one New York Court to another New York Court. Each of the Parties hereto also agrees that any final and unappealable judgment against a Party hereto in connection with any action, suit or other proceeding will be conclusive and binding on such Party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 9.2, constitute good, proper, and sufficient service thereof.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT, OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY

OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.7.

(c) Each of the Parties acknowledges and agrees that any of the other Parties would be irreparably damaged in the event that any of the provisions of this Agreement were not performed or complied with in accordance with their specific terms or were otherwise breached, violated or unfulfilled. Accordingly, each of the Parties agrees that any of the other Parties shall be entitled to an injunction or injunctions to prevent noncompliance with, or breaches or violations of, the provisions of this Agreement by any of the other Parties and to enforce specifically this Agreement and the terms and provisions hereof, in addition to any other remedy to which any of the Parties may be entitled, at law or in equity. In the event that any action is brought in equity to enforce the provisions of this Agreement, no Party will allege, and each Party hereby waives the defense or counterclaim, that there is an adequate remedy at law. The Parties further agree that (a) by seeking the remedies provided for in this Section 9.7(c), a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement, including monetary damages in the event that this Agreement has been terminated or in the event that the remedies provided for in this Section 9.7(c) are not available or otherwise are not granted and (b) nothing contained in this Section 9.7(c) shall require any Party to institute any action for (or limit any Party's right to institute any action for) specific performance under this Section 9.7(c) before exercising any other right hereunder nor shall the commencement of any action pursuant to this Section 9.7(c) or anything contained in Section 9.7(c) restrict or limit any Party's right to pursue any other remedies under this Agreement that may be available then or thereafter.

Section 9.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be novated, transferred or assigned, in whole or in part, by any Party without the prior written consent of the other Parties. Notwithstanding the foregoing, Enstar and the Retrocessionaire shall have the right to syndicate, reinsure or otherwise share the losses to be reinsured under the ADC Agreement, provided that in no way shall such sharing of losses by the Retrocessionaire lessen or in any way diminish the Retrocessionaire's obligations to Maiden Insurance under the ADC Agreement. Nothing herein shall limit in any way Enstar's ability to sell any equity interest in the Retrocessionaire. Upon an effective assignment, this Agreement will be binding upon the respective successors and assigns. Any assignment that does not comply with this Section 9.8 shall be void.

Section 9.9 Amendments. This Agreement may be amended only by written agreement of the Parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by all Parties.

Section 9.10 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of the Parties under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 9.11 Waiver. Any Party may choose not to enforce or insist upon the strict adherence to any provision or right under this Agreement. If any Party so elects, it will not be considered to be a permanent waiver of such provision nor in any way affect the validity of this Agreement. The applicable Party will still have the right to insist upon the strict adherence to that provision or any other provision of this Agreement in the future. Any waiver of provisions by a Party under this Agreement must be in writing and signed by a duly authorized representative of the Party.

Section 9.12 Certain Limitations. Maiden and Maiden Insurance make no express or implied representation or warranty hereby or otherwise under this Agreement, that the reserves held by them with respect to Underlying Business or the assets supporting such reserves have been or will be adequate or sufficient for the purposes for which they were established, that the reinsurance recoverables taken into account in determining the amount of such reserves will be collectible, or concerning any financial statement "line item" or asset, liability or equity amount that would be affected by any of the foregoing.

Section 9.13 Currency. All financial data required to be provided pursuant to the terms of this Agreement shall be expressed in United States dollars. All settlements of account between the Parties shall be in cash.

Section 9.14 Limited Offset. Each Party to this Agreement may offset any amount due to any other Party or any of such other Parties' Affiliates under this Agreement against any amount owed from such other Party or its Affiliates under this Agreement; provided that no Party to this Agreement may offset any amount due to any other Parties hereto or any of such other Parties' Affiliates under this Agreement against any amount owed or alleged to be owed from such other Party or its Affiliates under any other Transaction Agreement without the written consent of such other Party.

Section 9.15 Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. The Parties agree that transmission of copies of original signatures via electronic means, either by facsimile or as a "scanned" document attached to electronic mail, shall constitute valid execution of this Agreement. In the event of an electronic exchange of signatures for this Agreement, The Parties agree to subsequently exchange original "wet" execution signatures of this Agreement within a reasonable time following the electronic exchange of signatures; provided that the failure of any Party to exchange original "wet" execution signatures of this Agreement shall in no event affect the validity or enforceability of this Agreement. Such "wet" execution signatures will reflect the date of original execution and thus will be executed in counterpart.

