UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

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.)*

**P.O. Box HM 2267
Windsor Place, 3rd Floor, 22 Queen Street
Hamilton HM JX
Bermuda**

(Address of principal executive offices, including zip code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary shares, par value $1.00 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2014, was approximately $1.15 billion.

As of February 26, 2015, the registrant had outstanding 15,804,012 voting ordinary shares and 3,439,652 non-voting convertible ordinary shares, each par value $1.00 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to its 2015 annual general meeting of shareholders are incorporated by reference in Part III of this Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual 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 annual report and the documents incorporated by reference, which could cause actual results to differ materially from those suggested by the forward looking statements. These factors include:

- risks associated with implementing our business strategies and initiatives;
- risks that we may require additional capital in the future, which may not be available or may be available only on unfavorable terms;
- the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time;
- risks relating to the availability and collectability of our reinsurance;
- 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;
- 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;
- continued availability of exit and finality opportunities provided by solvent schemes of arrangement;
- loss of key personnel;
- the ability of our subsidiaries to distribute funds to us and the resulting impact on our liquidity;
- 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 acquisitions, including our ability to 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 ability to obtain regulatory approvals, including the timing, terms and conditions of any such approvals, and to satisfy other closing conditions in connection with our acquisition agreements, which could affect our ability to complete acquisitions;
- risks relating to our life and annuities business, including mortality and morbidity rates, lapse rates, the performance of assets to support the insured liabilities, and the risk of catastrophic events;
- 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;
- our ability to implement our strategies relating to our active underwriting businesses;
- risks relating to our ability to structure our investments in a manner that recognizes our liquidity needs;
- 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 Risk Factors that are included in Item 1A below. We undertake no obligation to publicly update or review any forward looking statement, whether to reflect any change in our expectations with regard thereto, or as a result of new information, future developments or otherwise, except as required by law.

PART I

ITEM 1. *BUSINESS*

Company Overview

Enstar Group Limited, or Enstar, is a Bermuda-based holding company that was formed in 2001 and became publicly traded in 2007. We are listed on the NASDAQ Global Select Market under the ticker symbol "ESGR." We and our operating subsidiaries acquire and manage diversified insurance businesses through a network of service companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations.

Our primary corporate objective is growing our net book value per share. We believe 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 on our active underwriting strategies.

Our core focus is acquiring and managing insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off, and providing management, consulting and other services to the insurance and reinsurance industry. Since our formation, we have completed the acquisition of over 65 insurance and reinsurance companies and portfolios of insurance and reinsurance business. We also operate active underwriting businesses, including the Atrium group of companies, which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609, and the Torus group of companies, an A- rated global specialty insurance group with multiple global underwriting platforms. We also operate closed life and annuities businesses.

Strategy

We aim to maximize our growth in net book value per share by using the following strategies:

- *Solidify Our Leadership Position in the Run-Off Market by Leveraging Management's Experience and Relationships.* We continue to utilize the extensive experience and significant relationships of our senior management team to solidify our position as a leading run-off acquirer, which we expect will generate future growth opportunities for us.
- *Engage in Highly Disciplined Acquisition, Management and Reinsurance Practices across our Diverse Portfolio of Loss Reserves.* We utilize a disciplined approach designed to minimize risk and increase the probability of positive operating results from companies and portfolios we acquire or manage, being highly selective in reviewing potential acquisition targets and management engagements and focusing our investigation on risk exposures, claims practices and reserve requirements.
- *Professionally Manage Claims.* We manage claims made against companies and portfolios we own or manage in a professional and disciplined manner, relying on our in-house expertise as we seek to dispose of risks expeditiously and cost-effectively. We pay valid claims on a timely basis, while relying on well-documented policy terms and exclusions where applicable and litigation when necessary to defend against paying invalid claims under existing policies and reinsurance agreements.
- *Commute Assumed Liabilities and Ceded Reinsurance Assets.* Using detailed claims analysis and actuarial projections, we negotiate with the policyholders of the insurance and reinsurance companies or portfolios we own or manage with a goal of commuting insurance and reinsurance liabilities for one or more agreed upon payments at a discount to the ultimate liability.
- *Profitably Underwrite Selected Specialty Lines and Utilize our Active Underwriting Platforms to Enhance Future Growth Opportunities.* Through our Atrium and Torus segments, we

selectively underwrite in chosen specialty lines where we believe we can operate with competitive advantages, focusing on balancing risk exposures and selectively growing organically. When we acquire run-off businesses, our active underwriting companies review opportunities to capture profitable active business from the transaction where aligned with our underwriting growth strategies.

- *Prudently Manage Investments and Capital.* In managing our investments and deploying our capital, we strive to achieve superior risk-adjusted returns with the objective of maximizing profitability and long-term growth in shareholder value, while recognizing our liquidity needs for future liabilities. We manage our investments in a manner that attempts to correlate the maturity and duration of our investment portfolio to our general liability profile. We manage our capital by aiming to deploy capital efficiently to acquisitions and to establish adequate loss reserves that we believe will protect against future adverse developments. We also explore opportunities to generate enhanced returns on our assets where we believe any additional risk can be managed consistently with our approach in our insurance and reinsurance operations.

Recent Transactions

Our transactions take the form of either acquisitions of companies or portfolio transfers, where a reinsurance contract transfers risk from the insurance or reinsurance company to one of our companies. Acquisitions and portfolio transfers (also referred to as “significant new business”) completed or signed since the beginning of 2012 are outlined in the tables below.

The substantial majority of our acquisitions have been in the non-life run-off business, which for us 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 the acquisition and management of non-life run-off business, in recent years, we expanded our business by entering into the active underwriting business through our acquisitions of Atrium Underwriting Group Limited (or Atrium) and Torus Insurance Holdings Limited (or Torus). We believe that Atrium and Torus provide an additional earnings stream, and also enhance our ability to compete for acquisition targets by providing opportunities for us, primarily through Torus, to acquire renewal rights or provide loss portfolio reinsurance in connection with such acquisitions, which may be attractive to certain vendors or may present alternative ways in which proposed transactions can be structured.

We entered the active underwriting business through our acquisitions of Atrium Underwriting Group Limited (or Atrium) on November 25, 2013 and Arden Reinsurance Company Ltd (or Arden) on September 9, 2013. Atrium’s wholly-owned subsidiary, Atrium Underwriters Ltd, manages and underwrites specialist insurance and reinsurance business for Lloyd’s Syndicate 609. Atrium’s wholly-owned subsidiary, Atrium 5 Ltd, provides approximately 25% of the underwriting capacity and capital to Syndicate 609, with the balance provided by traditional Lloyd’s Names. Arden provides reinsurance to Atrium 5 Ltd. through an approximate 65% quota share reinsurance arrangement, and is currently in the process of running off certain other portfolios of run-off business. Atrium was an attractive opportunity to us primarily because of its skilled underwriting and management teams and strong historical performance at Lloyd’s.

We acquired Torus, an A- rated global specialty insurer with multiple global underwriting platforms, including Lloyd’s Syndicate 1301 on April 1, 2014. Torus offers a diverse range of property, casualty and specialty insurance through its operations in the U.K., Continental Europe, the U.S. and Bermuda. Prior to acquisition, Torus ceased underwriting certain lines of business in order to focus on core property, casualty and specialty lines. The results of the discontinued lines of business which were placed into run-off are included within our non-life run-off segment. Torus was formed in 2008 and had grown significantly but generally at the expense of its profitability. Since the acquisition, Torus has shifted its strategy to concentrate on profitable lines of business, started a cost reduction program and enhanced its management team. We believe this has laid the foundation for Torus to be a successful global business in its own right, as well as providing a basis for enhancing our non-life run-off acquisition opportunities and returns.

While the management of claims and control of expenses are Enstar's core competencies, active underwriting is a relatively new exposure for us. Accordingly, we partnered with the Trident V funds (managed by Stone Point Capital LLC) in the acquisitions of Atrium, Arden and Torus, with Enstar taking an approximate 59.0% equity interest, Trident V taking an approximate 39.3% equity interest in each transaction, and Dowling Capital Partners, L.P. (or Dowling) taking a 1.7% equity interest in each transaction. Stone Point Capital is a financial services-focused private equity firm that has significant experience investing in insurance and reinsurance companies and other insurance-related businesses, which we believe is valuable in these active underwriting joint ventures.

In recent years, we have also expanded our portfolio of run-off businesses to include closed life and annuities, primarily through our March 31, 2013 acquisition of the U.S. life and annuities operations of HSBC Holdings plc (which we refer to as Pavonia). In addition to portfolio diversification, we believe our life and annuities business has the potential to provide us with a long-term earnings and cash flow stream that may counter some of the volatility in our core non-life run-off business. We expect the market for discontinued life and annuity businesses will continue to increase, and we, along with any potential strategic partners, will continue to selectively evaluate opportunities to acquire well performing closed blocks of business.

Acquisitions

On January 27, 2015, we completed the acquisition of Companion Property and Casualty Insurance Company (or Companion) from Blue Cross Blue Shield of South Carolina, an independent licensee of the Blue Cross Blue Shield Association. Companion is a South Carolina-based insurance group writing property, casualty, specialty and workers compensation business, and has also provided fronting and third party administrative services. We are operating Companion as part of our non-life run-off business. The total consideration for the transaction was $218.0 million in cash, which was financed 50% through borrowings under a term loan facility and 50% from cash on hand.

On February 5, 2015, our wholly-owned subsidiary, Harper Holdings SARL, entered into a definitive agreement with Nationale Suisse to acquire its Belgian subsidiary, Nationale Suisse Assurance S.A., (or NSA). NSA is a Belgium-based insurance company writing non-life insurance (which we expect to operate in run-off as part of our non-life run-off segment) and life insurance (which we expect to operate in run-off as part of our life and annuities segment). The total consideration for the transaction will be €33.7 million (approximately $38.5 million) (subject to certain possible closing adjustments). We expect to finance the purchase price from cash on hand. As part of the agreement, Torus has agreed to acquire NSA's two specialty underwriting agencies, Vander Haeghen & Co and Arena. Torus will also acquire the right to renew certain business currently underwritten by NSA, including the business placed by these agencies, as well as other select lines. Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. The transaction is expected to close during the second quarter of 2015.

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The table below sets forth a summary of acquisitions that we have completed in the last three years or are in the process of completing. For a more detailed explanation of these acquisitions, refer to “Note 3 — Acquisitions” in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Acquisitions (2012 - Present)

Company Name	Date of Completion	Purchase Price	Fair Value of Net Assets Acquired	Goodwill	Segment	Primary Nature of Business
Signed but not yet completed						
Nationale Suisse Assurance	expected second quarter 2015	$38.5 million	valuation pending	N/A	Non-life Run-off and Life and Annuities	European non-life and life insurance
Completed						
Companion Property and Casualty Company	January 27, 2015	$218.0 million	valuation pending	N/A	Non-life Run-off	U.S. property, casualty, specialty and workers’ compensation
Torus Insurance Holdings Limited(1)	April 1, 2014	$656.1 million(2)	$643.1 million	$13.0 million	Active Underwriting and Non-life Run-off	Global specialty insurer and Lloyd’s Syndicate 1301
Atrium Underwriting Group Limited(3)	November 25, 2013	$158.0 million	$119.2 million	$38.8 million	Active Underwriting	Managing agent for Lloyd’s Syndicate 609, a global specialty insurer; provides 25% of syndicate’s capital
Arden Reinsurance Company Limited(3)	September 9, 2013	$79.6 million	$79.6 million	Nil	Active Underwriting and Non-life Run-off (4)	U.S. casualty, credit and surety insurance; quota share provider to Atrium
The Pavonia companies	March 31, 2013	$155.6 million	$155.6 million	Nil	Life and Annuities	U.S. and Canadian closed life insurance, reinsurance and annuities
SeaBright Holdings, Inc.	February 7, 2013	$252.1 million	$252.1 million	Nil	Non-life Run-off	U.S. workers’ compensation insurance

(1) Enstar has an approximate 59.0% interest in Torus, with Trident owning an approximate 39.3% interest and Dowling owning a 1.7% interest. Trident is a holder of approximately 8.5% of our voting ordinary shares outstanding. James D. Carey, a senior principal of Stone Point Capital LLC (the manager of Trident), serves as a member of our Board of Directors.

(2) Enstar funded its $397.7 million share of the purchase price through the issuance of 2,612,341 shares (consisting of a combination of voting and non-voting shares) and the payment of $45.2 million in cash.

(3) Enstar has an approximate 59.0% interest in the acquired companies, with Trident owning an approximate 39.3% interest, and Dowling owning a 1.7% interest.

(4) Arden is considered part of our active underwriting segment with respect to its quota share reinsurance provided to Atrium, and is considered part of our non-life run-off segment with respect to its discontinued insurance business.

Significant New Business

On January 15, 2014, our wholly-owned subsidiary, Providence Washington Insurance Company, completed the loss portfolio transfer reinsurance transaction with Reciprocal of America (in Receivership) and its Deputy Receiver relating to a portfolio of workers compensation business that has been in run-off since 2003. The total net insurance reserves assumed were approximately $162.1 million, with an equivalent amount of cash and/or investments being received as consideration.

Effective January 1, 2015, Lloyd's Syndicate 2008, which is managed by our wholly-owned subsidiary and Lloyd's managing agent, Shelbourne Syndicate Services Limited, entered into a reinsurance to close (or RITC) contract of the 2012 and prior underwriting years of account of another Lloyd's syndicate. In the RITC transaction, Syndicate 2008 assumed total net insurance reserves of approximately £17.2 million (approximately $26.9 million) for cash consideration of an equal amount.

The table below sets forth a summary of significant new business transactions that we have signed or completed in the last three years. Our significant new business transactions include several RITC transactions that we have completed over the years with Lloyd's of London insurance and reinsurance syndicates in run-off, whereby the portfolio of run-off liabilities is transferred from one Lloyd's syndicate to another. We have executed our RITC transactions through Shelbourne, which consists of an approved Lloyd's managing agent (Shelbourne Syndicate Services Limited), a corporate member and Syndicate 2008, a wholly aligned syndicate that has permission to underwrite RITC and other legacy or discontinued business type transactions with other Lloyd's syndicates.

For a more detailed explanation of our significant new business transactions, refer to "Note 4 —Significant New Business" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

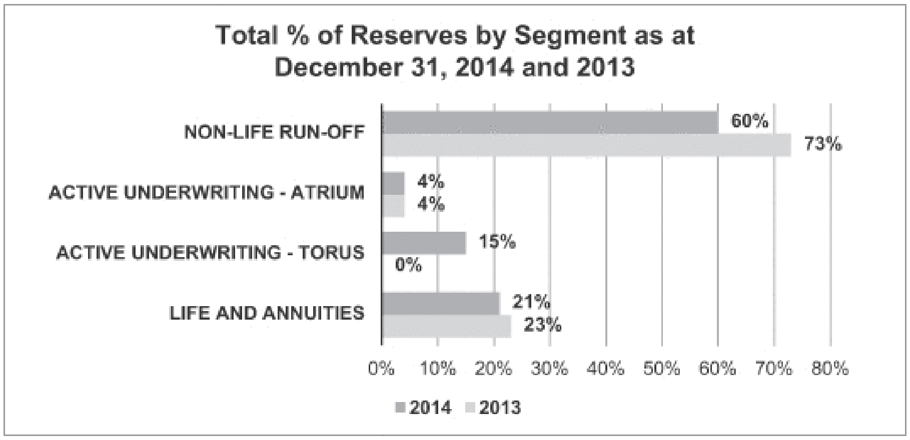
Significant New Business (2012 - Present)

Portfolio Name	Date of Completion	Liabilities Assumed / Assets Acquired	Segment	Primary Nature of Business
Reciprocal of America (in Receivership)	January 15, 2015	$162.1 million	Non-life Run-off	U.S. workers' compensation reinsurance
Lloyd's RITC — Shelbourne	January 1, 2015	$26.9 million	Non-life Run-off	Worldwide marine and energy insurance
Lloyd's RITC — Shelbourne	January 1, 2014	$28.1 million	Non-life Run-off	Worldwide property and U.K. liability insurance
Lloyd's RITC — Shelbourne	January 1, 2013	$51.4 million	Non-life Run-off	U.K. motor insurance
American Physicians Assurance Corporation/APSpecialty Insurance Company	April 26, 2013	$35.3 million	Non-life Run-off	U.S. workers' compensation insurance
Lloyd's RITC — Shelbourne	December 31, 2012	$313.3 million	Non-life Run-off	U.K. property and liability insurance
Claremont Liability Insurance Company	August 6, 2012 / December 17, 2012	$38.0 million	Non-life Run-off	U.S. construction defect
Zurich Insurance Company — Danish Branch	June 30, 2012	$60.0 million	Non-life Run-off	Danish disability and commercial reinsurance

Operating Segments

Enstar has four segments of business that are each managed, operated and reported on differently: (i) Non-life run-off; (ii) Atrium; (iii) Torus; and (iv) Life and annuities.

The below chart highlights the percentage of the aggregate total of our gross losses and loss adjustment expense liabilities and policy benefits for life and annuity contracts accounted for by each of our segments:



For additional information and financial data relating to our segments, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Segment Reporting” and “Note 21 — Segment Information” in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Non-life Run-off

Our non-life run-off segment comprises the operations of our subsidiaries that are running off their property and casualty and other non-life lines of business, including the run-off businesses of Arden and Torus. It also includes our smaller management business, in which we manage the run-off portfolios of third parties through our service companies.

In the primary (or direct) insurance business, the insurer assumes risk of loss from persons or organizations that are directly subject to the given risks. In the reinsurance business, the reinsurer agrees to indemnify an insurance or reinsurance company, referred to as the ceding company, against all or a portion of the insurance risks arising under the policies the ceding company has written or reinsured. When an insurer or reinsurer stops writing new insurance business, either entirely or with respect to a particular line of business, the insurer, reinsurer, or the line of discontinued business is in run-off.

The insurance industry continues to experience significant consolidation. As a result of this consolidation and other factors, the remaining participants in the industry often have portfolios of business that are either inconsistent with their core competency or provide excessive exposure to a particular risk or segment of the market (i.e., workers compensation, property/casualty, asbestos, environmental, director and officer liability, etc.). These non-core and/or discontinued portfolios are often associated with potentially large exposures and lengthy time periods before resolution of the last remaining insured claims, resulting in significant uncertainty to the insurer or reinsurer covering those risks. These factors can distract management, drive up the cost of capital and surplus for the insurer or reinsurer, and negatively impact the insurer’s or reinsurer’s credit rating, which makes the disposal of the unwanted company or portfolio an attractive option. Alternatively, the insurer may wish to maintain the business on its balance sheet, yet not divert significant management attention to the run-off of the portfolio. The insurer or reinsurer, in either case, is likely to engage a third party that specializes in run-off management, such as us, to purchase or manage the company or portfolio in run-off.

In the sale of a company in run-off, a purchaser, such as us, may pay a discount to the book value of the company based on the risks assumed and the relative value to the seller of no longer having to manage the company in run-off. Such a transaction can be beneficial to the seller because it receives an up-front payment for the company, eliminates the need for its management to devote any attention to the disposed company and removes the risk that the established reserves related to the run-off business may prove to be inadequate. The seller is also able to redeploy its management and financial resources to its core businesses.

In some situations, an insurer or reinsurer may wish to divest itself of a portfolio of non-core legacy business that may have been underwritten alongside other ongoing core business that the insurer or reinsurer does not want to dispose of. In such instances, we are able to provide economic finality for the insurer or reinsurer by providing a loss portfolio reinsurance contract to protect the insurer or reinsurer against deterioration of the non-core portfolio of loss reserves.

Alternatively, if the insurer or reinsurer hires a third party, such as us, to manage its run-off business, the insurer or reinsurer will, unlike in a sale of the business, receive little or no cash up front. Instead, the management arrangement may provide that the insurer or reinsurer will retain the profits, if any, derived from the run-off with certain incentive payments allocated to the run-off manager. By hiring a run-off manager, the insurer or reinsurer can outsource the management of the run-off business to experienced and capable individuals, while allowing its own management team to focus on the insurer’s or reinsurer’s core businesses.

Overall, the focus of our non-life run-off segment is to acquire companies or portfolios in run-off and to effectively manage the business previously acquired, in each case in ways that further our primary corporate objective.

Acquisition Process

We evaluate each acquisition opportunity presented by carefully reviewing the portfolio’s risk exposures, claim practices, reserve requirements and outstanding claims, and may seek an appropriate discount and/or seller indemnification to reflect the uncertainty contained in the portfolio’s reserves. Based on this initial analysis, we can determine if a company or portfolio of business would add value to our current portfolio of run-off businesses. If we determine to pursue the purchase of a company in run-off, we then proceed to price the acquisition in a manner we believe will result in positive operating results based on certain assumptions including, without limitation, our ability to favorably resolve claims, negotiate with direct insureds and reinsurers, and otherwise manage the nature of the risks posed by the business.

At the time we acquire a company in run-off, we estimate the fair value of assets and liabilities acquired based on external actuarial advice, as well as our own views of the exposures assumed. While we earn a larger share of our total return on an acquisition from disciplined claims management and/or commuting the liabilities that we have assumed, we also try to maximize reinsurance recoveries on the assumed portfolio of business as well as investment returns from the acquired investment portfolios.

Run-off Management

Following the purchase of a company in run-off, or acquisition of a portfolio of business in run-off, or a new consulting engagement to manage a company in run-off or portfolio of business, we strive to conduct the run-off in a disciplined and professional manner in order to efficiently discharge the liabilities associated with the business while preserving and maximizing its assets. Our approach to managing our acquired companies and portfolios of business in run-off, as well as run-off companies or portfolios of businesses we manage on behalf of third-party clients, includes, where possible, negotiating with third-party insureds and reinsureds to commute their insurance or reinsurance agreement (sometimes called policy buy-backs) for an agreed upon up-front payment by us, or the third-party client, and to more efficiently manage payment of insurance and reinsurance claims. We attempt to commute policies with direct insureds or reinsureds in order to eliminate uncertainty over the amount of future claims. Commutations and policy buy-backs provide an opportunity for the company to exit exposures to certain policies and insureds generally at a discount to the ultimate liability and provide the ability to eliminate exposure to further losses. Such a strategy also contributes to the reduction in the length of time and future cost of the run-off.

In certain lines of business, such as direct workers' compensation insurance, commutations and policy buy-back opportunities are not typically available and our strategy with respect to these businesses is to derive value through efficient and effective management of claims.

An integral factor to our success is our ability to analyze, administer, manage and settle claims and related expenses, such as loss adjustment expenses. Our claims teams are located in different offices within our organization and provide global claims support. We have implemented effective claims handling guidelines along with claims reporting and control procedures in all of our claims units. All claims matters are reviewed regularly, with all material claims matters being circulated to and authorized by management prior to any action being taken in furtherance of our goal of appropriately handling claims and reporting them in accordance with our guidelines. Our claims management processes also include utilizing our extensive relationships and developed protocols to more efficiently manage outside counsel and other third parties, thereby reducing expenses. With respect to certain lines of business, we have arrangements with third-party administrators to manage and pay claims on our subsidiaries' behalf and advise with respect to case reserves. These agreements generally set forth the duties of the third party administrators, limits of authority, indemnification language designed for our protection and various procedures relating to compliance with laws and regulations. These arrangements are also subject to review by our relevant claims departments, and we monitor these administrators on an ongoing basis.

Following the acquisition of a company in run-off, or acquisition of a portfolio of business in run-off, or new consulting engagement, we will spend time analyzing the acquired exposures and reinsurance receivables on a policyholder-by-policyholder basis in order to identify those we wish to approach to discuss commutation or policy buy-back. In addition, we will often be approached by policyholders or reinsurers requesting commutation or policy buy-back. We then carry out a full analysis of the underlying exposures in order to determine the viability of a proposed commutation or policy buy-back. From the initial analysis of the underlying exposures it may take several months, or even years, before a commutation or policy buy-back is completed. In a number of cases, if we and the policyholder or reinsurer are unable to reach a commercially acceptable settlement, the commutation or policy buy-back may not be achievable, in which case we will continue to settle valid claims from the policyholder, or collect reinsurance receivables from the reinsurer, as they become due.

Certain insureds and reinsureds are often willing to commute with us, subject to receiving an acceptable settlement, as this provides certainty of recovery of what otherwise may be claims that are disputed in the future, and often provides a meaningful up-front cash receipt that, with the associated investment income, can provide funds to meet future claim payments or even commutation of their underlying exposure. Therefore, subject to negotiating an acceptable settlement, many of our insurance and reinsurance liabilities and reinsurance receivables are able to be either commuted or settled by way of policy buy-back over time.

With regard to reinsurance recoverables, we manage cash flow by working with reinsurers, brokers and professional advisors to achieve fair and prompt payment of reinsured claims, taking appropriate legal action to secure receivables where necessary. We also attempt where appropriate to negotiate favorable commutations with our reinsurers by securing a lump sum settlement from reinsurers in complete satisfaction of the reinsurer's past, present and future liability in respect of such claims. Properly priced commutations reduce the expense of adjusting direct claims and pursuing collection of reinsurance, realize savings, remove the potential future volatility of claims and reduce required regulatory capital.

Consulting Services

We provide consultancy services to third parties in the insurance and reinsurance industry primarily through our subsidiaries, the Cranmore companies, Enstar Limited, Enstar (US), Inc., and Kinsale Brokers Limited. The services we provide range from full-service incentive-based or fixed fee run-off management to bespoke solutions such as claims inspection, claims validation, reinsurance asset collection and IT consulting services. Paladin Managed Care Services, Inc., acquired in the SeaBright transaction, provides medical bill review, utilization review, physician case management and related services in the workers' compensation area. In addition to third-party engagements, our consultancy companies also perform these services in-house for our Enstar companies, using their expertise to assist in managing our run-off portfolios and performing certain due diligence matters relating to new acquisitions.

Reserves for Unpaid Losses and Loss Adjustment Expense

Applicable insurance laws and regulations and generally accepted accounting practices require us to maintain reserves to cover our estimated losses under insurance policies that we have assumed and for loss adjustment expenses, or LAE, relating to the investigation, administration and settlement of policy claims. Our LAE reserves consist of both reserves for allocated loss adjustment expenses, or ALAE, and for unallocated loss adjustment expenses, or ULAE. ALAE are linked to the settlement of an individual claim or loss, whereas ULAE reserve is based on our estimates of future costs to administer the claims.

We and our subsidiaries establish losses and LAE reserves for individual claims by evaluating reported claims on the basis of:

- our knowledge of the circumstances surrounding the claim;
- the severity of the injury or damage;
- the jurisdiction of the occurrence;
- the potential for ultimate exposure;
- the type of loss; and
- our experience with the line of business and policy provisions relating to the particular type of claim.

Because a significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an insurance or reinsurance company and the ultimate payment of the claim on the loss event, the liability for unpaid losses and LAE is based largely upon estimates. Our management must use considerable judgment in the process of developing these estimates. The liability for unpaid losses and LAE for property and casualty business includes amounts determined from loss reports on individual cases and amounts for losses incurred but not reported, or IBNR. Such reserves, including IBNR reserves, are estimated by management based upon loss reports received from ceding companies, supplemented by our own estimates of losses for which no ceding company loss reports have yet been received.

In establishing reserves, management also considers actuarial estimates of ultimate losses. Our independent actuaries employ generally accepted actuarial methodologies and procedures to estimate ultimate losses and loss adjustment expenses. Our loss reserves are largely related to casualty exposures and include latent exposures primarily relating to asbestos and environmental, as discussed below. In establishing the reserves for unpaid claims, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, reserves are established to cover loss development related to both known and unasserted claims.

The estimation of unpaid claim liabilities is subject to a high degree of uncertainty for a number of reasons. Unpaid claim liabilities for property and casualty exposures in general are impacted by changes in the legal environment, jury awards, medical cost trends and general inflation. There is significant coverage litigation involved with these exposures which creates further uncertainty in the estimation of the liabilities. Therefore, for these types of exposures, it is especially unclear whether past claim experience will be representative of future claim experience. Ultimate values for such claims cannot be estimated using reserving techniques that extrapolate losses to an ultimate basis using loss development factors, and the uncertainties surrounding the estimation of unpaid claim liabilities are not likely to be resolved in the near future. There can be no assurance that the reserves established by us will be adequate or will not be adversely affected by the development of other latent exposures. The actuarial methods used to estimate ultimate loss and ALAE for our latent exposures are discussed below.

For the non-latent loss exposures, a range of traditional loss development extrapolation techniques is applied. Incremental paid and incurred loss development methodologies are the most commonly used methods. Traditional cumulative paid and incurred loss development methods are used where inception-to-date, cumulative paid and reported incurred loss development history is available. Incremental paid and incurred loss development methodologies are used where inception-to-date loss development data is not available. These methods assume that groups of losses from similar exposures will increase over time in a predictable manner. Historical paid and incurred loss development experience is examined for earlier underwriting years to make inferences about how later underwriting years' losses will develop. For business related to recent accident years, the Bornhuetter-Ferguson approach (described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Losses and Loss Adjustment Expenses —All Other (Non-latent) Reserves") is used with consideration given to plan loss ratios and loss ratios for similar business in more mature accident years. Where company-specific loss information is not available or not reliable, industry loss development information published by reliable industry sources such as the Reinsurance Association of America is considered.

The reserving process is intended to reflect the impact of inflation and other factors affecting loss payments by taking into account changes in historical payment patterns and perceived trends. However, there is no precise method for the subsequent evaluation of the adequacy of the consideration given to inflation, or to any other specific factor, or to the way one factor may affect another.

The loss development tables below show changes, for our non-life run-off segment, in our gross and net loss reserves in subsequent years from the prior loss estimates based on experience as of the end of each succeeding year. The estimate is increased or decreased as more information becomes known about the frequency and severity of losses for individual years. A redundancy means the original estimate was higher than the current estimate; a deficiency means that the current estimate is higher than the original estimate. The "Reserve redundancy" line represents, as of the date indicated, the difference between the latest re-estimated liability and the reserves as originally estimated. Also included in the loss development tables below is the impact of foreign exchange rate movements during each year presented. Portions of our loss reserves relate to claims expected to be paid in currencies other than our reporting currency, the U.S. dollar. Movements in foreign exchange rates, therefore, result in variations in our estimated net loss reserves, and such variations are recognized as they arise in our consolidated statements of earnings. Conditions and trends that have affected development of the ultimate liability in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate redundancies or deficiencies into the future based on the tables below.

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Gross Losses and Loss Adjustment Expense Reserves	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	December 31,										
	(in thousands of U.S. dollars)										
Reserves assumed	$1,047,313	$806,559	$1,214,419	$1,591,449	$2,798,287	$2,479,136	$3,291,275	$4,272,082	$3,650,127	$4,004,513	$3,435,010
1 year later	900,274	909,984	1,227,427	1,436,051	2,661,011	2,237,124	3,057,032	3,980,811	3,447,375	3,675,218	
2 years later	1,002,773	916,480	1,084,852	1,358,900	2,422,291	2,039,141	2,907,956	3,760,339	3,135,832		
3 years later	1,012,483	853,139	1,020,755	1,284,304	2,245,557	1,943,121	2,748,708	3,457,277			
4 years later	953,834	778,216	949,595	1,235,982	2,160,144	1,878,606	2,601,052				
5 years later	879,504	733,151	905,043	1,216,989	2,110,715	1,823,181					
6 years later	835,488	717,413	889,681	1,206,093	2,076,360						
7 years later	820,168	715,574	881,416	1,187,637							
8 years later	819,018	719,867	864,771								
9 years later	823,429	719,076									
10 years later	823,169										
Reserve redundancy	$ 224,144	$ 87,483	$ 349,649	$ 403,812	$ 721,927	$ 655,955	$ 690,223	$ 814,805	$ 514,295	$ 329,295	$ —

Gross Paid Losses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	December 31,										
	(in thousands of U.S. dollars)										
1 year later	$ 110,193	$117,666	$ 90,185	$ 407,692	$ 364,440	$ 377,159	$ 430,284	$ 699,487	$ 463,052	$ 619,438	$ —
2 years later	226,225	198,407	197,751	575,522	727,205	575,814	808,213	1,091,516	835,576		
3 years later	305,913	268,541	353,032	688,946	912,401	768,828	1,050,863	1,407,829			
4 years later	375,762	402,134	423,731	726,332	1,095,603	898,643	1,273,649				
5 years later	509,319	442,624	455,414	772,070	1,216,762	1,033,946					
6 years later	549,033	458,532	481,114	822,094	1,342,439						
7 years later	564,900	477,456	527,804	879,784							
8 years later	583,225	515,762	583,969								
9 years later	621,418	564,174									
10 years later	669,466										

Net Losses and Loss Adjustment Expense Reserves	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	December 31,										
	(in thousands of U.S. dollars)										
Reserves assumed	$ 736,660	$593,160	$ 872,259	$1,163,485	$2,403,712	$2,131,408	$2,765,835	$2,889,079	$2,773,907	$2,882,980	$2,634,301
1 year later	653,039	590,153	875,636	1,034,588	2,216,928	1,851,268	2,533,710	2,731,215	2,524,247	2,553,732	
2 years later	652,195	586,059	753,551	950,739	1,940,472	1,673,922	2,422,811	2,486,405	2,208,555		
3 years later	649,355	532,804	684,999	874,961	1,783,372	1,596,536	2,274,204	2,193,988			
4 years later	600,939	454,933	611,182	816,039	1,719,195	1,527,355	2,085,025				
5 years later	531,666	408,270	557,109	797,815	1,664,375	1,457,990					
6 years later	485,392	388,471	543,052	782,676	1,617,183						
7 years later	466,303	385,410	531,279	755,346							
8 years later	464,060	386,128	505,972								
9 years later	464,899	377,448									
10 years later	457,086										
Reserve redundancy	$ 279,574	$215,713	$ 366,287	$ 408,139	$ 786,529	$ 673,418	$ 680,811	$ 695,091	$ 565,352	$ 329,248	$ —

Net Paid Losses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Year Ended December 31,										
	(in thousands of U.S. dollars)										
1 year later	$ 78,488	$ 79,398	$ 43,896	$ 112,321	$ 247,823	$ 250,635	$ 313,642	$ 326,110	$ 209,221	$ 299,629	$ —
2 years later	161,178	125,272	(70,430)	243,146	480,102	381,820	601,029	471,195	380,476		
3 years later	206,351	(14,150)	58,228	324,735	603,875	530,845	805,020	594,539			
4 years later	67,191	102,776	108,109	347,215	752,318	640,974	946,521				
5 years later	184,150	132,405	128,567	376,674	857,605	733,183					
6 years later	212,822	143,252	150,412	419,383	945,106						
7 years later	223,944	158,503	191,829	459,747							
8 years later	238,658	191,589	231,988								
9 years later	271,647	226,554									
10 years later	307,284										

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The following table provides a reconciliation of the liability for losses and LAE, net of reinsurance ceded, for our non-life run-off segment:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands of U.S. dollars)		
Balance as at January 1 (1)	$ 4,004,513	$ 3,650,127	$ 4,272,082
Less: total reinsurance reserves recoverable	1,121,533	876,220	1,383,003
	2,882,980	2,773,907	2,889,079
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:			
Current period	24,235	74,139	—
Prior periods	(288,946)	(257,114)	(237,953)
Total net reduction in ultimate losses and loss adjustment expense liabilities	(264,711)	(182,975)	(237,953)
Net losses paid:			
Current period	(87,681)	(10,656)	—
Prior periods	(312,415)	(360,124)	(314,528)
Total net losses paid	(400,096)	(370,870)	(314,528)
Effect of exchange rate movement	(49,267)	4,936	14,833
Acquired on purchase of subsidiaries	436,765	557,476	—
Assumed business	28,630	100,506	422,476
Net balance as at December 31	2,634,301	2,882,980	2,773,907
Plus: total reinsurance reserves recoverable	800,709	1,121,533	876,220
Balance as at December 31	$ 3,435,010	$ 4,004,513	$ 3,650,127

(1) We reclassified outstanding losses and loss adjustment expenses of $11.0 million and $10.8 million to policy benefits for life and annuity contracts as at January 1, 2013 and 2012, respectively, to conform to the current period presentation. These amounts are associated with Laguna Life Limited, which now forms part of our life and annuities segment that was established following the acquisition of the Pavonia companies.

In the table above, net reduction in ultimate losses and loss adjustment expense liabilities represents changes in estimates of prior period net losses and loss adjustment expense liabilities comprising net incurred loss movements during the period and changes in estimates of net IBNR liabilities. Net incurred loss movements during the period comprise increases or reductions in specific case reserves advised during the period to us by our policyholders and attorneys, or by us to our reinsurers, less claims settlements made during the period by us to our policyholders, plus claim receipts made to us by our reinsurers. Prior period estimates of net IBNR liabilities may change as our management considers the combined impact of commutations, policy buy-backs, settlement of losses on carried reserves and the trend of incurred loss development compared to prior forecasts.

Commutations provide an opportunity for us to exit exposures to entire policies with insureds and reinsureds, often at a discount to the previously estimated ultimate liability. Commutations are beneficial to us as they extinguish liabilities and reduce the potential for future adverse loss development. All prior historical loss development that relates to commuted exposures is eliminated to produce revised historical loss development for the remaining non-commuted exposures. Our independent actuaries apply their actuarial methodologies to the remaining aggregate exposures and revised historical loss development information to reassess their estimates of ultimate liabilities, and, after management’s review of and, if necessary, adjustments to those estimates, we reassess our estimate of IBNR reserves.

Policy buy-backs provide an opportunity for us to settle individual policies and losses usually at a discount to carried advised loss reserves. As part of our routine claims settlement operations, claims will settle at either below or above the carried advised loss reserve. The impact of policy buy-backs and the routine settlement of claims updates historical loss development information to which actuarial methodologies are applied often resulting in revised estimates of ultimate liabilities. Our actuarial methodologies include industry benchmarking which, under certain methodologies compares the trend of our loss development to that of the industry. To the extent that the trend of our loss development compared to the industry changes in any period, it is likely to have an impact on the estimate of ultimate liabilities.

The following table provides a reconciliation between net reserve redundancy per the loss development triangle above and total net reduction in ultimate losses and loss adjustment expense liabilities in our non-life run-off segment for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,		
	2014	2013	2012
	(in millions of U.S. dollars)		
Net reserve redundancy	$329.2	$249.7	$157.9
Foreign exchange movement	(52.0)	(0.2)	14.8
Net reduction in ultimate losses and loss adjustment expense liabilities relating to companies and portfolios acquired during the year	7.2	13.4	(2.1)
Premium and commission adjustments triggered by incurred losses	4.5	(5.8)	22.6
Claremont novation settlement	—	—	44.8
Net reduction in ultimate losses and loss adjustment expense liabilities relating to prior periods	$288.9	$257.1	$238.0

Information regarding net reduction in ultimate losses and loss adjustment expense liabilities for our non-life run-off segment is discussed further in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations by Segment – Non-Life Run-Off Segment.”

General A&E Exposures

A number of our subsidiaries wrote general liability policies and reinsurance (prior to their acquisition by us) under which policyholders continue to present asbestos-related injury claims and claims alleging injury, damage or clean-up costs arising from environmental pollution. These policies, and the associated claims, are referred to as A&E exposures. The vast majority of these claims are presented under policies written many years ago.

There is a great deal of uncertainty surrounding A&E claims. This uncertainty impacts the ability of insurers and reinsurers to estimate the remaining amount of unpaid claims and related LAE. The majority of these claims differ from any other type of claim because there is inadequate loss development and there is significant uncertainty regarding what, if any, coverage exists, to which, if any, policy years claims are attributable and which, if any, insurers/reinsurers may be liable. These uncertainties are exacerbated by lack of clear judicial precedent and legislative interpretations of coverage that may be inconsistent with the intent of the parties to the insurance contracts and expand theories of liability. The insurance and reinsurance industry as a whole is engaged in extensive litigation over these coverage and liability issues and is, thus, confronted with continuing uncertainty in its efforts to quantify A&E exposures.

Our A&E exposure is administered out of our offices in the United Kingdom and Rhode Island and centrally administered from the United Kingdom. In light of the intensive claim settlement process for these claims, which involves comprehensive fact gathering and subject matter expertise, our management believes that it is prudent to have a centrally administered claim facility to handle A&E claims on behalf of all of our subsidiaries. Our A&E claims staff, working in conjunction with our in-house attorneys experienced in A&E liabilities, proactively administers, on a cost-effective basis, the A&E claims submitted to our insurance and reinsurance subsidiaries.

Our independent, external actuaries use industry benchmarking methodologies to estimate appropriate IBNR reserves for our A&E exposures. These methods are discussed in detail in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Losses and Loss Adjustment Expenses”.

The liability for unpaid losses and LAE, inclusive of A&E reserves, reflects our best estimate for future amounts needed to pay losses and related LAE as of each of the balance sheet dates reflected in the financial statements herein in accordance with U.S. GAAP. As of December 31, 2014, we had net loss reserves of $324.8 million for asbestos-related claims (or 12.3% of total non-life run-off net reserves for losses and loss adjustment expense liabilities) and $64.3 million for environmental pollution-related claims (or 2.4% of total non-life run-off net reserves for losses and loss adjustment expense liabilities). The following table provides a reconciliation of our gross and net loss and ALAE reserves from A&E exposures and the movement in gross and net reserves:

	Years Ended December 31,					
	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
	(in thousands of U.S. dollars)					
Provisions for A&E claims and ALAE at January 1	$ 539,494	$ 480,865	$ 628,643	$ 557,551	$ 702,801	$ 621,487
A&E losses and ALAE incurred during the year	(11,369)	(12,914)	(15,512)	(15,594)	(308)	(5,882)
A&E losses and ALAE paid during the year	(88,649)	(78,841)	(88,984)	(74,208)	(73,850)	(58,054)
Provision for A&E claims and ALAE acquired during the year	—	—	15,347	13,116	—	—
Provision for A&E claims and ALAE at December 31	$ 439,476	$ 389,110	$ 539,494	$ 480,865	$ 628,643	$ 557,551

For the years ended December 31, 2014 and 2013, our reserves for A&E liabilities decreased by $100.0 million and $89.2 million on a gross basis, respectively, and by $91.8 million and $76.7 million on a net basis, respectively. The reductions in gross reserves arose from paid claims, successful commutations, policy buy-backs, generally favorable claim settlements during the year and reductions in IBNR resulting from actuarial analysis of remaining liabilities.

Asbestos continues to be the most significant and difficult mass tort for the insurance industry in terms of claims volume and expense. We believe that the insurance industry has been adversely affected by judicial interpretations that have had the effect of maximizing insurance recoveries for asbestos claims, from both a coverage and liability perspective. Generally, only policies underwritten prior to 1986 have potential asbestos exposure, since most policies underwritten after this date contain an absolute asbestos exclusion.

From 2001 through 2003 the industry experienced increasing numbers of asbestos claims, including claims from individuals who did not appear to be impaired by asbestos exposure. Since 2003, however, new claim filings have been fairly stable. It is possible that the increases observed in the early part of the decade were triggered by various state tort reforms (discussed immediately below). We cannot predict whether claim filings will return to pre-2004 levels, remain stable, or begin to decrease.