*(remainder of page intentionally left blank)*

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their respective duly authorized officers, all as of the date first written above.

**MAIDEN HOLDINGS, LTD.**

By: /s/ Lawrence F. Metz___________________
Name: Lawrence F. Metz
Title: President and CEO

**MAIDEN REINSURANCE LTD.**

By: /s/ Patrick J. Haveron___________________
Name: Patrick J. Haveron
Title: President

**ENSTAR GROUP LIMITED**

By: /s/ Paul O'Shea_______________________
Name: Paul O'Shea
Title: President

## EXHIBIT A

**Summary of Terms of ADC Agreement**

All capitalized terms not defined herein have the meaning ascribed to those terms in the Master Agreement to which this exhibit is attached (such agreement, the “Master Agreement”).

| Item | Description |
|---|---|
| **Parties** | Maiden Reinsurance and Retrocessionaire |
| **Business Reinsured** | Retrocessionaire would reinsure 100% of Maiden Reinsurance’s quota share of losses (“Covered Losses”) incurred under the Reinsured Policies on or prior to December 31, 2018 excess of the Retention up to the Limit. Retrocessionaire would follow the fortunes of Maiden Reinsurance with respect to Covered Losses which would include all amounts payable by Maiden Reinsurance with respect to the Reinsured Policies under the Existing Quota Share Agreements, including, as applicable, allocated loss adjustment expenses, extra contractual obligations and excess of loss payments. Covered Losses would exclude amounts paid prior to the Effective Time, amounts paid after the Effective Time in satisfaction of liabilities due but unpaid under the Existing Quota Share Agreements with respect to cession statements for periods ending prior to the Effective Time, unallocated loss adjustment expense and similar unallocated expenses, assessments, transfer taxes and other taxes imposed on Maiden Reinsurance (except taxes that are the obligation of Maiden Reinsurance pursuant to the Existing Quota Share Agreements). Covered Losses would be net of inuring reinsurance, whether or not collected. |
| **Retention and Limit** | The retention would be the greater of (i) $2,441,358,809 or (ii) the amount equal to (A) the amount of reserves reported by Maiden with respect to the Underlying Business on its audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles as of December 31, 2018, minus (B) $500,000,000 (“Retention”). Other than existing inuring reinsurance, Maiden Reinsurance would not reinsure all or any portion of its risk below the Retention without the Retrocessionaire’s consent, and Maiden Reinsurance will provide Enstar a right of first refusal with respect to any reinsurance Maiden Reinsurance seeks to acquire for all or any portion of its risk above the Limit.<br><br>The limit would be $675,000,000 (“Limit”). |
| **Effective Time** | The Effective Time would be 12:01 a.m. Eastern time on the January 1, 2019. |
| **Territory** | The territory would be coextensive with the territory of the Reinsured Policies. |
| **Reinsurance Premium** | Maiden Reinsurance would pay to Retrocessionaire a premium equal to $500,000,000 plus a credited interest rate, compounded monthly, of 2.64% per annum from January 1, 2019 through the Closing (the “Reinsurance Premium”). As set forth in the Master Agreement and in the “Security” section below, on Retrocessionaire’s behalf, at Closing, Maiden Reinsurance would deposit/retain the Reinsurance Premium in sub-accounts created in the trust accounts under the Existing Trust Agreements and the Existing Quota Share Agreements, subject to the substitution of letters of credit as provided below and in the Master Agreement. Retrocessionaire would also be entitled to all salvage and subrogation actually collected, in each case by or on behalf of Maiden Reinsurance and attributable to Covered Losses, for periods on and after December 31, 2018, to the extent it relates to a Covered Loss above the Retention and below the Limit. |
| **Reports and Settlement** | Maiden Reinsurance would provide to Retrocessionaire periodic accounting and other reports with respect to the subject business and Covered Losses as Retrocessionaire may reasonably require. Retrocessionaire would settle amounts due by direct payment of Covered Losses to the ceding companies under the Existing Quota Share Agreements. |
| **Duration and Term** | The ADC Agreement would commence on the Closing and terminate on the earlier of date on which (1) Retrocessionaire has paid aggregate Covered Losses excess of the Retention equal to the Limit, (2) Maiden Reinsurance’s liability under the Reinsured Policies for Covered Losses is terminated or extinguished and all amounts due under the ADC Agreement are paid, or (3) the Parties mutually agree to terminate the ADC Agreement. Upon termination, Retrocessionaire would receive all remaining assets in the Trust Account and all uncollected recoverables. |