Since 2001, several U.S. states have proposed, and in many cases enacted, tort reform statutes that impact asbestos litigation by, for example, making it more difficult for a diverse group of plaintiffs to jointly file a single case, reducing “forum-shopping” by requiring that a potential plaintiff must have been exposed to asbestos in the state in which he/she files a lawsuit, or permitting consolidation of discovery. These statutes typically apply to suits filed after a stated date. When a statute is proposed or enacted, asbestos defendants often experience a marked increase in new lawsuits, as plaintiffs’ attorneys seek to file suit before the effective date of the legislation. Some of this increased claim volume likely represents an acceleration of valid claims that would have been brought in the future, while some claims will likely prove to have little or no merit. As many of these claims are still pending, we cannot predict what portion of the increased number of claims represent valid claims. Also, the acceleration of claims increases the uncertainty surrounding projections of future claims in the affected jurisdictions.

During the same timeframe as tort reform, the U.S. federal and various U.S. state governments sought comprehensive asbestos reform to manage the growing court docket and costs surrounding asbestos litigation, in addition to the increasing number of corporate bankruptcies resulting from overwhelming asbestos liabilities. Whereas the federal government has failed to establish a national asbestos trust fund to address the asbestos problem, several states, including Texas and Florida, have implemented a medical criteria reform approach that only permits litigation to proceed when a plaintiff can establish and demonstrate actual physical impairment.

Much like tort reform, asbestos litigation reform has also spurred a significant increase in the number of lawsuits filed in advance of the law’s enactment. We cannot predict whether the drop off in the number of filed claims is due to the accelerated number of filings or an actual trend in the decline of alleged asbestos injuries.

Environmental Pollution Exposures

Environmental pollution claims represent another significant exposure for us. However, environmental pollution claims have been developing as expected over the past few years as a result of stable claim trends. Claims against Fortune 500 companies are generally declining, and while insureds with single-site exposures are still active, in many cases claims are being settled for less than initially anticipated due to improved site remediation technology and effective policy buy-backs.

Despite the stability of recent trends, there remains significant uncertainty involved in estimating liabilities related to these exposures. Unlike asbestos claims which are generated primarily from allegedly injured private individuals, environmental claims generally result from governmentally initiated activities. First, the number of waste sites subject to cleanup is unknown. Over 1,000 sites are included on the National Priorities List (NPL) of the United States Environmental Protection Agency. State authorities have separately identified many additional sites and, at times, aggressively implement site cleanups. Second, the liabilities of the insureds themselves are difficult to estimate. At any given site, the allocation of remediation cost among the potentially responsible parties varies greatly depending upon a variety of factors. Third, as with asbestos liability and coverage issues, judicial precedent regarding liability and coverage issues regarding pollution claims does not provide clear guidance. There is also uncertainty as to the U.S. federal “Superfund” law itself and, at this time, we cannot predict what, if any, reforms to this law might be enacted by the U.S. federal government, or the effect of any such changes on the insurance industry.

Atrium

Our Atrium segment is comprised of the active underwriting operations and financial results of Northshore Holdings Limited, a holding company that owns Atrium and its subsidiaries and Arden. We acquired Atrium on November 25, 2013 and Arden on September 9, 2013.

Atrium and its subsidiaries are an underwriting business at Lloyd's of London, which manages Syndicate 609 and provides approximately 25% of the Syndicate's underwriting capacity (with the balance provided by traditional Lloyd's Names). Atrium has offices in London, the U.S., Canada, and Singapore. Generally speaking, Atrium continues to operate in accordance with the underwriting and other business strategies established pre-acquisition, although we and Trident continually review these strategies and business goals and expect to develop synergies with our existing business operations over time.

Arden is a Bermuda-based reinsurance company that provides reinsurance to Atrium (through an approximately 65% quota share reinsurance arrangement with Atrium 5 Ltd, an Atrium subsidiary, which is eliminated upon consolidation) and is currently in the process of running off certain other discontinued businesses. Results related to Arden's discontinued business are included within our non-life run-off segment.

Lines of Business Underwritten

Syndicate 609 provides insurance and reinsurance on a worldwide basis including the United States, Europe, the Far East and Australasia. Atrium specializes in a wide range of industry classes, including accident and health, aviation, marine, property, liability, reinsurance, upstream energy and war and terrorism. Lloyd's business is often underwritten on a subscription basis across the insurance market. Atrium is the lead underwriter in approximately 35% of the business it underwrites.

Lloyd's is a surplus lines insurer and an accredited reinsurer in all U.S. states and territories, and a licensed (or admitted) insurer in Illinois, Kentucky and the U.S. Virgin Islands.

Gross premiums written by line of business for the Atrium segment for the year ended December 31, 2014 were as follows:

	Year Ended December 31, 2014	% of Total Gross Written Premium
	(in thousands of U.S. dollars)	
Marine	$ 23,531	15.2%
Property and Casualty Binding Authorities	29,355	19.0%
Upstream Energy	19,162	12.4%
Reinsurance	12,710	8.2%
Accident and Health	15,837	10.3%
Non-Marine Direct and Facultative	17,204	11.2%
Liability	18,300	11.9%
Aviation	7,883	5.1%
War and Terrorism	10,266	6.7%
Total	$ 154,248	100.0%

A description of each of these lines of business follows:

Marine. The Marine line of business is a worldwide portfolio writing marine hull, cargo, fine art and specie, marine and energy liability and total loss only business. This includes hull all risks, hull total loss interests, yachts, fishing vessels, ship construction, ports, cable construction and cable operating risks, tows, mortgages interests, port property, war risks and a number of other specialist areas of marine insurance. Cargo, fine art and specie includes exporters, museums, auction houses, jewelers, banks and security houses. Business is written on a direct, reinsurance, proportional and excess of loss basis.

Property and Casualty Binding Authorities. The property and casualty binding authority portfolio includes a broad range of small and medium business entity insurance products offered across the U.S. and Canada. Typical property risks include commercial, vacant and hard-to-place residential dwellings. Typical casualty risks include owners, landlords and tenants, business owners, artisan, special events and various niche products. Business is written through both traditional binding authorities as well as online binding authorities through AUGold, Atrium's proprietary online system that is used by brokers.

Upstream Energy. The upstream energy line of business is split into two main categories of assureds: operators (private and publically quoted companies, national oil companies and Oil Insurance Limited members) and contractors (for drilling, service and construction entities). The principal coverage is physical damage/business interruption, control of well and associated pollution, construction and Gulf of Mexico windstorm and other natural catastrophe perils. Nearly all of the upstream energy line of business is sourced through Lloyd's brokers, with the significant majority written on a facultative basis and a smaller amount written on a treaty basis.

Reinsurance. The reinsurance line is a worldwide portfolio and includes aviation reinsurance, casualty reinsurance, property reinsurance, and marine reinsurance. Business is mainly written on a risk excess of loss, catastrophe excess of loss or retrocessional basis. Aviation reinsurance is written through an underwriting consortium managed by Atrium.

Accident and Health. The accident and health line is a global account that encompasses a wide range of classes, including group and individual disability, personal accident, travel insurance, medical expenses, aviation personal accident, war risks, kidnap and ransom insurance, and sports accident insurance. The line includes both insurance and reinsurance business, written as facultative placements and under delegated underwriting facilities and both proportional and non-proportional treaties.

Non-Marine Direct and Facultative. The non-marine direct and facultative portfolio includes a diverse mix of property business offered in both the international and U.S. markets, comprised of physical loss or damage, business interruption, extra expense, construction, contingency and pecuniary loss risks in respect of onshore property and onshore engineered risks. The majority of this line of business is written through Lloyd's brokers and under delegated underwriting facilities.

Liability. The liability line of business includes a professional liability North American portfolio of products covering a diverse range of classes including architects, consultants and lawyers and also a miscellaneous range encompassing many different professions. Included within this line of business is international liability, which is a book of primary coverholder business covering the security, leisure and hotel industries. The majority of business is produced through delegated binding authority contracts.

Aviation. The aviation portfolio includes all aspects of aviation insurance, with Atrium specializing in rotor wing and non-major airlines. The majority of the account is sourced through London brokers as direct or facultative reinsurance of a local reinsurer. This line of business also includes a space account which covers launch as well as in-orbit risks and is written through an underwriting consortium managed by Atrium.

War and Terrorism. The war and terrorism line includes aviation war, marine war, and terrorism. Aviation war covers hull war and other perils commonly excluded from hull and liability all risk policies.

Atrium leads a number of the major marine war contracts in London. This line also includes political violence business, in which Atrium focuses on writing with security consultants engaged to provide risk or country surveys.

Distribution

Most of the business in the Atrium segment is placed through insurance and reinsurance brokers, although some of our insurance business is also placed through managing general agents. Atrium seeks to develop relationships with insurance and reinsurance brokers, insurance and reinsurance companies, large global corporations and financial intermediaries to develop and underwrite business. For the year ended December 31, 2014, independent brokers Marsh Inc., Willis Group Holdings Ltd. and Aon Benfield Group Ltd. accounted for approximately 31% of Atrium's gross premiums written, as described in the table below:

Broker/Agent	2014
Marsh & McLennan Companies	12.0%
Willis Group	11.0%
Aon Benfield	8.0%
Others (individually less than 8%)	69.0%
	100.0%

Managing Agency Services

Atrium receives a managing agency fee of 0.7% of Syndicate 609 capacity and a 20% profit commission based on the net earnings of Syndicate 609, pursuant to its management contract. Atrium also receives management fees and profit commission from the management of underwriting consortiums. These fees and profit commission are included within fees and commission income in our consolidated statement of earnings.

Claims Management

Claims in respect of business written by Syndicate 609 are primarily notified by various central market bureaus. Where a syndicate is a "leading" syndicate on a Lloyd's policy, its underwriters and claims adjusters work directly with the broker or insured on behalf of itself and the following market for any particular claim. This may involve appointing attorneys or loss adjusters. The claims bureaus and the leading syndicate advise movement in loss reserves to all syndicates participating on the risk. Our claims department may adjust the case reserves it records from those advised by the bureaus as deemed necessary.

Reinsurance Ceded

On an annual basis Atrium purchases a tailored outwards reinsurance program designed to manage its risk profile. The majority of Atrium's total third party reinsurance cover is with Lloyd's Syndicates or other highly rated reinsurers.

Reserves for Unpaid Losses and Loss Adjustment Expense

The reserves for unpaid reported losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represent the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by us. The reserve for incurred but not reported losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

The following table provides a reconciliation of the liability for losses and LAE, net of reinsurance ceded in our Atrium segment:

	Years Ended December 31,	
	2014	2013
	(in thousands of U.S. dollars)	
Balance as at January 1	$215,392	$ —
Less: total reinsurance reserves recoverable	25,055	—
	190,337	—
Acquired on purchase of subsidiaries	—	200,374
Effect of exchange rate movement	(3,821)	1,286
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	74,094	19,303
Prior periods	(18,666)	—
Total net increase in ultimate losses and loss adjustment expense liabilities	55,428	19,303
Net losses paid:		
Current period	(29,626)	(30,626)
Prior periods	(27,985)	—
Total net losses paid	(57,611)	(30,626)
Net balance as at December 31	184,333	190,337
Plus: total reinsurance reserves recoverable	28,278	25,055
Balance as at December 31	$212,611	$215,392

Torus

Our Torus segment is comprised of the active underwriting operations and financial results of Bayshore Holdings Limited, a holding company that owns Torus and its subsidiaries. We acquired Torus on April 1, 2014. Results relating to Torus' run-off lines of business are included within our non-life run-off segment.

Torus is a global specialty insurer and holding company of six wholly-owned insurance vehicles, including Lloyd's Syndicate 1301. Following the Torus acquisition, a new management team was put in place comprising senior leaders from Torus, Enstar, Stone Point Capital, and outside talent, which has focused on executing underwriting strategy and improving operational effectiveness and efficiency.

Lines of Business Underwritten

Torus conducts its business primarily as a direct insurer, underwriting general property, marine, onshore and offshore energy, construction, power and utility, aviation, space, casualty, healthcare, and workers compensation risks, as well as professional liability and management liability. Torus also writes a reinsurance account (both treaty and facultative reinsurance depending on the line of business) in personal accident, property and certain classes of marine liabilities to insurance companies on a worldwide basis.

Gross premiums written by line of business for the Torus segment from the date of acquisition to December 31, 2014 were as follows:

	Year Ended December 31, 2014	% of Total Gross Written Premium
	(in thousands of U.S. dollars)	
Marine and Excess Casualty	$ 70,826	13.8%
Property	118,479	23.1%
Aviation and Space	86,446	16.9%
Workers Compensation	51,442	10.0%
Casualty:		
U.S. Excess Casualty	106,049	20.7%
Healthcare	36,698	7.2%
U.S. Management and Professional Liability	17,805	3.5%
Non-U.S. Management and Professional Liability	15,429	3.0%
Accident and Health	9,045	1.8%
Total Casualty	185,026	36.2%
Total	$ 512,219	100.0%

Marine and excess casualty. The marine and excess casualty line of business includes a diverse portfolio of marine business underwritten across the Lloyd's and London markets and Continental Europe (writing hull, cargo, marine and energy liabilities, war and terrorism, and specie insurance, either on a standalone basis or within multiline packages) and international excess casualty (focusing on large commercial and industrial risks through Torus' Lloyd's and London platforms).

Property. The property portfolio comprises a diverse book of property insurance that serves a global client base, including general property, onshore energy, upstream and offshore energy, power and utilities and construction business. Most lines are written on a full value, primary, excess of loss or quota share basis.

Aviation and space. The aviation and space line serves a global client base with respect to aviation products written on an admitted and/or excess and surplus lines basis in all 50 U.S. states, with facultative general aviation and products business underwritten through Torus' Lloyd's platform. The line also includes airline insurance, focusing on low cost carriers and regional operators, European general aviation broker lineslips, aviation terrorism and war hull insurance, as well as space in-orbit and launch risks.

Workers compensation. The workers compensation line of business consists of U.S. policies written for employers on a multiple state, federal acts, applicable common law and/or traditional state act coverage basis. Torus' portfolio includes a range of industries, including energy, maritime, automotive dealers, construction, healthcare, oil and gas, and manufacturing businesses. Business is written on a direct basis through partnerships with independent agents, managing general underwriters, and select wholesale brokers throughout the U.S.

Casualty. The casualty portfolio consists of Torus' U.S. excess casualty, global management and professional liability, global healthcare, and personal accident lines.

U.S. excess casualty. Torus provides umbrella, excess and retained limit products to U.S. clients across a range of market segments and small to mid-market businesses. Business is underwritten through traditional platforms as well as Torus' proprietary online underwriting system, Escape, and through the use of managing general agent programs.

Healthcare. The healthcare line includes U.S. healthcare products written on a direct or reinsurance basis to clients such as acute care centers, nursing homes, small hospitals, physician groups, senior living facilities and others.

U.S. management and professional liability. Torus provides primary management and professional liability products for clients worldwide through its specialist underwriting teams located in the U.S. This line of business includes directors and officers, employment practices liability, and fiduciary liability coverage to private, not-for-profit and micro-cap public companies. The line also includes lawyers' professional liability and commercial errors and omissions liability.

Non-U.S. management and professional liability. Torus provides management and professional liability coverage internationally, including for directors and officers of companies ranging from small, family-owned companies and not-for-profit organizations to publicly listed, multinational corporations across numerous industry segments, as well as financial institutions. Clients include, among others, architects, accountants, engineers, real estate agents, solicitors, investment advisors, business consultants, IT professionals, and media companies.

Accident and health. The accident and health line, written through Torus' Lloyd's Syndicate 1301, includes a wide variety of worldwide risks, such as specialist aviation and marine crew personal accident and loss of license coverage, as well as accidental death, permanent and temporary disability, and sports / high net worth individual business.

Torus' Lloyd's Syndicate 1301

Torus' Lloyd's Syndicate 1301 is managed by Lloyd's managing agency, Torus Underwriting Management Limited. Through Syndicate 1301, Torus offers a variety of products for small and middle market clients, as well as multinational organizations, across several specialty lines of business. Lloyd's business includes: accident and health, sports personal accident, loss of license, aviation, construction, excess casualty, marine cargo, hull and liability, property direct and facultative, property binders, power and utilities, specie and fine art, U.S. healthcare, and war and terrorism.

In addition to underwriting business directly at Lloyd's in London, Torus provides local access to the Lloyd's market across Continental Europe, including in France, Germany, Italy, the Netherlands, and Switzerland. U.S. healthcare business can be written locally from Torus' Jersey City, New Jersey office through Torus U.S. Intermediaries Inc., a Lloyd's-approved service company.

Distribution

Most of the business in the Torus segment is placed through insurance and reinsurance brokers and managing general agents. Torus seeks to develop relationships with insurance and reinsurance brokers, insurance and reinsurance companies, corporations and financial intermediaries to develop and underwrite business. Torus also reviews opportunities to renew select business from Enstar acquisitions, where the business is aligned with its growth strategy. In addition to traditional, field-based underwriting platforms, Torus utilizes two online broker portals: Escape (in its U.S. excess casualty business) and XPRESS (in its European management and professional liability business).

We had an ownership interest in Torus only for nine months in 2014, but for illustrative purposes, independent brokers Marsh Inc., Willis Group Holdings Ltd. and Aon Benfield Group Ltd. accounted for approximately 36% of Torus' gross premiums written for the year ended December 31, 2014, as described in the table below:

Broker/Agent	2014
Marsh & McLennan Companies	14.0%
Willis Group	11.0%
Aon Benfield	11.0%
Others (individually less than 10%)	64.0%
	100.0%

Claims Management

Claims in respect of business written by Syndicate 1301 and Torus' other London market business are primarily notified by various central market bureaus. The claims bureaus and the leading syndicate advise movement in loss reserves to all syndicates participating on the risk. Our claims department may adjust the case reserves it records from those advised by the bureaus as deemed necessary.

Claims in respect of non-bureau business are handled by Torus' experienced claims professionals. Torus uses claims handling guidelines along with a global claims management system to review, report and administer claims. With respect to certain lines of business, Torus may use third-party administrators to manage and pay claims on its behalf and advise with respect to case reserves.

Reinsurance Ceded

On an annual basis, Torus purchases a tailored outwards reinsurance program designed to manage its risk profile. The majority of Torus' total third party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

Reserves for Unpaid Losses and Loss Adjustment Expense

The reserves for unpaid reported losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represent the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by us. The reserve for incurred but not reported losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

The following table provides a reconciliation of the liability for losses and LAE, net of reinsurance ceded in our Torus segment:

	April 1, 2014 to December 31, 2014 (in thousands of U.S. dollars)
Balance as at April 1	$ —
Less: total reinsurance reserves recoverable	—
	—
Acquired on purchase of subsidiaries	464,682
Effect of exchange rate movement	(16,716)
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:	
Current period	229,488
Prior periods	(11,059)
Total net increase in ultimate losses and loss adjustment expense liabilities	218,429
Net losses paid:	
Current period	(49,489)
Prior periods	(80,315)
Total net losses paid	(129,804)
Net balance as at December 31	536,591
Plus: total reinsurance reserves recoverable	325,209
Balance as at December 31	$ 861,800

Life and Annuities

Our life and annuities segment consists of the operations of our subsidiaries managing our closed-block of life and annuity business, which primarily consists of the companies we acquired in the Pavonia acquisition on March 31, 2013. The Pavonia business operates out of our New Jersey office. The segment also includes Laguna Life Limited, a small Irish-based closed-life company formerly known as CitiLife Financial Limited, which we acquired from Citigroup Insurance Holding Corporation in 2011.

We have also signed a definitive agreement to acquire NSA, which is anticipated to close during the second quarter of 2015. The transaction is expected to add life policy benefits of approximately $121.0 million to this segment, comprised of credit and traditional life insurance business that we will operate in run-off.

Similar to our non-life run-off segment, our life and annuities companies are no longer writing new policies, however, unlike that segment, these companies continue to generate premiums with respect to their in-force policies.

Our strategy in the life and annuities segment differs from our non-life business, in particular because we have limited ability to shorten the duration of the liabilities of these businesses through either early claims settlement, commutations or policy buy-backs. Instead, we hold the policies to their natural maturity or lapse, while aiming to efficiently manage our invested assets in those businesses to match the duration and cash flows of the liability profile, and will pay claims as they come due.

Annuities

The current operations of one of the Pavonia companies relate solely to the assumption of a closed block of structured settlement, lottery, and other immediate annuities (also known as the periodic payment annuity, or PPA, business). The company no longer writes new business. Reserves relating to the PPA business constitute approximately 77% of the aggregate reserves of the Pavonia companies as at December 31, 2014. The contracts within the portfolio are largely structured settlements, although the portfolio also includes a smaller amount of lottery annuities and supplementary contracts.

The PPA business was issued from 1982 to 1995, although the majority of the reserves pertain to the period from 1985 to 1989. The contracts within the portfolio operate pursuant to a variety of different payment features, such as life contingency payments, certain payments (or a combination thereof), one-time lump payments, or payments patterns such as level, compound increase or fixed amount increase payments. Regardless of payment structure, however, the portfolio generally has known and predictable cash flows, which makes the asset liability matching process and the mitigation of interest rate risk a vital component to our management of this portfolio. We have a long duration held-to-maturity investment portfolio designed to manage the cash flow obligations of the PPA business.

Life Business

The other operations of the acquired Pavonia companies relate to non-annuity portfolios, which include credit life and disability insurance, term life insurance, and corporate owned life insurance and assumed reinsurance of term and ordinary life and accidental death and dismemberment products sold in the U.S. and Canada. The operations of Laguna Life Limited include term life insurance primarily sold in the U.K. and Europe. This business is shorter in duration than that of the PPA business and, given the premium income associated with these portfolios, the reserves (based upon net present value of future cash flows) remain highly sensitive to lapse rates as well as mortality rates.

Life and Annuity Benefits and Claims Reserves

We estimate our life and annuity benefit and claim reserves on a present value basis using standard actuarial techniques and cash flow models. We establish and maintain our life and annuity 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 future cash flow benefit obligations and third party servicing obligations as they become payable.

The table below summarizes our policy benefits for life and annuity contracts as at December 31, 2014 and 2013:

	2014	2013
Life	$ 344,215	$ 380,874
Annuities	938,121	963,323
	1,282,336	1,344,197
Fair value adjustments	(61,472)	(71,097)
	$ 1,220,864	$ 1,273,100

See the “Policy Benefits for Life and Annuity Contracts” discussion in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” for discussion of our reserves in this segment.

Financial Strength Ratings

In our active underwriting businesses, financial strength ratings are an important factor in establishing competitive position and in product marketing. Financial strength ratings by third party organizations provide an opinion of an insurer's or reinsurer's financial strength and ability to meet ongoing obligations to its policyholders. Lloyd's ratings apply to business written through Syndicate 609 and to business written through Torus' Syndicate 1301. Lloyd's is rated "A" (Excellent) by A.M. Best, "A+" (Strong) by Standard and Poor's (or S&P) and "AA-" (Very Strong) by Fitch Ratings. Torus' operating insurance entities have been assigned a financial strength rating of "A-" (Excellent) by A.M. Best.

These ratings reflect A.M. Best's, S&P's, and Fitch's opinions of capitalization, performance and management, and are not a recommendation to buy, sell or hold our securities. These ratings may be changed, suspended or withdrawn at the discretion of the agencies. The A.M. Best rating for Torus of "A-" (Excellent) by A.M. Best is the fourth highest of 16 rating levels.

Refer to "Item 1A. Risk Factors," "*— Downgrades of financial strength ratings at Torus or Lloyd's could materially and negatively impact our active underwriting business and our company*" for more information regarding the importance of financial strength ratings.

Competition

Our non-life run-off and life and annuities business segments compete in international markets with domestic and international reinsurance companies to acquire and manage insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off. The acquisition and management of companies and portfolios in run-off is highly competitive, and driven by a number of factors, including proposed acquisition price, reputation, and financial resources. Some of these competitors have greater financial resources than we do, have been operating for longer than we have and have established long-term and continuing business relationships throughout the insurance and reinsurance industries, which can be a significant competitive advantage. As a result, we may not be able to compete successfully in the future for suitable acquisition candidates or run-off portfolio management engagements.

Our Atrium and Torus active underwriting segments operate in the highly competitive insurance and reinsurance markets, where companies compete on the basis of many factors, including premium rates, reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments and quality of administrative services, relationships with insurance and reinsurance companies and insurance intermediaries, capacity and coverage offered, experience in the particular risk to be underwritten, and various other factors.

Atrium and Torus compete in the international insurance and reinsurance markets directly with numerous other parties, including established global insurance and reinsurance companies, start-up insurance and reinsurance entities, other Lloyd's syndicates, as well as capital markets and securitization structures aimed at managing risk. Many of these competitors have significant operating histories, underwriting expertise and capacity, extensive capital resources, and longstanding customer relationships. Any of these factors can be a significant competitive advantage and may make it difficult for us to write business effectively and profitably. Because few barriers exist to prevent insurers and reinsurers from entering the non-life active underwriting business, market conditions and capital capacity influence the degree of competition at any specific point in time. Periods of intense competition, which typically include broader coverage terms, lower prices and excess underwriting capacity, are referred to as a "soft market," while a favorable insurance market is referred to as a "hard market" and is characterized by stricter coverage terms, higher prices and lower underwriting capacity.

Historically, the performance of the non-life active underwriting business has tended to fluctuate in cyclical periods of price competition and excess underwriting capacity, followed by periods of high premium rates and shortages of underwriting capacity. This cyclical market pattern can be more pronounced in the specialty insurance and reinsurance markets in which Atrium and Torus compete.

Employees

As of December 31, 2014, we had 1,201 employees. All non-Bermudian employees who operate out of our Bermuda office are subject to governmental approval of Bermuda work permits. None of our employees are covered by collective bargaining agreements, and our management believes that our relationship with our employees is excellent.

The table below summarizes the total number of employees we had as at December 31, 2014 and 2013 by operating segment:

	2014	2013
Non-life run-off	521	529
Atrium	157	161
Torus	474	—
Life and annuities	49	49
Total	1,201	739

With our acquisition of Companion on January 27, 2015, we added approximately 120 employees to our non-life run-off segment.

Financial Information About Geographic Areas

The following table summarizes our gross premiums written by each of our operating segments by geographic area. Geographic distribution in subsequent years is subject to variation based upon market conditions and business strategies.

	Non-Life Run-off		Atrium		Torus		Life and Annuities		Total	
	Total	%	Total	%	Total	%	Total	%	Total	%
	(In thousands of U.S. dollars, except percentages)									
United States	$ 110	0.9%	$ 82,355	53.3%	$204,301	39.9%	$ 91,847	81.2%	$378,613	47.7%
United Kingdom	10,329	80.5%	8,434	5.5%	230,943	45.1%	1,291	1.1%	250,997	31.7%
Europe	859	6.7%	9,898	6.4%	76,975	15.0%	2,597	2.3%	90,329	11.4%
Asia	—	0.0%	8,582	5.6%	—	0.0%	—	0.0%	8,582	1.1%
Rest of World	1,520	11.9%	44,979	29.2%	—	0.0%	17,395	15.4%	63,894	8.1%
Total	$12,818	100.0%	$154,248	100.0%	$512,219	100.0%	$113,130	100.0%	$792,415	100.0%

In our non-life run-off segment, excluding net premiums earned, our revenues from external customers included fees and commission income from management, consulting and other services through our subsidiaries located in Bermuda, the United States, the United Kingdom and Australia. Given the global nature of the clients and the risks, extracting and quantifying the fees and commission income attributable to certain geographic locations would be impracticable.

In our Atrium segment, excluding net premiums earned, revenues included fees and commissions earned primarily in the United Kingdom, although Atrium also has offices in the United States, Canada and Singapore.

Investments

We derive a significant portion of our income from our invested assets. As a result, our operating results depend in part on the performance of our investment portfolio. Because of the unpredictable nature of losses that may arise under our insurance and reinsurance subsidiaries' insurance or reinsurance policies and as a result of our opportunistic commutation strategy in our non-life run-off business, our liquidity needs can be substantial and may arise at any time. Except for that portion of our portfolio that is invested in non-investment grade securities, we generally follow a conservative investment 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.

As of December 31, 2014, we had cash and cash equivalents, inclusive of restricted amounts, of approximately $1.5 billion. Our cash and cash equivalent portfolio is comprised mainly of cash, high-grade fixed deposits, commercial paper with maturities of less than three months at the time of acquisition and money market funds. As of December 31, 2014, we held investments on our balance sheet of approximately $6.0 billion. Our investment portfolio consists primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration, equities and other investments.

Across all of our segments, we strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile. If our liquidity needs or general liability profile unexpectedly change, we may adjust the structure of our investment portfolio to meet new business needs.

We utilize various companies to provide investment advisory and/or management services. We have agreed to pay investment management fees to the managers. These fees, which vary depending on the amount of assets under management, are included in net investment income. The total fees we paid to our investment managers for the year ended December 31, 2014 were approximately $9.5 million, including approximately $1.3 million to our largest single investment manager.

Our investment performance is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, foreign exchange risk, liquidity risk and credit and default risk. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could result in significant losses, realized or unrealized, in the value of our investment portfolio. A portion of our non-investment grade securities consists of alternative investments that subject us to restrictions on redemption, which may limit our ability to withdraw funds for some period of time after the initial investment. The values of, and returns on, such investments may also be more volatile. For more information on these risks, refer to "Item 1A. Risk Factors — Risks Relating to Our Investments."

As of December 31, 2014 and 2013, our aggregate invested assets included:

- cash and cash equivalents, inclusive of restricted amounts;
- a trading portfolio of fixed maturity securities, short-term investments and equities as well as an available-for-sale portfolio of fixed maturity securities and short-term investments, all of which are recorded at fair value on our balance sheet;
- a held-to-maturity portfolio of fixed maturity securities, supporting our annuity business within Pavonia, which are recorded at amortized cost on our balance sheet; and
- investments in various private equity, fixed income, fixed income hedge, equity, real estate debt and collateralized loan obligation (CLO) equity funds, along with direct investments in CLO equities, all of which are recorded at fair value on our balance sheet.

The fair value of our aggregate invested assets by type and by classification for the years ended December 31, 2014 and 2013 were as follows:

	As at December 31, 2014				As at December 31, 2013			
	Fair Value of Invested Assets by Type				Fair Value of Invested Assets by Type			
	Trading	Held-to Maturity	Available-for-Sale	Total	Trading	Held-to Maturity	Available-for-Sale	Total
	(In thousands of U.S. dollars)							
Fixed maturities and short-term investments:								
U.S. government and agency	$ 744,660	$ 20,559	$ 24,342	$ 789,561	$ 439,946	$ 18,132	$ 28,343	$ 486,421
Non-U.S. government	368,945	38,689	70,494	478,128	476,224	22,327	86,292	584,843
Corporate	1,986,873	767,124	101,056	2,855,053	2,123,675	759,100	77,904	2,960,679
Municipal	25,607	—	—	25,607	41,034	—	—	41,034
Residential mortgage-backed	308,621	—	3,243	311,864	218,457	—	17,507	235,964
Commercial mortgage-backed	139,907	—	—	139,907	114,637	—	—	114,637
Asset-backed	388,194	—	41,976	430,170	248,748	—	36,318	285,066
Total fixed maturity and short-term investments	3,962,807	826,372	241,111	5,030,290	3,662,721	799,559	246,364	4,708,644
Equities	150,130	—	—	150,130	182,033	—	—	182,033
Other investments	836,868	—	—	836,868	569,293	—	—	569,293
Cash and cash equivalents	963,402	—	—	963,402	643,841	—	—	643,841
Restricted cash and cash equivalents	534,974	—	—	534,974	397,657	—	—	397,657
Total aggregate invested assets at fair value	$6,448,181	$826,372	$241,111	$7,515,664	$5,455,545	$799,559	$246,364	$6,501,468

For additional information regarding our investment portfolio, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Investments.”

Enterprise Risk Management (ERM)

Risk assumption is inherent in our business and appropriately setting risk appetite and executing our business strategies in accordance therewith is key to our performance. Effective risk oversight is an important priority for our Boards of Directors (both at the Company level and at a subsidiary level), and we place strong emphasis on ensuring we have a robust risk management framework to identify, measure, manage, report and monitor risks that affect the achievement of our strategic, operational and financial objectives.

The overall objective of our risk management framework is to support good risk governance, support the achievement of business objectives and provide overall benefits to us by adding value to the control environment, and contributing to an effective business strategy, efficiency in operations and processes, strong financial performance, accurate financial reporting, regulatory compliance, a good reputation with key stakeholders, business continuity planning, and capital planning.

Risk Governance and Risk Management Organization

Our enterprise risk management, or ERM, consists of numerous processes and controls that have been designed by our senior management (including our risk management team), with oversight by our Board of Directors and its committees, management by our executive leaders, and implementation by employees across our organization.

Board of Directors

The Board of Directors and its committees have risk oversight responsibility and play an active role in overseeing management of the risks we face. Our Audit Committee, comprised entirely of independent directors, oversees our risk management framework, reviews our overall risk appetite with input from management, reviews our risk management methodologies and oversees management's execution of our risk management objectives. Our Investment Committee is responsible for overseeing investment-related risk, including those related to cash and investment portfolio and investment strategy; our Compensation Committee oversees compensation-related risks; and our Nominating and Governance Committee is responsible for overseeing corporate governance-related risks.

Executive and Risk Management Organization

In addition to director oversight, our ERM governance structure is directed by our ERM steering committees, which include senior management and members of the global executive team. The committees provide oversight and governance of our ERM initiatives, oversee the operation of our internal controls, attempt to mitigate identified risks within appetite, and provide analysis to management in order to appropriately manage and govern the business and the associated risks on a day-to-day basis.

Our Risk Management department focuses primarily on implementing and overseeing the administration of the ERM steering committees' directives and facilitating an efficient, effective and consistent approach to risk management across our Group. Our Internal Audit department independently reviews the effectiveness of our risk management framework. The results of audits are monitored by the Audit Committee. Our other executive management committees have oversight of specific risk management processes, including, for example, those relating to underwriting and reserving matters.

Entity Level Management

At the operating subsidiary level, risks attendant to our individual insurance and reinsurance subsidiaries are also overseen by the subsidiary boards of directors, subsidiary risk committees and other committees, and management teams, consistent with applicable regulatory requirements and our risk management framework.

Certain risks related to our Atrium and Torus segments are distinct from our non-life run-off and life and annuities segments, and these businesses include external stakeholders that also differ from our other businesses, including our joint venture partners, rating agencies, and, with respect to Atrium, third-party Lloyd's names who provide approximately 75% of the underwriting capacity to Syndicate 609. Accordingly, in addition to the Group oversight of risks attendant to our active underwriting businesses, Atrium and Torus each maintain dedicated risk governance and management frameworks to manage risk, return and capital in the individual businesses, which fit into and form part of our Group ERM practices. These frameworks include oversight at the Atrium and Torus holding company boards of directors, as well as executive risk committees and other committees that manage and monitor risks relevant to specified functional areas. Individualized risk policies and risk appetites are established and tailored to the specific needs of Atrium and Torus, respectively. Enstar senior executives serve as members of the Atrium and Torus boards of directors and certain committees.

Each regulated insurance and reinsurance subsidiary has its own risk register documenting its risk landscape with risk and control owners assigned, which is maintained through a risk management software system. The Group information technology department maintains risk registers with more detailed IT-specific risks at jurisdictional level.

We conduct the risk assessment process on a quarterly or biannual basis for the Group and for each of our regulated insurance and reinsurance subsidiary companies. The assessment process is facilitated and recorded using a risk management software system. The risk management department reviews and consolidates these risk assessments on a quarterly basis and aggregates the assessment at a jurisdictional and Group level to facilitate discussion and challenge and to assess the overall risk categories.

We recognize the importance of information technology and management of data in supporting our businesses, and we utilize a number of technology platforms to assist in our ERM, underwriting, financial and regulatory reporting processes and procedures across our organization. We review and seek to enhance our technological systems on an ongoing basis.

Risk Appetite

Our risk appetite framework considers material risks in our business relating to, among other things, strategic risk, acquisition risk, reserving risk, market risk, credit/counterparty risk, regulatory/reputational risk, operational risk, and various active underwriting risks. Our risk appetite is established at the Group level and represents the amount of risk that we are willing to accept compared to risk metrics based on our shareholders equity, capital resources, potential financial loss, and other risk-specific measures. Risk levels are monitored and any deviations from pre-established levels are reported in order to facilitate responsive action.

Our non-life run-off and life and annuities operating subsidiaries derive individual risk appetites and risk level monitoring consistent with the Group-wide framework. These are managed by the subsidiary boards of directors and management teams, with ultimate oversight by the Audit Committee.

Atrium and Torus establish individual risk appetites unique to each business and aligned with the Group-wide risk management framework. Atrium and Torus risk appetites are set in conjunction with annual business planning and include, among other things, risk tolerances with respect to individual lines of business. We consider and review risk aggregation across our active underwriting businesses.

Risk Categories

We manage our ERM process based on the following major categories of risk within our business. Our ERM is a dynamic process, with updates continually being made as a result of changes in our business, industry and the economic environment. This process and our controls cannot provide absolute assurance that our risk management objectives will be met or that all risks will be appropriately identified and managed, and accordingly, the possibility of material adverse effects on our company remains. See “Item 1A. Risk Factors” for important information on the risks we face.

Strategic Risk. Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, ability to adapt to changes in the external environment, or circumstances that are beyond our control. We manage strategic risk by utilizing a strategic business planning process involving our executive management and Board of Directors. Our annual business plan is reviewed and overseen by our executive management and Board of Directors, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year. We specifically evaluate acquisition opportunities pursuant to a detailed and proprietary process that takes into account, among other things, the risk of the transaction and potential returns, the portfolio's risk exposures, claim practices, reserve requirements and outstanding claims, as well as risks specifically related to our ability to integrate the acquired business. Our governance process, led by our Board of Directors, reviews newly proposed transaction opportunities, capital-raising matters, and other significant business initiatives.

Insurance Risk. Insurance risk refers to the risks spanning many aspects of our insurance operations, including risk assumed upon acquisitions/portfolio transfers, risk associated with our reserving assumptions, and life and annuities portfolio risk. We manage these risks through our acquisition evaluation process, reserving practices discussed above in "Operating Segments," as well as through our commutation and policy buy-back strategy and claims management practices.

Market Risk. Market risk is the risk of loss resulting from underperforming investment returns, dilution of invested capital, or adverse financial market movements (such as interest rates or exchange rates). Investments are primarily managed by our Investment Department, which is overseen by our Investment Committee. We manage market risk in a number of ways, including use of investment guidelines, regular reviews of investment opportunities, market conditions, and portfolio duration, oversight of the selection and performance of external asset managers, regular stress testing of the portfolio against known and hypothetical scenarios against established tolerance levels, and, where possible, foreign currency asset/liability matching.

Liquidity Risk. Liquidity risk is the risk that we are unable to realize investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. We manage this risk generally by following a conservative investment 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. Liquidity risk also includes the risk of our dependence of our future cash flows upon the availability of dividends or other statutorily permissible payments from our subsidiaries, which is limited by applicable laws and regulations. We manage this risk through our capital planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, as well as anticipated capital needs.

Credit / Counterparty Risk. Credit and counterparty risk is the risk of a change in the value of receivables, reinsurance recoverables, or investments due to the failure or inability of counterparties to meet contractual obligations. In our run-off businesses, we manage credit risk with respect to our reinsurance recoverables by ongoing monitoring of counterparty ratings, working to achieve prompt payment of reinsured claims, as well as through our commutation strategy. In our active underwriting businesses, we firstly mitigate credit risk through our reinsurance purchasing process, where reinsurers are subject to financial security and rating requirements prior to approval and by limiting of exposure to individual reinsurers. Thereafter we manage credit risk by the regular monitoring of reinsurance recoveries and premium due directly or via brokers and other intermediaries. In our fixed maturity and short-term investment portfolios, which represent approximately 50.5% of our total assets, we attempt to mitigate credit risk through diversification and issuer exposure limitation.

Operational Risk. Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events, personnel, systems or third parties. Due to our acquisitive strategy, operational risk also includes risks and challenges associated with integrating new companies into the Group. We seek to mitigate operational risks through the application of our policies and procedures and internal control and compliance processes throughout the Group and a focus on acquisition integration and assimilation of new companies into our internal control systems, including but not limited to business continuity planning, information security procedures, financial reporting controls and a review process for material third-party vendor usage.

Reputational Risk. Reputational risk is the risk that an act or omission by us or any of our employees could result in damage to our reputation or loss of trust among our stakeholders. We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Active Underwriting Risk. Underwriting risk in our active underwriting businesses relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities we assume through our underwriting process. Our Atrium and Torus subsidiaries manage exposure levels across risk categories to maintain them within the approved risk appetite. Underwriting risk management strategies may differ depending on the line of business involved and the type of account being insured or reinsured.

We strive to mitigate underwriting risk through numerous controls and strategies, including diversification of our portfolios by class and geography, purchasing reinsurance, establishing a business plan and associated parameters, underwriting peer review, authority limits, underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialized underwriting teams supported by actuarial, catastrophe modeling, claims, risk management, legal, finance, and other technical personnel.

In some business lines we are exposed to multiple insured losses arising out of a single occurrence or catastrophe, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). We model and manage our individual and aggregate exposures to these catastrophic events and other material correlated exposures in accordance with our risk appetite.

Atrium manages its underwriting exposure through a combination of reporting zonal aggregations, realistic disaster scenarios and stochastic modeling. For U.S. natural perils, Atrium uses a major commercial vendor model to monitor its exposure to catastrophe risk.

Torus manages its underwriting exposure primarily through monitoring: (i) probable maximum loss (or PML) for natural catastrophe risk, (ii) realistic disaster scenarios for man-made events and certain natural catastrophe risks, and (iii) applying absolute maximum limits by line of business. Torus also uses a major commercial vendor model to monitor its overall exposure to natural catastrophe risk in correlated geographic zones.

Individual Atrium and Torus lines of business utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. Atrium and Torus each use internally developed capital models as a comprehensive tool for business and capital planning, which include providing information on key risks and facilitating an understanding of the interaction among the risks and related exposures.

The incidence, timing and severity of catastrophes and other event types are inherently unpredictable and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around our ability to measure exposures, which can cause actual exposures and losses to deviate from our estimates.

Regulation

General

The business of insurance and reinsurance is regulated in most countries, although the degree and type of regulation varies significantly from one jurisdiction to another. We have a significant presence in Bermuda, the United Kingdom, the United States and Australia, as well as some European countries, and are subject to extensive regulation under the applicable statutes in these countries. A summary of the material regulations governing us in these countries is set forth below.

With our acquisitive strategy, we may become subject in the future to regulation in new jurisdictions or additional regulations in existing jurisdictions depending on the location and nature of any companies acquired. In addition, regulatory authorities may seek to regulate insurance entities that operate within a group regardless of their domiciliary jurisdictions. If an insurer were to be supervised as part of a group, the insurer could become subject to additional regulation. While we are not currently group supervised, it is possible that a regulator having regulatory authority over certain of our subsidiaries could determine in the future that some or all of those subsidiaries should also be supervised by such regulator as a group, which could lead to increased regulation of our companies.