| | |
|---|---|
| **Claims Administration** | Maiden Reinsurance would administer reinsurance claims, salvage and subrogation and inuring reinsurance, subject to granting to Retrocessionaire a right of first refusal in the event Maiden Reinsurance determined to use a third party administrator for all or any portion of the administration. The parties would enter into an agreement with the underlying cedents with respect to the management and oversight of claims. |
| **Insolvency** | Standard insolvency provisions to be included. |
| **Security** | Retrocessionaire would provide security to Maiden Reinsurance in the form of a trust account ("Trust Account") established pursuant to a new or modified trust agreement to be entered into on the Closing date ("Trust Agreement") or, as contemplated in the Master Agreement, letters of credit in an amount not to exceed $500,000,000 on the Closing date. The Trust Account will be one or more of the existing trust accounts (or a replacement therefor) that Maiden Reinsurance maintains pursuant to the Existing Quota Share Agreements, with the related trust agreements to be modified to take into the account the transactions contemplated by the Master Agreement and this Term Sheet, including the segregation of assets in such trust accounts into sub-accounts and the delegation to the Retrocessionaire of investment control over the relevant sub-accounts, as contemplated by the Master Agreement. Retrocessionaire would ensure the Trust Account holds assets with a market value greater than or equal to the trust funding amount, which shall be equal to the net reserves of Maiden Reinsurance attributable to Covered Losses in excess of the Retention up to the Limit (which trust funding amount the Parties acknowledge is equal to $500,000,000 as of the Closing Date) minus the amount of any collateral posted in the form of a letter of credit. The trust funding amount shall be determined on a quarterly basis, with year-end determinations being made by a Maiden Reinsurance's BMA approved independent actuary and each other quarterly determination being made by Maiden Reinsurance. Quarterly and year-end determinations will be subject to customary dispute resolution by a mutually acceptable independent actuary. The Trust Account would be initially funded by Maiden Reinsurance and Retrocessionaire as set forth in the Master Agreement. Maiden Reinsurance would provide quarterly reporting specifying the trust required amount and any overfunding or underfunding of the Trust Account. Retrocessionaire would deposit into the Trust Account any required underfunding (or provide additional letters of credit, including up to the $175,000,000 limit above the Initial Funds Withheld Account Balance if required), and would be entitled to withdraw from the Trust Account any overfunding. Maiden Reinsurance would be permitted to withdraw assets from the Trust Account solely for the purposes of paying Covered Losses, and would be required to return to the Trust Accounts withdrawals not used for the specified purposes. All amounts withdrawn and not immediately used to pay Covered Losses would be held in a segregated account in trust of the sole and exclusive benefit of Retrocessionaire. All assets in the Trust Account would comply with and be invested in assets permitted under the Existing Quota Share Agreements with respect to the trusts created by the Existing Trust Agreements or under the Existing Quota Share Agreements. The Trust Agreement would terminate promptly following termination of the ADC Agreement, with payment from the Trust Account of any amounts due to Maiden Reinsurance and any excess amounts to Retrocessionaire. |
| **Additional Collateral; Underlying Agreements** | Maiden Reinsurance would not utilize any assets in the Trust Account to post additional collateral in connection with the Reinsured Policies, and would not amend or permit amendment of any underlying agreements, including the Existing Quota Share Agreements, Existing Quota Share Trust Agreement and Existing Underlying Trust Agreements, without the written consent of the Retrocessionaire. |
| **Currency** | U.S. Dollars |
| **Other Terms and Conditions** | The ADC Agreement would contain further customary terms and conditions for agreements of this type. |

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a),**
**AS ADOPTED PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Dominic F. Silvester, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Enstar Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: May 8, 2019

/S/ DOMINIC F. SILVESTER
Dominic F. Silvester
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**

**RULE 13a-14(a)/15d-14(a),**

**AS ADOPTED PURSUANT TO SECTION 302**

**OF THE SARBANES-OXLEY ACT OF 2002**

I, Guy Bowker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Enstar Group Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 8, 2019

/S/ GUY BOWKER
Guy Bowker
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906**

**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enstar Group Limited (the "Company") on Form 10-Q for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dominic F. Silvester, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2019

/S/ DOMINIC F. SILVESTER
Dominic F. Silvester
Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO SECTION 906**

**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enstar Group Limited (the “Company”) on Form 10-Q for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Guy Bowker, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2019

/S/ GUY BOWKER
Guy Bowker
Chief Financial Officer