Bermuda

Enstar Group Limited is not itself currently subject to Bermuda insurance regulations. However, the Insurance Act 1978 of Bermuda and related regulations, as amended, or, together, the Insurance Act, regulate the insurance and reinsurance business of our operating subsidiaries in Bermuda. The Insurance Act imposes certain solvency and liquidity standards and auditing and reporting requirements and grants the Bermuda Monetary Authority, or BMA, powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies.

Significant requirements pertaining to our regulated Bermuda subsidiaries vary depending on the class in which our company is registered, but generally include the appointment of a principal representative in Bermuda, the appointment of an independent auditor, the appointment of an approved loss reserve specialist, the filing of annual statutory financial statements, the filing of statutory financial returns, compliance with group solvency and supervision rules (if applicable), and compliance with the Insurance Code of Conduct (relating to corporate governance, risk management and internal controls).

Our regulated Bermuda subsidiaries must also comply with a minimum liquidity ratio and minimum solvency margin. The minimum liquidity ratio requires that the value of relevant assets must not be less than 75% of the amount of relevant liabilities. The minimum solvency margin, which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and loss adjustment expenses or premiums or pursuant to a risk-based capital measure. Torus Insurance (Bermuda) Limited, our Class 4 insurer domiciled in Bermuda, which continues to underwrite new business, is subject to an enhanced capital requirement (or ECR) determined pursuant to a risk-based capital measure.

Each of our regulated Bermuda subsidiaries would be prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, each of our regulated Bermuda subsidiaries is prohibited, without the prior approval of the Bermuda regulator, from reducing by 15% or more its total statutory capital as set out in its previous year's statutory financial statements. Our Bermuda insurance companies that are in run-off are required to seek BMA approval for any dividends or distributions.

The BMA has established a group supervision framework for insurance groups. The BMA does not act as group supervisor for Enstar or our subsidiaries; it previously acted as the group supervisor of our Torus group, but during 2014 determined it would no longer do so. If the BMA were to become a group supervisor for our companies, we would expect it to, among other things, assess the group's compliance with the BMA's solvency rules, perform ongoing supervisory review and assessment of the group's financial position and governance systems, coordinate the gathering and dissemination of relevant or essential information, and convene and conduct supervisory discussions with other supervisory authorities that have regulatory oversight over entities within the group.

The BMA maintains supervision over the controllers of all Bermuda registered insurers, and accordingly, any person who, directly or indirectly, becomes a holder of at least 10%, 20%, 33% or 50% of our ordinary shares must notify the BMA in writing within 45 days of becoming such a holder (or ceasing to be such a holder). The BMA may object to such a person and require the holder to reduce its holding of ordinary shares and direct, among other things, that voting rights attaching to the ordinary shares shall not be exercisable.

United Kingdom and Lloyd's

United Kingdom

Our U.K.-based insurance subsidiaries consist primarily of run-off companies and Torus Insurance (UK) Limited (acquired April 1, 2014), which is continuing to underwrite new business. These subsidiaries are regulated by the U.K. Prudential Regulatory Authority, or the PRA, and the Financial Conduct Authority, or the FCA, which together replaced the Financial Services Authority effective April 1, 2013 (we collectively refer to the PRA and FCA in this section as the "U.K. Regulator"). Our U.K. run-off subsidiaries may not underwrite new business. E.U. directives also allow certain of our regulated U.K. subsidiaries to conduct business in E.U. states other than the U.K. within the scope of permission granted by the U.K. Regulator without the necessity of additional licensing or authorization in E.U. countries.

Our U.K.-based insurance subsidiaries are required to maintain adequate financial resources in accordance with the requirements of the U.K. Regulator. The calculation of the minimum capital resources requirements in any particular case depends on, among other things, the type and amount of insurance business written and claims paid by the insurance company.

In addition, the U.K. Regulator's Individual Capital Adequacy Standards framework, or ICAS framework, requires insurance companies to carry out various capital modeling and risk management exercises in order to calculate a company-specific Individual Capital Assessment amount, or ICA amount, which is the company's internal calculation of its capital requirements under the ICAS framework. For companies in run-off, the U.K. Regulator typically requires specific loadings to be applied to a company's ICA (as stipulated by the U.K. Regulator) in order to calculate a company's Individual Capital Guidance (ICG), which represents the amount of capital a company is required to hold. This is intended to ensure a company holds sufficient capital such that there is no material risk that its liabilities cannot be met as they fall due.

In 2009, the European Parliament approved the Solvency II framework directive. Solvency II is expected to take effect in January 2016, although our U.K. subsidiaries have been preparing for compliance in advance of that date. Solvency II will set out new, strengthened E.U.-wide requirements on capital adequacy and risk management for insurers with the aim of increasing policyholder protection, instilling greater risk awareness and improving the international competitiveness of E.U. insurers.

The U.K. Regulator's rules require our U.K. insurance subsidiaries to obtain regulatory approval for any proposed or actual payment of a dividend. The U.K. Regulator uses the ICG and the estimated capital requirement for Solvency II purposes when assessing requests to make distributions.

Under the Financial Services and Markets Act of 2000 (or FSMA), any company or individual (together with its or his concert parties) proposing to directly or indirectly acquire "control" over a U.K. authorized insurance company (which is generally defined as acquiring 10% or more of the shares or voting power in a U.K. authorized insurance company or its parent company) must seek prior approval of the U.K. Regulator of his intention to do so. A person who is already deemed to have "control" will require prior regulatory approval of if the person increases the level of "control" beyond 20%, 30% and 50%.

Lloyd's

We participate in the Lloyd's market through our interests in: (i) Atrium's Syndicate 609; (ii) Shelbourne, which consists of an approved Lloyd's managing agent, a corporate member and Syndicate 2008, a wholly aligned syndicate that has permission to underwrite RITC and other run-off or discontinued business type transactions with other Lloyd's syndicates; and (iii) Torus' Syndicate 1301 and Torus Underwriting Management Limited (the Lloyd's managing agent for this syndicate).

Our Lloyd's operations are subject to regulation by the U.K. Regulator and compliance with the Lloyd's Act(s) and Byelaws and regulations, as well as the applicable provisions of the FSMA. The Council of Lloyd's has wide discretionary powers to regulate members' underwriting, and its exercise of these powers might affect the return on an investment of the corporate member in a given underwriting year. This discretion includes the ability to assess up to 3% of a member's underwriting capacity in any one year as a Central Fund contribution.

The underwriting capacity of a member of Lloyd's must be supported by providing a deposit (referred to as "Funds at Lloyd's") in the form of cash, securities or letters of credit in an amount determined under the ICA. The amount of the Funds at Lloyd's is assessed annually and is determined by Lloyd's in accordance with the capital adequacy rules established by the U.K. Regulator.

Business plans, including maximum underwriting capacity, for Lloyd's syndicates requires annual approval by the Lloyd's Franchise Board, which may require changes to any business plan or additional capital to support underwriting plans.

In order to achieve finality and to release their capital, Lloyd's members are usually required to have transferred their liabilities through an approved RITC, such as offered by Syndicate 2008. RITC is generally put in place after the third year of operations of a syndicate year of account. On successful conclusion of RITC, any profit from the syndicate's operations for that year of account can be remitted by the managing agent to the syndicate's members.

The Lloyd's market is currently in the Solvency II internal model application process under Lloyd's supervision. Our Lloyd's operations will therefore be required to meet Solvency II standards when they come into effect.

Lloyd's approval is required before any person can acquire control of a Lloyd's managing agent or Lloyd's corporate member.

United States

Our insurance and reinsurance companies domiciled in the U.S. consist of property and casualty companies and life and annuities companies in run-off, as well as Torus Specialty Insurance Company (a U.S. excess and surplus lines insurer) and Torus National Insurance Company (a U.S. admitted insurer that is licensed in all 50 states and the District of Columbia), both of which continue to issue new policies. Our U.S. insurers are subject to extensive governmental regulation and supervision by the states in which they are domiciled, licensed and/or eligible to conduct business. The insurance laws and regulations of the state of domicile have the most significant impact on operations.

Generally, regulatory authorities have broad regulatory powers over such matters as licenses, standards of solvency, premium rates, policy forms, marketing practices, claims practices, investments, security deposits, restrictions on size of risks that may be insured under a single policy, methods of accounting, form and content of financial statements, reserves and provisions for unearned premiums, unpaid losses and loss adjustment expenses, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations, annual and other report filings, and transactions among affiliates.

U.S. insurers are also required to maintain minimum levels of solvency and liquidity as determined by law, and to comply with risk-based capital requirements and licensing rules. Insurers having less statutory surplus than required by the risk-based capital calculation will be subject to varying degrees of regulatory action. If any of our U.S. insurers were to have risk-based capital levels that are below required levels, they would be subject to increased regulatory scrutiny and control by their domestic and possibly other insurance regulators. As of December 31, 2014, all of our U.S. insurers exceeded their required levels of risk-based capital.

Applicable insurance laws also limit the amount of dividends or other distributions our U.S. insurers can pay to us. The insurance regulatory limitations are generally based on statutory net income and/or certain levels of statutory surplus as determined by the insurer’s state or states of domicile. Generally, prior regulatory approval must be obtained before an insurer may pay a dividend or make a distribution above a specified level.

All states have enacted legislation regulating insurance holding company systems that requires each insurance company in the system to register with the insurance department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system. In 2010, the NAIC adopted amendments to the Insurance Holding Company System Regulatory Act and Regulation, which have taken effect in some states in which our U.S. insurers are domiciled and may be adopted in other states in the future. The amendments impose more extensive informational requirements on parents and other affiliates of licensed insurers with the purpose of protecting them from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person of the insurers identifying the material risks within the insurance holding company system that could pose enterprise risk to the insurers and requiring a person divesting its controlling interest to make a confidential advance notice filing.

The NAIC has also adopted the Risk Management and Own Risk and Solvency Assessment Model Act, which requires insurers to maintain a risk management framework and establishes a legal requirement for insurers or their insurance group to conduct an Own Risk and Solvency Assessment (ORSA) in accordance with the NAIC’s ORSA Guidance Manual. The ORSA Model Act has been adopted in states in which certain of our U.S. insurers are domiciled with a January 1, 2015 effective date. We currently anticipate that our U.S. domiciled insurers will meet the exemption from the requirements of the ORSA Model Act for insurers and reinsurers domiciled in the U.S. and insurance groups (both U.S. and international) with less than the minimum amount of annual direct written and unaffiliated assumed premium for the next year. It is possible that the ORSA requirements may apply to certain of our U.S. insurers beginning in 2016. Although not currently subject to ORSA, we and our U.S. domiciled insurers maintain a risk management framework to identify, assess, monitor, manage, and report on material and relevant risks on a continuous and forward looking basis and to determine the funds necessary to ensure solvency requirements are satisfied.

The Dodd Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, represents a comprehensive overhaul of the financial services industry within the U.S. and, among other things, established the Financial Services Oversight Council and created within the United States Department of the Treasury a new Federal Insurance Office. These bodies are authorized to study, monitor and report to Congress on the U.S. insurance industry and the significance of global reinsurance to the U.S. insurance market. The Dodd-Frank Act also authorizes the federal preemption of certain state insurance laws and streamlines the regulation of reinsurance and surplus lines/non-admitted insurance. Many provisions of the Dodd-Frank Act will become effective over time, and certain provisions of the Dodd-Frank Act require the implementation of regulations that have not yet been adopted. These regulations, when adopted, may affect our industry and our business.

Before a person can acquire control of a domestic insurer (including a reinsurer) or any person controlling such insurer (including acquiring control of Enstar Group Limited), prior written approval must be obtained from the insurance commissioner of the state in which the domestic insurer is domiciled and, under certain circumstances, from insurance commissioners in other jurisdictions. Generally, state statutes and regulations provide that “control” over a domestic insurer or person controlling a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities or securities convertible into voting securities of the domestic insurer or of a person who controls the domestic insurer.

One of the Pavonia companies that we acquired on March 31, 2013 has a Canadian branch operation, which is subject to regulation by the Office of Superintendent of Financial Institutions in Canada. Canadian regulations require compliance with risk-based capital measures and also place certain restrictions on dividends.

Australia

Our Australian regulated insurance entities (which include our insurance subsidiary and our non-operating holding company) are subject to prudential supervision by the Australian Prudential Regulation Authority, or APRA. APRA is the primary regulatory body responsible for regulating compliance with the Insurance Act 1973. APRA has issued prudential standards that apply to general insurers in relation to capital adequacy, the holding of assets in Australia, risk management, business continuity management, reinsurance management, outsourcing, audit and actuarial reporting and valuation, the transfer and amalgamation of insurance businesses, governance, and the fit and proper assessment of the insurer’s responsible persons.

APRA’s prudential standards require that all insurers maintain and meet prescribed capital adequacy requirements to enable their insurance obligations to be met under a wide range of circumstances.

As of January 1, 2015, APRA introduced revised prudential standards on risk management and governance. These requirements include the need for regulated insurance entities to have a risk management framework that is consistent and integrated with its risk profile and capital strength, supported by a risk management function and subject to comprehensive review. APRA’s proposed risk management enhancements include the requirement that regulated insurance entities have a board risk committee that provides the Board with objective non-executive oversight of the implementation and on-going operation of its risk management framework, and the requirement that regulated insurance entities designate a chief risk officer who is involved in, and provides effective challenge to, activities and decisions that may materially affect the regulated insurance entities’ risk profile. Our Australian regulated insurance entities are compliant with these standards.

An insurer must obtain APRA's written consent prior to making any capital releases, including any payment of dividends. Our insurance subsidiary must provide APRA a valuation prepared by an appointed actuary that demonstrates that the tangible assets of the insurer, after the proposed capital reduction, are sufficient to cover its insurance liabilities to a 99.5% level of sufficiency of capital before APRA will consent to a capital release or dividend.

Under the Financial Sector (Shareholdings) Act 1998, the interest of an individual shareholder or a group of associated shareholders in an insurer is generally limited to a 15% "stake" of the insurer. A person's stake is the aggregate of the person's voting power and the voting power of the person's associates. A higher percentage limit may be approved by the Treasurer of the Commonwealth of Australia on national interest grounds. Any shareholder of Enstar Group Limited with a "stake" greater than 15% has received approval to hold that stake from the Treasurer of the Commonwealth of Australia.

Europe

In addition to Bermuda, the United Kingdom, Australia and the United States, we have subsidiaries in Switzerland and Ireland, as well as Torus Insurance Europe, a Liechtenstein-based company that continues to underwrite new business. We have signed an agreement to acquire Nationale Suisse Belgium, a Belgian insurer, and following closing will be regulated in Belgium. We may, in the future, acquire new subsidiaries in other countries.

Our Swiss insurance subsidiary is regulated by the Swiss Financial Market Supervisory Authority, or FINMA, pursuant to the Insurance Supervisory Act 2004. This subsidiary is obligated to maintain a minimum solvency margin based on the Solvency I and Swiss Solvency Test regulations as stipulated by the Insurance Supervisory Act. The amount of dividends that this subsidiary is permitted to distribute is restricted to freely distributable reserves, which consist of retained earnings, the current year profit and free reserves. Any dividend exceeding the current year profit requires FINMA's approval. The solvency and capital requirements must continue to be met following any distribution.

Our subsidiaries in other European jurisdictions are also regulated by regulators in their respective home countries. Typically, such regulation is for the protection of policyholders and ceding insurance companies rather than shareholders. While the degree and type of regulation to which we are subject in each country may differ, regulatory authorities generally have broad supervisory and administrative powers over such matters as licenses, standards of solvency, investments, reporting requirements relating to capital structure, ownership, financial condition and general business operations, special reporting and prior approval requirements with respect to certain transactions among affiliates, methods of accounting, form and content of the consolidated financial statements, reserves for unpaid losses and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations and annual and other report filings.

Available Information

We maintain a website with the address http://www.enstargroup.com. The information contained on our website is not included as a part of, or incorporated by reference into, this filing. We make available free of charge (other than an investor's own Internet access charges) on or through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports, as soon as reasonably practicable after the material is electronically filed with or otherwise furnished to the U.S. Securities and Exchange Commission, or the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are also available on the SEC's website at http://www.sec.gov. In addition, copies of our code of conduct and the governing charters for the audit, investment, nominating and governance and compensation committees of our board of directors are available free of charge on our website. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

Any of the following risk factors could cause our actual results to differ materially from historical or anticipated results. These risks and uncertainties are not the only ones we face. There may be additional risks that we currently consider not to be material or of which we are not currently aware, and any of these risks could cause our actual results to differ materially from historical or anticipated results.

You should carefully consider these risks along with the other information included in this document, including the matters addressed above under "Cautionary Note Regarding Forward-Looking Statements," as well as risks included elsewhere in our documents filed with the SEC, before investing in any of our securities. We may amend, supplement or add to the risk factors described below from time to time in future reports filed with the SEC.

Risks Relating to our Insurance Businesses

If we are unable to implement our business strategies successfully, including with respect to our newer active underwriting and life and annuities segments, our business, results of operations and financial condition may be materially and adversely affected.

Our future results of operations will depend in significant part on the extent to which we can implement our business strategies successfully, including with respect to our newer active underwriting and life and annuities segments. We entered the active underwriting business with our acquisitions of Atrium and Arden (in late 2013) and Torus (in April 2014) and we significantly expanded our portfolio of closed-life run-off business with our acquisition of the Pavonia companies (in early 2013). We have less experience operating these businesses. Our ability to develop and execute our business strategies with respect to these new businesses and our core non-life run-off business is essential to our success, future growth opportunities, expanded market visibility and increased access to capital.

Our business strategies include: generating future acquisition opportunities that are carefully reviewed and priced effectively, including by utilizing our active underwriting platforms; professionally and efficiently managing claims; successfully commuting assumed liabilities and ceded reinsurance assets; profitably underwriting selected specialty lines; and prudently managing our investments in a manner that recognizes our liquidity needs. We may not be able to implement these strategies or any future strategies fully or realize the anticipated results of our strategies as a result of significant business, economic and competitive uncertainties, many of which are beyond our control. If we are unable to successfully implement our business strategies, we may not be able to achieve future growth in our earnings and our financial condition may suffer and, as a result, holders of our ordinary shares may receive lower returns.

If our insurance and reinsurance subsidiaries' loss reserves are inadequate to cover their actual losses, our insurance and reinsurance subsidiaries' net earnings and capital and surplus would be reduced, which could have a materially adverse impact on our results of operations and financial condition.

Our insurance and reinsurance subsidiaries are required to maintain reserves to cover their estimated ultimate liability for losses and loss adjustment expenses for both reported and unreported incurred claims. These reserves are only estimates of what our subsidiaries consider the settlement and administration of claims will cost based on facts and circumstances known to the subsidiaries, as well as actuarial methodologies and procedures and estimates of future trends and developments and other variable factors such as inflation. Our commutation activity and claims settlement and development in recent years in our non-life run-off segment has resulted in net reductions in provisions for prior period losses and loss adjustment expenses of $288.9 million, $257.1 million and $238.0

million for the years ended December 31, 2014, 2013 and 2012, respectively. Although past experience indicates that our non-life run-off loss reserves have been more than adequate to meet our liabilities, because of the uncertainties that surround estimating losses and loss adjustment expenses (which are discussed above in “Item 1. Business — Operating Segments — Non-life Run-off —Reserves for Unpaid Losses and Loss Adjustment Expense”), we cannot be certain that ultimate losses will not exceed these estimates of losses and loss adjustment expenses in the future. If our subsidiaries’ reserves are insufficient to cover their actual losses and loss adjustment expenses, our subsidiaries would have to augment their reserves and incur a charge to their earnings. These charges could be material and would reduce our net earnings and capital and surplus.

The difficulty in estimating our non-life subsidiaries’ reserves is increased because these loss reserves include reserves for potential asbestos and environmental, or A&E, liabilities (at December 31, 2014, A&E gross and net loss reserves were approximately 9.7% and 11.6%, respectively, of total gross and net non-life loss reserves). A&E liabilities are especially hard to estimate (for many reasons, including long waiting periods and reporting delays and difficulties identifying contamination sources and allocating damage liability), developed case law and adequate claim history do not always exist for such claims, and changes in the legal and tort environment affect the development of such claims. Ultimate values for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the amount of our subsidiaries’ potential losses for these claims. Our subsidiaries have not made any changes in reserve estimates that might arise as a result of any proposed U.S. federal legislation related to asbestos. To further understand this risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Losses and Loss Adjustment Expenses — Latent Claims.”

In our active underwriting businesses, U.S. GAAP does not permit insurers and reinsurers to reserve for catastrophes until they occur, which means that claims from these events could cause substantial volatility in our financial results for any fiscal quarter or year and could have a material adverse effect on our financial condition and results of operations, as well as our financial strength ratings.

For a discussion of reserving risk in our life and annuities business, see “*Our life and annuities business is subject to the risk that actual experience relating to mortality, morbidity, policy persistency, and investment yield may be different than our assumptions and could cause our reserves to be inadequate, or our results of operations in this business to suffer materially.”*

Our expansion into the active underwriting business (through our acquisitions of Atrium and Torus) presents certain risks and uncertainties described below, as well as others that we may encounter, which could cause a material adverse effect on our business, financial condition and results of operations.

Underwriting is inherently a matter of judgment, involving important assumptions about matters that are unpredictable and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. In addition to the risks and uncertainties that impact all of our business segments, our Atrium and Torus active underwriting businesses expose us to risks that include, but are not limited to, those set forth below. Any of these risks could result in underperformance of the active underwriting businesses compared to our expectations, and could also have a material adverse effect on our business, financial condition and results of operations:

- Exposure to claims arising out of unpredictable natural and man-made catastrophic events (including hurricanes, windstorms, tsunamis, severe weather, earthquakes, floods, fires, droughts, explosions, environmental contamination, acts of terrorism, war or political unrest) and changing climate patterns and ocean temperature conditions, which could adversely affect our earnings and financial condition and cause substantial volatility in our results of operations for any fiscal quarter or year;

- Failure of our risk management and loss limitation methods (described in "Item 1. Business – Enterprise Risk Management (ERM)") to adequately manage our exposure to losses or provide sufficient protection against losses from our exposures;
- The intense competition for business in this industry, including competition from major global insurance and reinsurance companies and underwriting syndicates that may have greater experience and resources than our companies or that may be more highly rated than our companies, or competition resulting from industry consolidation;
- Dependence on a limited number of brokers, managing general agents and other third parties to support our business, both in terms of the volume of business we rely on them to place and the credit risk we assume from them; and
- Susceptibility to the effects of inflation due to premiums being established before the ultimate amounts of losses and loss adjustment expense are known.

The cyclical nature of the insurance and reinsurance business may make it more difficult for Atrium and Torus to operate profitably and may negatively impact our ability to execute our active underwriting strategies successfully.

The insurance and reinsurance industry has historically been characterized by periods of intense price competition due to excessive underwriting capacity, as well as periods when shortages of underwriting capacity permitted more favorable premium levels. An increase in premium levels is often offset by an increasing supply of underwriting capacity (including by new entrants, market instruments and structures, and additional commitments by existing insurers) that may cause prices to decrease. Changes in the frequency and severity of losses suffered by insureds and insurers also impact industry cycles. We cannot predict whether market conditions will improve, remain constant or deteriorate. Negative market conditions could lead to a significant reduction in premium rates, impair our ability to underwrite at rates that we consider appropriate and commensurate with the risk assumed, result in less favorable policy terms and drive fewer submissions for our active underwriting services. These factors could cause our earnings to decrease and our results of operations to fluctuate significantly from period to period.

Cyclical market conditions also impact the availability and cost of reinsurance that our active underwriting companies seek to purchase. Atrium and Torus purchase reinsurance as part of our risk management strategy. Market conditions may limit or prevent our active underwriting companies from obtaining the types and amounts of reinsurance that we consider adequate for our business needs. If our active underwriting companies are unable to purchase reinsurance, or if reinsurance is available on less favorable terms or only with less creditworthy reinsurers, we may retain a higher proportion of risks then we would otherwise prefer, incur additional expense, or purchase reinsurance from companies who present a higher credit risk. Any of these factors could negatively impact our financial performance.

Downgrades of financial strength ratings at Torus or Lloyd's could materially and negatively impact our active underwriting business and our company.

Financial strength ratings are an important factor in establishing the competitive position of insurance and reinsurance companies. The Torus operating insurance entities were assigned a financial strength rating of "A-" (Excellent) by A.M. Best. Following the announcement of the agreement to acquire Torus, its ratings were placed under review by A.M. Best with negative implication. Immediately following the completion of the acquisition of Torus, A.M. Best removed the Torus entities from under review with negative implications and assigned a negative outlook, which it stated was primarily due to its historical performance and challenging market conditions. This outlook or a ratings downgrade or withdrawal could negatively impact Torus' competitive position in the industry, severely limit or prevent Torus from writing new insurance and reinsurance contracts as policyholders move their business to other more highly-rated companies, and permit certain ceding companies to cancel reinsurance contracts Torus has issued. Such a change could also inhibit our ability to implement our business and growth strategies successfully.

In addition, Lloyd's ratings apply to business written through Syndicate 609 and Torus' Syndicate 1301. Lloyd's is rated "A" (Excellent) by A.M. Best, "A+" (Strong) by Standard and Poor's (or S&P) and "AA-" (Very Strong) by Fitch Ratings. Financial strength ratings downgrades at Lloyd's could adversely affect our Lloyd's syndicates' ability to trade in certain classes of business at current levels.

Emerging claim and coverage issues could adversely affect our business.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the adequacy of our provision for losses and loss adjustment expenses by either extending coverage beyond the envisioned scope of insurance policies and reinsurance contracts, or by increasing the number or size of claims. Our exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation. The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. In some instances, these changes may not become apparent until some time after we have acquired or issued the contracts that are affected by the changes. As a result, the full extent of liability under these insurance or reinsurance contracts may not be known for many years after a contract has been issued.

Exit and finality opportunities provided by solvent schemes of arrangement may not continue to be available, which may result in the diversion of our resources to settle policyholder claims for a substantially longer run-off period and increase the associated costs of run-off of our insurance and reinsurance subsidiaries.

With respect to our U.K., Bermudian and Australian insurance and reinsurance subsidiaries, the local legislation provides for the possibility of pursuing strategies to achieve complete finality and concluding the run-off of a company by promoting solvent schemes of arrangement. Solvent schemes of arrangement have been a popular means of achieving financial certainty and finality for insurance and reinsurance companies incorporated or managed in the U.K., Bermuda or Australia, by making a one-time full and final settlement of an insurance and reinsurance company's liabilities to policyholders. In April 2014, the U.K. Prudential Regulation Authority (or the PRA) issued a supervisory statement that indicated that the PRA may require policyholders to be offered continuity of cover as part of a solvent scheme of arrangement proposal, in order to be compatible with the PRA's statutory objective of securing an appropriate degree of protection for policyholders.

A solvent scheme of arrangement is an arrangement between a company and its creditors or any class of them. For a solvent scheme of arrangement to become binding on the creditors, a meeting of each class of creditors must be called, with the permission of the local court, to consider and, if thought fit, approve the solvent scheme of arrangement. The requisite statutory majority of creditors of not less than 75% in value and 50% in number of those creditors actually attending the meeting, either in person or by proxy, must vote in favor of a solvent scheme of arrangement. Once the solvent scheme of arrangement has been approved by the statutory majority of voting creditors of the company, it requires the sanction of the local court at a hearing at which creditors may appear. The court must be satisfied that the scheme is fair, following a full consideration of the relevant evidence and of the scheme's individual merits.

Should a solvent scheme of arrangement promoted by any of our insurance or reinsurance subsidiaries fail to receive the requisite approval by creditors or sanction by the court, or if solvent schemes are no longer available to the same extent, we will have to run off these liabilities until expiry, which may result in the diversion of our resources to settle policyholder claims for a substantially longer run-off period and increase the associated costs of run-off, resulting potentially in a material adverse effect on our financial condition and results of operations.

Our life and annuities business is subject to the risk that actual experience relating to mortality, morbidity, policy persistency, and investment yield may be different than our assumptions and could cause our reserves to be inadequate or our results of operations in this business to suffer materially.

The performance of our life and annuities business is highly dependent on our ability to manage the run-off successfully and operate the business effectively and efficiently. Our reserves for life and annuity policy benefits are based on certain assumptions, including mortality, morbidity, policy persistency/lapse rates, expenses, and discount rates, which are impacted by expected investment yields on the assets that support these liabilities. The adequacy of our reserves is contingent on actual experience related to these key assumptions, which were generally established at the time of issue and reviewed and adjusted upon our acquisition. Under GAAP, these assumptions are locked in throughout the life of the contract unless a premium deficiency develops, which means the impact of the difference between assumptions and actual experience is reflected in results of operations each period. In addition, if actual experience differs from these assumptions, our reserves may not be adequate, which would require us to add to reserves, or the cost of claims could increase. This could materially and adversely impact our results of operations and financial condition.

Our life subsidiaries are exposed to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. In an economic downturn, our life insurance subsidiaries may experience an elevated incidence of lapses of life insurance policies because there is a greater risk that policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether (or that the policyholders who remain may consist of a non-diversified selection of holders). Any of these events could adversely affect our results of operations and financial condition.

Fluctuations in the reinsurance industry may cause our operating results to fluctuate significantly.

The reinsurance industry historically has been subject to significant fluctuations and uncertainties. Factors that affect the industry in general may also cause our operating results to fluctuate. As a result, the industry’s and our profitability may be affected significantly by:

- fluctuations in interest rates, inflationary pressures and other changes in the investment environment, which affect returns on invested capital and may affect the ultimate payout of loss amounts and the costs of administering books of reinsurance business;
- volatile and unpredictable developments, such as those that have occurred since 2008 in the world-wide financial and credit markets, which may adversely affect the recoverability of reinsurance from our reinsurers;
- changes in reserves resulting from different types of claims that may arise and the development of judicial interpretations relating to the scope of insurers’ liability; and
- the overall level of economic activity and the competitive environment in the industry.

Risks Relating to Our Acquisitions

Our inability to successfully price acquisitions and manage our portfolio of insurance and reinsurance companies may adversely impact our ability to grow our business and may result in material losses.

Our run-off business entails acquiring and managing closed insurance and reinsurance companies and portfolios of insurance and reinsurance. This business differs from the business of traditional insurance and reinsurance underwriting in that our companies and portfolios in run-off no longer underwrite new policies and are subject to the risk that their stated provisions for losses and loss adjustment expense, or LAE, may not be sufficient to cover future losses and the cost of run-off. Because our non-life companies and portfolios in run-off generally no longer collect underwriting premiums, our sources of capital to cover losses are limited to our stated reserves, reinsurance coverage and retained earnings. Although our life and annuities businesses do collect premiums on in-force policies, they are subject to the risk that the premiums they receive and the assets supporting our stated policy benefits for life and annuity contracts may not be sufficient to cover future obligations and costs. Our active underwriting businesses, although they produce new premium revenue, also remain subject to many of these risks.

In order for us to achieve positive operating results, we must first price acquisitions on favorable terms relative to the risks posed by the acquired businesses and then successfully manage the acquired businesses by efficiently managing claims, collecting from reinsurers and controlling expenses. Failure to do these things successfully could result in us having to cover losses sustained with retained earnings, which would materially and adversely impact our ability to grow our business and may result in material losses.

We have made, and expect to continue to make, acquisitions of insurance and reinsurance companies, and these activities may not be financially beneficial to us or our shareholders.

We have pursued and, as part of our strategy, we will continue to pursue growth through acquisitions. Since our formation in August 2001, we have acquired over 65 insurance and reinsurance companies and portfolios of insurance and reinsurance business, and we expect to continue to make such acquisitions in the future. Since the beginning of 2013, we have expanded our acquisitions from primarily property and casualty run-off business to life and annuities companies in run-off, as well as active underwriting companies. We cannot assure you that the performance of the companies acquired will meet our expectations, and we cannot be certain that any of these acquisitions will be financially advantageous for us or our shareholders.

The evaluation and negotiation of potential acquisitions, as well as the integration of an acquired business or portfolio, could result in a substantial diversion of management resources. Acquisitions could involve numerous additional risks such as potential losses from unanticipated litigation, levels of claims or other liabilities and exposures, an inability to generate sufficient revenue to offset acquisition costs and financial exposures in the event that the sellers of the entities we acquire are unable or unwilling to meet their indemnification, reinsurance and other obligations to us (if any such obligations are in place).

Our ability to manage our growth through acquisitions will depend, in part, on our success in addressing these risks. Any failure by us to effectively implement our acquisition strategies could have a material adverse effect on our business, financial condition or results of operations.

We face challenges to realizing the expected benefits of acquisitions, which may cause underperformance relative to our expectations, unforeseen liabilities and expenses, integration difficulties and other challenges, any or all of which could have a material adverse effect on our business, financial condition or results of operations.

The acquisitions we have made and expect to make in the future may pose operational challenges, expose us to risks and divert management's time and energy, including relating to:

- funding cash flow shortages that may occur if anticipated revenues are not realized or are delayed, or if expenses are greater than anticipated;
- the value of assets being lower than expected or diminishing because of credit defaults or changes in interest rates, or liabilities assumed being greater than expected;
- integrating financial and operational reporting systems and internal controls, including assurance of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and our reporting requirements under the Securities Exchange Act of 1934, as amended (or the Exchange Act);
- establishing satisfactory budgetary and other financial controls;
- leveraging our existing capabilities and expertise into the business acquired and establishing synergies within our organization;
- funding increased capital needs and overhead expenses;
- integrating technology platforms;
- obtaining and retaining management personnel required for expanded operations;
- fluctuating foreign currency exchange rates relating to the assets and liabilities we may acquire;
- goodwill and intangible asset impairment charges; and
- complying with applicable laws and regulations.

In particular, our ability to continue to integrate and successfully operate the Torus companies will be a key component to our continued success. Torus added approximately 500 employees and a number of new offices in various countries. Torus also is a new operating segment for us. In addition to the risks discussed above, the potential challenges of integrating Torus and achieving the anticipated benefits include implementing business and underwriting plans for Torus, establishing operating efficiencies, managing expenses, retaining key employees, improving systems, and working effectively with our joint venture partners.

We must also assimilate the Torus companies into our internal control system, including by ensuring their compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and our reporting requirements under the Exchange Act as of December 31, 2015. Failure to effectively achieve this could result in us reporting a material weakness in our internal controls over financial reporting.

We may not complete future acquisitions within the time frame we anticipate or at all, which could have a negative effect on our business, financial condition or results of operations.

A key part of our business strategy is completing acquisitions. Once we have signed a definitive agreement to acquire a business or portfolio, conditions to closing, such as obtaining regulatory approvals or shareholder approvals, must be met before the acquisition can be consummated. These and other closing conditions may not be satisfied at all, or may cause a material delay in the anticipated timing of closing. In addition, our ability to complete the acquisition on the originally anticipated terms, or at all, could be jeopardized if a seller receives competing proposals, if litigation is brought challenging the transaction or certain of its terms, or if regulators impose unexpected terms and conditions on the transaction. Failure to consummate an acquisition on the originally anticipated terms, or a significant delay in the closing, could result in significant expense, diversion of time and resources, reputational damage, litigation and a failure to realize the anticipated benefits of the acquisition, all of which could materially adversely impact our business, financial condition and results of operations.

Risks Relating to Liquidity and Capital Resources

We may require additional capital and credit in the future that may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including acquisition activity, our ability to manage the run-off of our assumed policies, our ability to establish reserves at levels sufficient to cover losses, and our underwriting plans. We may need to raise additional funds through equity or debt financings in the future. Our ability to secure this financing may be affected by a number of factors, including volatility in the worldwide financial markets and the strength of our capital position and operating results. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. In the case of equity financings, dilution to our existing shareholders could result, and any securities that are part of such equity financing may have rights, preferences and privileges that are senior to those of our already outstanding securities. If we cannot obtain adequate capital or credit, our business, results of operations and financial condition could be adversely affected by, among other things, our inability to finance future acquisitions. See also "Risks Related to Laws and Regulations — *Political, regulatory and industry initiatives could adversely affect our business by increasing the amount of regulation we face or changing the nature of the regulations that apply to us in operating our insurance businesses or acquiring new insurance businesses.*"

Uncertain conditions in the economy generally may materially adversely affect our business, results of operations and financial condition.

In the event of financial turmoil affecting the global banking system and financial markets (including the sovereign debt markets), additional consolidation of the financial services industry, or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed maturity, credit, currency, and equity markets. This could have a number of effects on our business, including our ability to obtain financing for future acquisitions. Even if financing is available, it may only be available at an unattractive cost of capital, which would decrease our profitability.

Economic conditions could also affect demand for and claims made under our products, our counter-party credit risk, and the ability of our customers to establish or maintain their relationships with us.

Net investment income and net realized and unrealized gains or losses also could vary materially from expectations depending on gains or losses realized on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in the fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk that the actual amounts realized in the future on our financial instruments could differ significantly from the fair values currently assigned to them.

Reinsurers may not satisfy their obligations to our insurance and reinsurance subsidiaries, which could result in significant losses or liquidity issues for us.

Our insurance and reinsurance subsidiaries are subject to credit risk with respect to their reinsurers because the transfer of risk to a reinsurer does not relieve our subsidiaries of their liability to the insured. Many reinsurance companies have been negatively impacted by the difficult financial and economic conditions since 2008, including unprecedented financial market disruption. A number of these companies, including some of those with which we conduct business, have been downgraded and/or have been placed on negative outlook by various rating agencies. In addition, reinsurers may be unwilling to pay our subsidiaries even though they are able to do so, or disputes may arise regarding payment obligations. The failure of one or more of our subsidiaries' reinsurers to honor their obligations in a timely fashion may affect our cash flows, reduce our net earnings or cause us to incur a significant loss. Disputes with our reinsurers may also result in unforeseen expenses relating to litigation or arbitration proceedings. In addition, a reinsurer's inability or unwillingness to honor its obligations to Atrium or Torus may negate the intended risk-reducing impact of our reinsurance purchasing programs.

As at December 31, 2014, reinsurance balances recoverable with a carrying value of $314.5 million were associated with two reinsurers, which represented 10% or more of our total non-life run-off reinsurance balances recoverable. One of those reinsurers (accounting for $139.3 million of the $314.5 million as at December 31, 2014) was rated A+, while the remaining $175.2 million of the $314.5 million as at December 31, 2014, were secured by trust funds held for the benefit of our insurance and reinsurance subsidiaries. Although our exposure to one of these reinsurers is mitigated by the trust fund, exposure to these and any other reinsurers who from time to time represent meaningful percentages of our total reinsurance balances recoverable may increase the risks described above.

Included within total reinsurance balances recoverable of $1,331.6 million are: (i) reinsurance balances recoverable from A- and above rated reinsurers amounting to $1,045.9 million, net of provisions for uncollectible reinsurance recoverables of $81.0 million; (ii) reinsurance balances recoverable from less than A- rated reinsurers amounting to $204.5 million, against which there are no provisions for uncollectible reinsurance recoverables, because the balances are secured by collateral such as trust funds or letters of credit; and (iii) reinsurance balances recoverable from less than A- rated reinsurers amounting to $81.2 million, net of provisions for uncollectible reinsurance recoverable of $208.9 million, which are unsecured.

We are a holding company, and we are dependent on the ability of our subsidiaries to distribute funds to us.

We are a holding company and conduct substantially all of our operations through subsidiaries. Our only significant assets are the capital stock of our subsidiaries. As a holding company, we are dependent on distributions of funds from our subsidiaries to fund acquisitions, fulfill financial obligations in the normal course of our business, and pay dividends (in the event we sought to do so). Our subsidiaries may not generate sufficient cash from operations to enable us to make future acquisitions, fulfill other financial obligations or pay dividends.

In addition, the ability of our insurance and reinsurance subsidiaries to make distributions to us is limited by applicable insurance laws and regulations (which are described in "Item 1. Business — Regulation"). These laws and regulations and the determinations by the regulators implementing them may significantly restrict distributions, and, as a result, our overall liquidity. The ability of all of our subsidiaries to make distributions to us may also be restricted by, among other things, other applicable laws and regulations and the terms of our bank loans and our subsidiaries' bank loans.

Fluctuations in currency exchange rates may cause us to experience losses.

We maintain a portion of our investments, insurance liabilities and insurance assets denominated in currencies other than U.S. dollars. Consequently, we and our subsidiaries may experience foreign exchange losses, which could adversely affect our results of operations. We publish our consolidated financial statements in U.S. dollars. Therefore, fluctuations in exchange rates used to convert other currencies, particularly Australian dollars, Canadian dollars, British pounds and Euros, into U.S. dollars will impact our reported financial condition, results of operations and cash flows from year to year.

Our failure to comply with covenants contained in our credit facilities could trigger prepayment obligations, which could adversely affect our results of operations and financial condition.

We and our subsidiaries currently have two outstanding credit facilities: our Revolving Credit Facility and the Companion Facility. These credit facilities contain various business and financial covenants that impose restrictions on us and certain of our subsidiaries with respect to, among other things, limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to certain dispositions of stock and dividends and stock repurchases, investment constraints and limitations on liens on stock. We may also enter into future credit facilities or other debt arrangements containing similar or different restrictive covenants. Our failure to comply with these covenants could result in an event of default under the credit facilities, which could result in us being required to repay the amounts outstanding under these facilities prior to maturity. These prepayment obligations could have an adverse effect on our results of operations and financial condition.

In addition, complying with these covenants could limit our financial and operational flexibility. Our credit facilities are described in more detail in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Loans Payable."

Risks Relating to Our Investments

The value of our insurance and reinsurance subsidiaries' investment portfolios and the investment income that our insurance and reinsurance subsidiaries receive from these portfolios may decline materially as a result of market fluctuations and economic conditions, including those related to interest rates and credit spreads.

We derive a significant portion of our income from our invested assets, which consist primarily of investments in fixed maturity securities. The net investment income that our subsidiaries realize from investments in fixed maturity securities will generally increase or decrease with changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. The fair market value of our subsidiaries' fixed maturity securities generally increases or decreases in an inverse relationship with fluctuations in interest rates. A rise in interest rates would increase net unrealized losses, which would be offset over time by our ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would decrease net unrealized losses, which would be offset over time by lower rates of return on funds reinvested. The fair market value can also decrease as a result of any downturn in the business cycle that causes the credit quality of those securities to deteriorate. Any such deterioration of credit ratings on our fixed maturity security investments may result in the need to liquidate these securities in the financial markets. If we are required to liquidate these securities during a period of tightening credit, we may realize a significant loss.

In addition, some of our fixed maturity securities, such as mortgage-backed and other asset-backed securities, carry prepayment risk, or the risk that principal will be returned more rapidly or slowly than expected, as a result of interest rate fluctuations. When interest rates decline, consumers will generally make prepayments on their mortgages, causing us to be repaid more quickly than we might have originally anticipated, meaning that our opportunities to reinvest these proceeds back into the investment markets may be at reduced interest rates (with the converse being true in a rising interest rate environment). Mortgage-backed and other asset-backed securities are also subject to default risk on the underlying securitized mortgages, which would decrease the value of our investments.

The fair market value of our subsidiaries' fixed maturity securities and short-term investments classified as trading and/or available-for-sale in our subsidiaries' investment portfolios amounted to approximately $4.20 billion at December 31, 2014. The changes in the market value of our subsidiaries' securities that are classified as trading or available-for-sale are reflected in our financial statements. Other-than-temporary impairment losses in the value of our subsidiaries' fixed maturity securities are also reflected in our financial statements. As a result, a decline in the value of the securities in our subsidiaries' investment portfolios may materially reduce our net income and shareholders' equity, and may cause us to incur a significant loss. For more information on our subsidiaries' investment portfolios, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Investments."

Our investments in alternative investments may be illiquid and volatile in terms of value and returns, which could negatively affect our investment income and liquidity.

In addition to fixed maturity securities, we have invested, and may from time to time continue to invest, in alternative investments such as private equity, fixed income, fixed income hedge, equity, real estate debt and CLO equity funds. These and other similar investments may be illiquid due to restrictions on sales, transfers and redemptions, may have different, more significant risk characteristics than our investments in fixed maturity securities and may also have more volatile values and returns, all of which could negatively affect our investment income and liquidity.

Alternative or "other" investments held by our insurance and reinsurance subsidiaries may not meet regulatory admissibility requirements, which may limit our subsidiaries' ability to make capital distributions to us and, consequently, negatively impact our liquidity. As of December 31, 2014, we had an aggregate fair market value of $836.9 million of such investments, which comprised 13.9% of our total investments. For more information on our alternative investments, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Investments."

The valuation of our investments may include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our financial condition or results of operations.

Fixed maturity and alternative investments, such as private equity, fixed income, fixed income hedge, equity, real estate debt and CLO equity funds, along with direct investments in CLO equities, represent the majority of our total cash and invested assets. Other than fixed maturity securities classified as held-to-maturity and carried at amortized cost, these investments are reported at fair value on our consolidated balance sheet. Fair value prices for all trading and available-for-sale securities in the fixed maturities portfolio are independently provided by our investment custodians, investment accounting service providers and investment managers, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by our custodians, accounting service providers or managers, after we perform an internal validation process. Fair value for our alternative investments is estimated based primarily on the most recently reported net asset values reported by the fund manager, which we may adjust in our judgment following our internal review.

These valuation procedures for our alternative investments involve estimates and judgments, and during periods of market disruptions (such as periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity), it may be difficult to value certain of our securities if trading becomes less frequent or market data becomes less observable. In addition, there may be certain asset classes that are now in active markets with significant observable data that become illiquid due to changes in the financial environment. In these cases, the valuation of a greater number of securities in our investment portfolio may require more subjectivity and management judgment. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods that are more sophisticated or require greater estimation, which may result in values that could be less than the value at which the investments could ultimately be sold. Further, rapidly changing and unpredictable credit and equity market conditions could materially affect the valuation of securities carried at fair value as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our financial condition and results of operations.

The nature of our business liquidity demands and the structure of our entities' investment portfolios may adversely affect the performance of our investment portfolio and financial results and our investing flexibility.

We strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. Because of the unpredictable nature of losses that may arise under our insurance and reinsurance subsidiaries' insurance or reinsurance policies and as a result of our opportunistic commutation strategy, our liquidity needs can be substantial and may arise at any time. In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile. If we are unsuccessful in managing our investment portfolio within the context of this strategy, we may be forced to liquidate our investments at times and at prices that are not optimal, and we may have difficulty in liquidating some of our alternative investments due to restrictions on sales, transfers and redemptions. This could have a material adverse effect on our business and the performance of our investment portfolio.

We maintain each company within our organization and each acquired portfolio of insurance and reinsurance business in separate stand-alone entities, and therefore, we have many individual portfolios of cash and investments. Each investment portfolio has its own regulatory admissibility requirements, and each run-off entity is likely to have negative cash flows due to commutation activity, claims settlements and capital distributions. These factors reduce our overall investing flexibility.

Risks Relating to Laws and Regulation

Insurance laws and regulations restrict our ability to operate, and any failure to comply with these laws and regulations, or any investigations by government authorities, may have a material adverse effect on our business.

We are subject to extensive regulation under insurance laws and regulations of a number of jurisdictions. Existing laws and regulations limit the amount of dividends that can be paid to us by our insurance and reinsurance subsidiaries, prescribe solvency and capital adequacy standards that they must meet and maintain, impose restrictions on the amount and type of investments that they can hold to meet solvency and capital adequacy requirements, require them to maintain reserve liabilities, and require pre-approval of acquisitions and certain affiliate transactions. Failure to comply with these laws and regulations or to maintain appropriate authorizations and/or exemptions under applicable laws and regulations may subject our insurance and reinsurance subsidiaries to fines and penalties, restrict them from conducting business or result in commencement of insurance company delinquency proceedings against a non-compliant insurance or reinsurance subsidiary. The application of these laws and regulations may affect our liquidity and restrict our ability to expand our business operations through acquisitions or to pay dividends on our ordinary shares. Furthermore, compliance with legal and regulatory requirements may result in significant expenses, which could have a negative impact on our profitability. To further understand these risks, see "Item 1. Business — Regulation."

In addition to legal and regulatory requirements, the insurance and reinsurance industry has experienced substantial volatility as a result of current investigations, litigation and regulatory activity by various insurance, governmental and enforcement authorities, including the SEC, concerning certain practices within the insurance and reinsurance industry. Our life insurance subsidiaries may be subject to life industry-specific investigations, including ongoing industry-wide investigations by state attorney generals and other regulators into compliance with unclaimed property laws and practices relating to forced-placed insurance. Insurance and reinsurance companies that we have acquired, or may acquire in the future, may have been or may become involved in these or other investigations and may have lawsuits filed against them. Our involvement in any investigations and related lawsuits would cause us to incur legal costs and, if we or any of our insurance or reinsurance subsidiaries were found to have violated any laws, we could be required to pay fines and damages, perhaps in material amounts.

If we fail to comply with applicable insurance laws and regulations, we may be subject to disciplinary action, damages, penalties or restrictions that may have a material adverse effect on our business.

Our subsidiaries may not have maintained or be able to maintain their businesses in full compliance with the laws and regulations to which they are subject, or the relevant insurance regulatory authority's interpretation of those laws and regulations, or may not have maintained or be able to maintain all required licenses and approvals. In addition, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If our subsidiaries do not comply with applicable regulatory requirements or do not have the requisite licenses and approvals, the insurance regulatory authorities may preclude or suspend our subsidiaries from carrying on some or all of their activities, place one or more of them into rehabilitation or liquidation proceedings, or impose monetary penalties on them. These types of actions may have a material adverse effect on our business and may preclude us from making future acquisitions or obtaining future management engagements.

Political, regulatory and industry initiatives could adversely affect our business by increasing the amount of regulation we face or changing the nature of the regulations that apply to us in operating our insurance businesses or acquiring new insurance businesses.

Increasingly, governmental authorities seem to be interested in the potential systemic risks posed by the insurance and reinsurance industry as a whole. The insurance regulatory environment has become subject to increased scrutiny across a number of jurisdictions, and authorities regularly consider enhanced or new regulatory requirements and seek to exercise their supervisory authority in new and more extensive ways. Regulators are generally concerned with the protection of policyholders above other constituencies, including our shareholders. Additional laws and regulations have been and may continue to be enacted in the wake of the recent or future financial and credit crises that may have adverse effects on our operations, financial condition and liquidity. We cannot predict the exact nature, timing or scope of these initiatives; however, we believe it is likely there will be increased regulatory intervention in our industry in the future and these initiatives could adversely affect our business.

In many of the jurisdictions in which we operate, there are increased initiatives relating to group supervision though cooperation and coordination among insurance regulators. Regulators in certain jurisdictions may seek to regulate (1) insurance entities that operate within a group regardless of their domiciliary jurisdictions and (2) non-insurance entities within a group. If an insurer were to be supervised by more than one regulator or as part of a group-wide supervision initiative, the insurer could become subject to additional regulation. It is possible that a regulator having regulatory authority over certain of our subsidiaries could determine in the future that other insurance or non-insurance subsidiaries should also be supervised by such regulator as a group, which could lead to increased regulation of our companies.

In addition, increased scrutiny by insurance regulators of investments in or acquisitions of insurers or insurance holding companies by private equity firms or hedge funds may result in imposition of additional regulatory requirements and restrictions. For example, some U.S. state insurance regulators (including the New York Department of Financial Services) are strengthening filing and disclosure requirements and imposing restrictions on transactions by private equity firms or hedge funds as a condition to approval. The NAIC is developing tools, procedures and metrics that insurance regulators can use to monitor and reduce risks that some regulators believe could be associated with the growing numbers of insurers now owned or controlled by private equity firms and hedge funds. We have in the past partnered with private equity firms in making acquisitions and may do so in the future. This increased scrutiny and regulation may make it difficult to complete U.S. acquisitions with private equity or hedge funds should we seek to do so. In addition, private equity firms have invested in Enstar and may seek to do so in the future. This increased regulation may materially and adversely impact our ability to raise capital through transactions with these types of investors.

Changes in current accounting practices and future pronouncements may materially impact our reported financial results.

Unanticipated developments in accounting practices may require us to incur considerable additional expenses to comply with such developments, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements cannot be predicted but may affect the calculation of net income, shareholders' equity and other relevant financial statement line items. In particular, recent guidance and ongoing projects put in place by standard setters globally have indicated a possible move away from the current insurance accounting models toward more "fair value" based models, which could introduce significant volatility in the earnings of insurance industry participants. Furthermore, rules relating to certain accounting practices in the insurance and reinsurance industry are currently being reviewed by applicable regulatory bodies and any changes required by that review could have a material effect on the reported results of operations and financial condition of the industry or particular market participants.

Risks Relating to our Operations

We are dependent on our executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect our business.

Our success substantially depends on our ability to attract and retain qualified employees and upon the ability of our senior management and other key employees to implement our business strategy. We believe that there are only a limited number of available qualified personnel in the business in which we compete, and the pool of highly skilled employees available to fill key positions at our companies may fluctuate based on market conditions. We rely substantially upon the services of our executive officers and our subsidiaries' executive officers and directors, as well as our local management teams, to implement our business strategies. The loss of the services of any of our management or other key personnel, or the loss of the services of or our relationships with any of our directors, could have a material adverse effect on our business. Higher demand for employees having desired talents could lead to increased compensation expectations for existing and prospective personnel across our organization, which could also make it difficult to maintain labor expenses at desired levels.

Under Bermuda law, non-Bermudians (other than spouses of Bermudians, holders of a permanent resident's certificate or holders of a working resident's certificate) may not engage in any gainful occupation in Bermuda without an appropriate governmental work permit. As a result, if we were to lose any of our key Bermuda-based employees, the work permit laws and policies may hinder our ability to replace them.

Our directors and executive officers may have ownership interests or other involvement with entities that could compete against us, and conflicts of interest might prevent us from pursuing desirable acquisition, investment and other business opportunities.

Our directors and executive officers may have ownership interests or other involvement with entities that could compete against us, either in the pursuit of acquisition targets or in our business operations. We have also participated in transactions in which one or more of our directors or executive officers or their affiliates had an interest, and we may do so in the future. The interests of our directors and executive officers in such transactions or such entities may result in a conflict of interest for those directors and officers.

The Audit Committee of our Board of Directors, which is comprised entirely of independent directors, reviews any material transactions involving a conflict of interest and may take actions as it deems appropriate in the particular circumstances. We may not be able to pursue all advantageous transactions that we would otherwise pursue in the absence of a conflict, in particular if our Audit Committee is unable to determine that any such transaction is on terms as favorable as we could otherwise obtain in the absence of a conflict.

If we experience difficulties with our information technology assets or if there is a security breach, our business could be adversely affected.

We rely heavily on the successful, uninterrupted functioning of our information technology assets and telecommunications systems, as well as those of any third-party service providers we use. Our business is dependent upon our ability to perform, in an efficient and uninterrupted fashion, necessary business functions, such as paying claims, performing actuarial and other modeling functions, pricing, quoting and processing policies, investment management, acquisition work and other necessary legal, financial and business functions. A failure of our information technology assets or telecommunications systems could materially impact our ability to perform these functions, affect the confidentiality, availability or integrity of information or information systems, expose us to litigation and increase our administrative expenses.

Computer viruses, cyber attacks, and other external hazards, as well as any internal process or employee failures, could expose our information technology assets to security breaches that may cause critical data to be corrupted or confidential or proprietary information to be exposed, or cause system disruptions or shut-downs. In addition to our own information, we receive and may be responsible to protect confidential information from clients and other third parties, which could also be compromised in the event of a security breach. Our active underwriting companies rely on broker portals to bind certain business, and, therefore, a service interruption would negatively impact our ability to write business.

Where we rely on third parties for outsourced functions and other services, our information may be exposed to the risk of a data breach or cyber-security incident through their systems. Although we utilize numerous controls, protections and risk management strategies to attempt to mitigate these risks, and management is not aware of a material cybersecurity incident to date, the sophistication and volume of these security threats continues to rise at an increasingly rapid rate. The potential consequences of a data breach or cyber-security incident could include claims against us, significant reputational damage to our company, damage to our business as a result of disclosure of proprietary information, regulatory action against us, and dissatisfied customers, policyholders and business partners. Such an incident could cause us to lose business and commit resources, management time and money to remediate these breaches, any of which in turn could have an adverse impact on our business.

If outsourced providers such as third-party administrators, managing general agents, investment managers or other service providers were to breach obligations owed to us, our business and results of operations could be adversely affected.

We outsource certain business functions to third party providers, and in these relationships we are subject to the risk that these providers do not perform as anticipated or do not adhere to their obligations to us. For example, certain of our subsidiaries rely on relationships with a number of third-party administrators, under contracts pursuant to which these third-party administrators manage and pay claims on our subsidiaries' behalf and advise with respect to case reserves. In these relationships, we rely on controls incorporated in the provisions of the administration agreement, as well as on the administrator's internal controls, to manage the claims process within our prescribed parameters. Our Torus and Atrium subsidiaries use managing general agents, general agents and other producers to write and administer business on their behalf within underwriting authorities prescribed by Torus and Atrium. We also rely on external investment managers to provide services pursuant to the terms of our investment management agreements, including following established investment guidelines. Although we monitor these administrators, agents and producers, and managers on an ongoing basis, our monitoring efforts may not be adequate or our service providers could exceed their authorities or otherwise breach obligations owed to us, which, if material, could adversely affect our business and results of operations.

With respect to certain of our subsidiaries' life insurance products, our subsidiaries depend upon the counterparty to an administrative services agreement in order to collect policy premiums and maintain necessary customer data. There is a risk that the counterparty may fail to perform its obligations under the agreement to provide accurate and timely premiums and data, or that we or the counterparty could experience difficulties with the operation of the supporting technology systems. Any of these risks could result in underperformance of our life and annuities business compared to our expectations, and could also have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Ownership of Our Ordinary Shares

Our stock price may experience volatility, thereby causing a potential loss of value to our investors.

The market price for our ordinary shares may fluctuate substantially and could cause investment losses due to, among other things, the following factors:

- announcements with respect to an acquisition or investment;
- changes in the value of our assets;
- our quarterly and annual operating results;
- sales, or the possibility or perception of future sales, by our existing shareholders;
- changes in general conditions in the economy and the insurance industry;
- the financial markets; and
- adverse press or news announcements.

A few significant shareholders may influence or control the direction of our business. If the ownership of our ordinary shares continues to be highly concentrated, it may limit your ability and the ability of other shareholders to influence significant corporate decisions.

We have a number of shareholders with large interests, including several that may be affiliated with members of our Board of Directors. The interests of Messrs. Silvester, O'Shea and Packer, First Reserve Management, L.P. (or First Reserve), Trident V, L.P. and its affiliates (or Trident), Beck Mack & Oliver (or Beck Mack) and Goldman, Sachs & Co. and its affiliates (or Goldman Sachs) may not be fully aligned with your interests, and this may lead to a strategy that is not in your best interest. As of December 31, 2014, Messrs. Silvester, O'Shea and Packer, First Reserve, Trident, Beck Mack and Goldman Sachs beneficially owned approximately 7.8%, 1.2%, 2.0%, 9.5%, 8.5%, 7.5% and 4.2%, respectively, of our outstanding voting ordinary shares. Goldman Sachs owns additional non-voting ordinary shares that, together with its voting shares, represented an economic interest of over 18% as of December 31, 2014. First Reserve owns additional non-voting ordinary shares that, together with its voting shares, represented an economic interest of over 11.5% as of December 31, 2014.

Although they do not act as a group, First Reserve, Trident, Beck Mack, Goldman Sachs and each of Messrs. Silvester, O'Shea and Packer may exercise significant influence over matters requiring shareholder approval, and their concentrated holdings may delay or deter possible changes in control of Enstar, which may reduce the market price of our ordinary shares.

Some aspects of our corporate structure may discourage third-party takeovers and other transactions, limit voting rights of certain shareholders to 9.5% or prevent the removal of our board of directors and management.

Some provisions of our bye-laws have the effect of making more difficult or discouraging unsolicited takeover bids from third parties or preventing the removal of our current board of directors and management. In particular, our bye-laws make it difficult for any U.S. shareholder or Direct Foreign Shareholder Group (a shareholder or group of commonly controlled shareholders of Enstar that are not U.S. persons) to own or control ordinary shares that constitute 9.5% or more of the voting power of all of our ordinary shares. The votes conferred by such shares will be reduced by whatever amount is necessary so that after any such reduction the votes conferred by such shares will constitute 9.5% of the total voting power of all ordinary shares entitled to vote generally. The primary purpose of this restriction is to reduce the likelihood that we or any of our non-U.S. subsidiaries will be deemed a "controlled foreign corporation" within the meaning of Internal Revenue Code of 1986, as amended, or the Code, for U.S. federal tax purposes. However, this limit may also have the effect of deterring purchases of large blocks of our ordinary shares or proposals to acquire us, even if some or a majority of our shareholders might deem these purchases or acquisition proposals to be in their best interests. In addition, our bye-laws provide for a classified board, whose members may be removed by our shareholders only for cause by a majority vote, and contain restrictions on the ability of shareholders to nominate persons to serve as directors, submit resolutions to a shareholder vote and request special general meetings.

These bye-law provisions make it more difficult to acquire control of us by means of a tender offer, open market purchase, proxy contest or otherwise. These provisions may encourage persons seeking to acquire control of us to negotiate with our directors, which we believe would generally best serve the interests of our shareholders. However, these provisions may have the effect of discouraging a prospective acquirer from making a tender offer or otherwise attempting to obtain control of us. In addition, these bye-law provisions may prevent the removal of our current board of directors and management. To the extent these provisions discourage takeover attempts, they may deprive shareholders of opportunities to realize takeover premiums for their shares or may depress the market price of the shares.

There are regulatory limitations on the ownership and transfer of our ordinary shares.

Insurance laws and regulations in the jurisdictions in which our insurance and reinsurance subsidiaries operate require prior notices or regulatory approval of changes in control of an insurer or its holding company. Different jurisdictions define changes in control differently, and generally any purchaser of 10% or more of our ordinary shares could become subject to regulation and be required to file certain notices and reports with the applicable insurance authorities. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us, including transactions that some shareholders might consider to be desirable.

The market value of our ordinary shares may decline if large numbers of shares are sold, including pursuant to existing registration rights.

We have a registration rights agreement with Mr. Silvester, Trident and certain other of our shareholders. This agreement provides that Mr. Silvester and Trident may request that we effect a registration under the Securities Act of 1933, as amended (or the Securities Act) of certain of their ordinary shares. We have also entered into a registration rights agreement with Goldman Sachs in connection with our private placement in 2011, which provides that it may make two requests that we effect a registration under the Securities Act of the voting ordinary shares and non-voting ordinary shares issued to them in the private placement. In connection with the acquisition of Torus, we entered into a registration rights agreement with First Reserve and Corsair Specialty Investors, L.P. (or Corsair) on April 1, 2014, pursuant to which we filed a resale shelf registration statement for their Registrable Securities. The agreement also provides that First Reserve may make three requests that we effect a registration under the Securities Act of its voting ordinary shares (including any voting ordinary shares into which First Reserve's non-voting ordinary shares may convert) and that Corsair may make one such request.

All of these investors also have "piggyback" registration rights with respect to our registration of voting ordinary shares for our own account or for the account of one or more of our shareholders. As of December 31, 2014, the following shares are subject to these registration rights agreements: (i) an aggregate of approximately 2.3 million voting ordinary shares held by Mr. Silvester and Trident, (ii) 665,529 voting ordinary shares and 2,725,637 non-voting ordinary shares held by Goldman Sachs, (iii) 1,502,211 voting ordinary shares and 714,015 non-voting ordinary shares held by First Reserve, and (iv) 397,115 voting ordinary shares held by Corsair.

By exercising their registration rights, these holders could cause a large number of ordinary shares to be registered and generally become freely tradable without restrictions under the Securities Act immediately upon the effectiveness of the registration. Our ordinary shares have in the past been, and may from time to time continue to be, thinly traded, and significant sales, pursuant to the existing registration rights or otherwise, could adversely affect the market price for our ordinary shares and impair our ability to raise capital through offerings of our equity securities.

Because we are incorporated in Bermuda, it may be difficult for shareholders to serve process or enforce judgments against us or our directors and officers.

We are a Bermuda company. In addition, certain of our officers and directors reside in countries outside the United States. All or a substantial portion of our assets and the assets of these officers and directors are or may be located outside the United States. Investors may have difficulty effecting service of process within the United States on our directors and officers who reside outside the United States or recovering against us or these directors and officers on judgments of U.S. courts based on civil liabilities provisions of the U.S. federal securities laws even though we have appointed an agent in the United States to receive service of process. Further, no claim may be brought in Bermuda against us or our directors and officers for violation of U.S. federal securities laws, as such laws do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

We believe that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as our independent auditors, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us or these persons predicated solely upon U.S. federal securities laws. Further, there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against us based upon such judgments.

Shareholders who own our ordinary shares may have more difficulty in protecting their interests than shareholders of a U.S. corporation.

The Bermuda Companies Act, or the Companies Act, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. As a result of these differences, shareholders who own our shares may have more difficulty protecting their interests than shareholders who own shares of a U.S. corporation. For example, class actions and derivative actions are generally not available to shareholders under Bermuda law. Under Bermuda law, only shareholders holding collectively 5% or more of our outstanding ordinary shares or numbering 100 or more are entitled to propose a resolution at our general meeting.

We do not intend to pay cash dividends on our ordinary shares.

We do not intend to pay a cash dividend on our ordinary shares. Rather, we intend to use any retained earnings to fund the development and growth of our business. From time to time, our board of directors will review our alternatives with respect to our earnings and seek to maximize value for our shareholders. In the future, we may decide to commence a dividend program for the benefit of our shareholders. Any future determination to pay dividends will be at the discretion of our board of directors and will be limited by our position as a holding company that lacks direct operations, the results of operations of our subsidiaries, our financial condition, cash requirements and prospects and other factors that our board of directors deems relevant. In addition, there are significant regulatory and other constraints that could prevent us from paying dividends in any event. As a result, capital appreciation, if any, on our ordinary shares may be your sole source of gain for the foreseeable future.

Our board of directors may decline to register a transfer of our ordinary shares under certain circumstances.

Our board of directors may decline to register a transfer of ordinary shares under certain circumstances, including if it has reason to believe that any non-de minimis adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders may occur as a result of such transfer. Further, our bye-laws provide us with the option to repurchase, or to assign to a third party the right to purchase, the minimum number of shares necessary to eliminate any such non-de minimis adverse tax, regulatory or legal consequence. In addition, our board of directors may decline to approve or register a transfer of shares unless all applicable consents, authorizations, permissions or approvals of any governmental body or agency in Bermuda, the United States or any other applicable jurisdiction required to be obtained prior to such transfer shall have been obtained. The proposed transferor of any shares will be deemed to own those shares for dividend, voting and reporting purposes until a transfer of such shares has been registered on our shareholders register.

It is our understanding that while the precise form of the restrictions on transfer contained in our bye-laws is untested, as a matter of general principle, restrictions on transfers are enforceable under Bermuda law and are not uncommon. These restrictions on transfer may also have the effect of delaying, deferring or preventing a change in control.

Risks Relating to Taxation

We might incur unexpected U.S., U.K. or Australia tax liabilities if companies in our group that are incorporated outside those jurisdictions are determined to be carrying on a trade or business there.

We and a number of our subsidiaries are companies formed under the laws of Bermuda or other jurisdictions that do not impose income taxes; it is our contemplation that these companies will not incur substantial income tax liabilities from their operations. Because the operations of these companies generally involve, or relate to, the insurance or reinsurance of risks that arise in higher tax jurisdictions, such as the United States, United Kingdom and Australia, it is possible that the taxing authorities in those jurisdictions may assert that the activities of one or more of these companies creates a sufficient nexus in that jurisdiction to subject the company to income tax there. There are uncertainties in how the relevant rules apply to insurance businesses, and in our eligibility for favorable treatment under applicable tax treaties. Accordingly, it is possible that we could incur substantial unexpected tax liabilities.

U.S. persons who own our ordinary shares might become subject to adverse U.S. tax consequences as a result of "related person insurance income," or RPII, if any, of our non-U.S. insurance company subsidiaries.

If the RPII rules of the Code were to apply to us, a U.S. person who owns our ordinary shares directly, or indirectly through foreign entities, on the last day of the taxable year would be required to include in income for U.S. federal income tax purposes the shareholder's pro rata share of our non-U.S. subsidiaries' RPII for the entire taxable year, determined as if that RPII were distributed proportionately to the U.S. shareholders at that date regardless whether any actual distribution is made. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization would generally be treated as unrelated business taxable income. Although we and our subsidiaries intend to operate generally in a manner so as to qualify for certain exceptions to the RPII rules, there can be no assurance that these exceptions will be available. Accordingly, there can be no assurance that U.S. persons who own our ordinary shares will not be required to recognize gross income inclusions attributable to RPII.

In addition, the RPII rules provide that if a shareholder who is a U.S. person disposes of shares in a foreign insurance company that has RPII and in which U.S. persons collectively own 25% or more of the total combined voting power of all classes of stock entitled to vote, or the total value of the stock, any gain from the disposition will generally be treated as dividend income to the extent of the shareholder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the shareholder owned the shares (whether or not those earnings and profits are attributable to RPII). Such a shareholder would also be required to comply with certain reporting requirements, regardless of the amount of shares owned by the shareholder. These rules should not apply to dispositions of our ordinary shares because we will not be directly engaged in the insurance business. The RPII rules, however, have not been interpreted by the courts or the U.S. Internal Revenue Service, or the IRS, and regulations interpreting the RPII rules exist only in proposed form. Accordingly, there is no assurance that our views as to the inapplicability of these rules to a disposition of our ordinary shares will be accepted by the IRS or a court.

U.S. persons who own our ordinary shares would be subject to adverse tax consequences if we or one or more of our non-U.S. subsidiaries were considered a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes.

We believe that we and our non-U.S. subsidiaries will not be PFICs for U.S. federal income purposes for the current year. Moreover, we do not expect to conduct our activities in a manner that will cause us or any of our non-U.S. subsidiaries to become a PFIC in the future. However, there can be no assurance that the IRS will not challenge this position or that a court will not sustain such challenge. Accordingly, it is possible that we or one or more of our non-U.S. subsidiaries might be deemed a PFIC by the IRS or a court for the current year or any future year. If we or one or more of our non-U.S. subsidiaries were a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. federal income taxation, including subjecting the investor to a substantial acceleration and/or increase in tax liability. There are currently no regulations regarding the application of the PFIC provisions of the Code to an insurance company, so the application of those provisions to insurance companies remains unclear in certain respects.

U.S. persons who own 10 percent or more of our shares may be subject to taxation under the "controlled foreign corporation," or CFC, rules.

A U.S. person that is a "10% U.S. Shareholder" of a non-U.S. corporation (i.e., a U.S. person who owns or is treated as owning at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation) that is a CFC for an uninterrupted period of 30 days or more during a taxable year, that owns shares in the CFC directly or indirectly through non-U.S. entities on the last day of the CFC's taxable year, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. "Subpart F income" of a non-U.S. insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income).

A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the Code (i.e., "constructively")) more than 50% of the total combined voting power of all classes of stock of that foreign corporation, or the total value of all stock of that foreign corporation. For purposes of taking into account insurance income, a CFC also includes a non-U.S. insurance company in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned directly, indirectly through non-U.S. entities or constructively by 10% U.S. Shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration for the reinsurance or the issuing of insurance exceeds 75% of the gross amount of all premiums or other consideration in respect of all risks.

We believe that because of the dispersion of our share ownership, and provisions in our organizational documents that limit voting power, no U.S. person (including our subsidiary Enstar USA, Inc., which owns certain of our non-voting shares) should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total combined voting power of all classes of our shares. However, the IRS could successfully challenge the effectiveness of these provisions in our organizational documents. Accordingly, no assurance can be given that a U.S. person who owns our shares will not be characterized as a 10% U.S. Shareholder.

Changes in U.S. federal income tax law could materially affect us or our shareholders.

Legislation has been proposed on various occasions to eliminate perceived tax advantages of insurance companies that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation has been proposed to disallow the deduction of reinsurance premiums paid by U.S. companies to certain non-U.S. affiliates, although no such provision has been enacted to date. It is possible that such legislation could be enacted or similar legislation could be introduced in and enacted by the current Congress or future Congresses and enactment of some version of such legislation, or other changes in U.S. tax laws, regulations or interpretations thereof, could have an adverse impact on us or our shareholders.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable

ITEM 2. *PROPERTIES.*

We lease office space in Hamilton, Bermuda, where our principal executive office is located. We also lease office space in a number of U.S. states, the United Kingdom, Australia, Ireland, Switzerland, Canada, India, Singapore and several European countries.

We renew and enter into new leases in the ordinary course of our business. We believe that this office space is sufficient for us to conduct our current operations for the foreseeable future, although in connection with future acquisitions from time to time, we may expand to different locations or increase space to support any such growth.

ITEM 3. *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. In addition to claims litigation and arbitration, 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 adverse effect on our business, results of operations or financial condition. Nevertheless, we cannot assure you that lawsuits, arbitrations or other litigation will not have a material adverse effect on our business, financial condition or results of operations. 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. There can be no assurance that any such future litigation will not have a material adverse effect on our business, financial condition or results of operations.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable

PART II

ITEM 5. *MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our ordinary shares trade on the NASDAQ Global Select Market under the ticker symbol ESGR.

Price Range of Ordinary Shares

The price range per ordinary share presented below represents the highest and lowest sales prices for our common stock on the NASDAQ Global Select Market during each quarter of the two most recent years.

	2014		2013	
	High	Low	High	Low
First Quarter	$141.64	$119.82	$129.83	$112.72
Second Quarter	$152.47	$127.31	$138.99	$118.56
Third Quarter	$153.74	$136.31	$147.85	$131.17
Fourth Quarter	$161.94	$135.05	$142.67	$131.46

Holders

On February 26, 2015 there were 1,892 shareholders of record of our voting ordinary shares and 9 shareholders of record of our non-voting ordinary shares. The number of shareholders of record of our voting ordinary shares does not represent the actual number of beneficial owners of our voting ordinary shares because shares are frequently held in "street name" by securities dealers and others for the benefit of beneficial owners who may vote the shares.

Dividends

We are a holding company and have no direct operations. Our ability to pay dividends or distributions depends almost exclusively on the ability of our subsidiaries to pay dividends to us. Under applicable law, our subsidiaries may not declare or pay a dividend if there are reasonable grounds for believing that they are, or would after the payment be, unable to pay their liabilities as they become due, or the realizable value of their assets would thereby be less than the aggregate of their liabilities and their issued share capital and share premium accounts. Additional restrictions apply to the ability of our insurance and reinsurance subsidiaries to distribute capital and pay dividends, as described in "Item 1. Business — Regulation," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources," and "Note 19 — Dividend Restrictions and Statutory Requirements" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K. In addition, our outstanding credit facilities contain restrictions on our ability and certain of our subsidiaries' ability to pay dividends.

We do not intend to pay a dividend on our ordinary shares, and we did not pay any dividends on our ordinary shares in 2014 or 2013. Rather, we intend to reinvest distributions from our subsidiaries back into the company. For a further description, see "Item IA. Risk Factors — Risks Relating to Ownership of Our Ordinary Shares — We do not intend to pay cash dividends on our ordinary shares."

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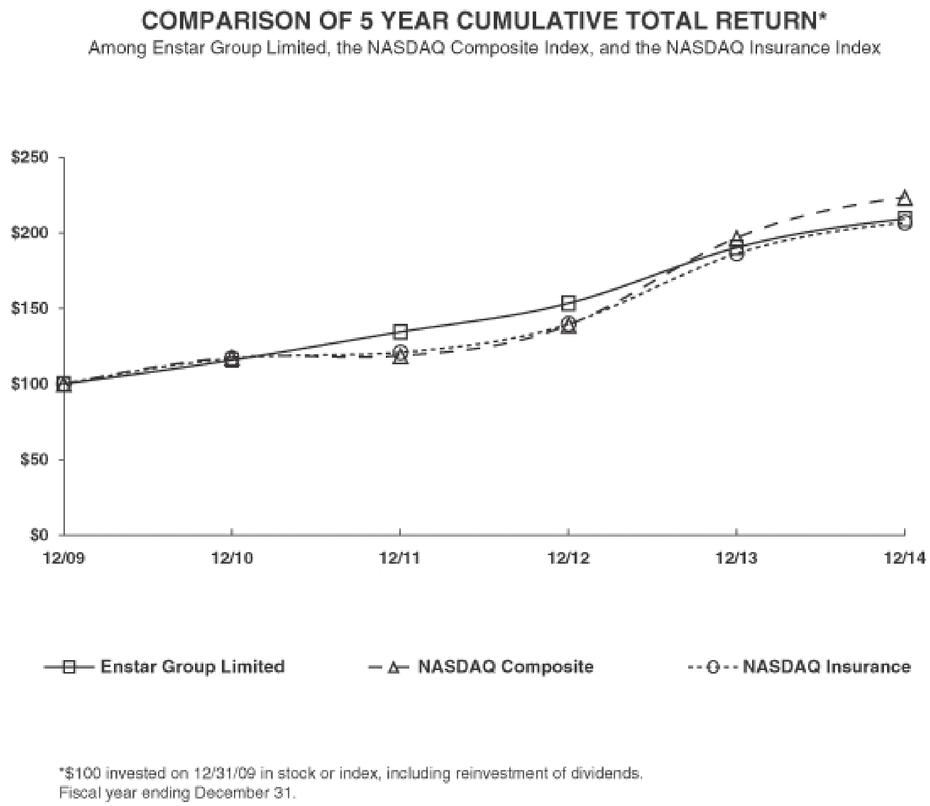
Company Stock Performance

A graph reflecting our stock performance is included below. The graph reflects the investment of $100.00 on December 31, 2009 (assuming the reinvestment of dividends) in our ordinary shares, the NASDAQ Composite Index, and the NASDAQ Insurance Index.



	12/09	12/10	12/11	12/12	12/13	12/14
Enstar Group Limited	100.00	115.83	134.48	153.36	190.24	209.38
NASDAQ Composite	100.00	117.61	118.70	139.00	196.83	223.74
NASDAQ Insurance	100.00	117.00	121.06	139.89	186.24	206.76

Issuer Purchases of Equity Securities

None.

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ITEM 6. *SELECTED FINANCIAL DATA*

The following selected historical financial information for each of the past five fiscal years has been derived from our audited historical financial statements. This information is only a summary and should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and notes thereto included in Item 8 of this report. The results of operations for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

Since our inception, we have made numerous acquisitions of companies and portfolios of business that impact the comparability between periods of the information reflected below. In particular, our 2014 acquisition of Torus and our 2013 acquisitions of SeaBright, Pavonia, Arden and Atrium impact comparability to other periods, including with respect to net premiums earned. Our acquisitions are described in “Item 1. Business — Recent Transactions” and Notes 3 and 4 to our audited consolidated financial statements included in Item 8 of this report.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands of U.S. dollars, except share and per share data)				
Selected Statements of Earnings Data:					
Net premiums earned	$ 646,450	$ 239,807	$ 3,511	$ 3,543	$ —
Fees and commission income	33,079	12,817	8,570	17,858	23,015
Net investment income	117,369	93,295	77,760	68,676	81,261
Net realized and unrealized gains	62,619	70,651	73,612	9,214	31,782
Gain on bargain purchase	—	—	—	13,105	—
Net (increase) reduction in ultimate losses and loss adjustment expense liabilities	(9,146)	163,672	237,953	293,461	311,834
Life and annuity policy benefits	(108,046)	(78,354)	300	(1,557)	—
Acquisition costs	(132,573)	(23,199)	—	—	—
Total other expenses	(382,516)	(254,867)	(210,187)	(195,842)	(242,865)
Share of earnings of partly owned company	—	—	—	—	10,704
Net earnings	227,236	223,822	191,519	208,458	215,731
Less: Net earnings attributable to noncontrolling interests	(13,487)	(15,218)	(23,502)	(54,765)	(41,645)
Net earnings attributable to Enstar Group Limited	$ 213,749	$ 208,604	$ 168,017	$ 153,693	$ 174,086
Per Ordinary Share Data: (1)					
Net earnings per share attributable to Enstar Group Limited ordinary shareholders — basic	$ 11.61	$ 12.62	$ 10.22	$ 11.03	$ 12.91
Net earnings per share attributable to Enstar Group Limited ordinary shareholders — diluted	$ 11.44	$ 12.49	$ 10.10	$ 10.81	$ 12.66
Weighted average ordinary shares outstanding — basic	18,409,069	16,523,369	16,441,461	13,930,221	13,489,221
Weighted average ordinary shares outstanding — diluted	18,678,130	16,703,442	16,638,021	14,212,440	13,751,256

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	December 31,				
	2014	2013	2012	2011	2010
	(in thousands of U.S. dollars, except per share data)				
Selected Balance Sheet Data:					
Total investments	$ 6,004,149	$ 5,519,798	$ 3,352,875	$ 3,335,199	$ 2,429,106
Total cash and cash equivalents (inclusive of restricted)	1,498,376	1,041,498	954,855	1,223,665	1,455,354
Reinsurance balances recoverable	1,331,555	1,363,819	1,122,919	1,789,582	961,442
Total assets	9,936,885	8,620,155	5,878,261	6,606,138	5,235,904
Losses and loss adjustment expense liabilities	4,509,421	4,219,905	3,650,127	4,272,081	3,291,275
Policy benefits for life and annuity contracts	1,220,864	1,273,100	11,027	10,835	—
Loans payable	320,041	452,446	107,430	242,710	245,278
Total Enstar Group Limited shareholders' equity	2,304,850	1,755,523	1,553,755	1,386,066	948,421
Book Value per Share:(2)					
Basic	$ 120.04	$ 106.21	$ 94.29	$ 84.56	$ 73.29
Diluted	$ 119.22	$ 105.20	$ 93.30	$ 82.97	$ 71.68
Shares Outstanding:					
Basic	19,201,017	16,528,343	16,477,809	16,391,076	12,940,660
Diluted	19,332,864	16,707,115	16,653,120	16,705,767	13,231,320

(1) Earnings per share is a measure based on net earnings divided by weighted average ordinary shares outstanding. Basic earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of ordinary shares outstanding for the period, giving no effect to dilutive securities. Diluted earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of shares and share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.

(2) Basic book value per share is defined as total Enstar Group Limited shareholders' equity available to ordinary shareholders divided by the number of ordinary shares outstanding as at the end of the period, giving no effect to dilutive securities. Diluted book value per share is defined as total shareholders' equity available to ordinary shareholders divided by the number of ordinary shares and ordinary share equivalents outstanding at the end of the period, calculated using the treasury stock method for all potentially dilutive securities.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. Some of the information contained in this discussion and analysis or included elsewhere in this annual 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," "Risk Factors" and elsewhere in this annual report.

Management's Discussion and Analysis of Financial Condition and Results of Operations
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Business Overview

We are a Bermuda-based holding company with a core focus of acquiring and managing insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off, and providing management, consulting and other services to the insurance and reinsurance industry.

Until 2013, all but one of our acquisitions had been in the non-life run-off business, which for us generally includes property and casualty, workers' compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

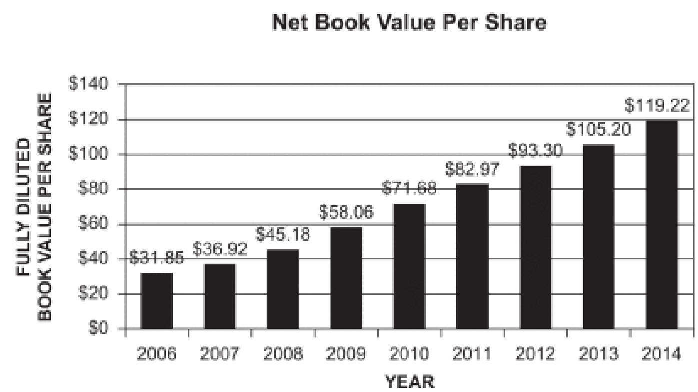
While our core focus remains acquiring and managing non-life run-off business, in recent years, we expanded our business by entering into the active underwriting business through our acquisitions of Atrium and Torus. We partnered with the Trident V funds in the Atrium and Torus acquisitions, with Enstar owning an approximate 59.0% interest and Trident V owning an approximate 39.3% interest in the acquired companies (with Dowling owning a 1.7% interest). We also expanded our portfolio of run-off businesses to include closed life and annuities, primarily through our acquisition of Pavonia from HSBC Holdings plc on March 31, 2013.

Our strategies with respect to these new lines of business and our core non-life run-off business are discussed in "Item 1. Business — Company Overview," "—Strategy" and "—Recent Transactions."

We operate our business internationally through our insurance and reinsurance subsidiaries and our consulting subsidiaries in Bermuda, the United Kingdom, the United States, Europe and Australia.

Key Performance Indicators

Our primary corporate objective is growing our net book value per share. We believe 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 on our active underwriting strategies. Our growth in book value per share on a fully diluted basis since becoming a public company on January 31, 2007 is set forth in the table below. We have achieved a compounded annual growth rate on our fully diluted book value per share of approximately 17.9% during this time.



Drivers of Book Value Growth

During the year ended December 31, 2014, we increased our book value per share on a fully diluted basis by 13.3% to $119.22 per share. We grow our book value primarily in the following ways:

- settling our non-life run-off net loss reserves from acquired businesses below their acquired fair value (*net reduction in ultimate losses and loss adjustment expense liabilities*);
- earning premiums in excess of related losses for our Torus, Atrium and life and annuities segments (*net premiums earned*);

- generating investment income on our cash and investment portfolios (*net investment income and net realized and unrealized gains*);
- earning fees and commission income by providing expert run-off management services for a fixed and/or incentive based fee in our non-life run-off segment, and by providing managing general agency services through our Atrium segment (*fees and commission income*); and
- managing our expenses as we continue to grow our operations (*expenses*).

The following description summarizes these and other financial statement measures that largely drive the amount of book value per share that we attain.

Net Reduction in Ultimate Losses and Loss Adjustment Expense Liabilities

Our non-life run-off segment earnings comprise primarily reductions, or potential increases, of net ultimate losses and loss adjustment expense liabilities. These liabilities are comprised of outstanding loss or case reserves (or OLR), losses incurred but not reported (or IBNR) and unallocated loss adjustment expenses (or ULAE) reserves.

Net ultimate losses and loss adjustment expense liabilities established by management utilizing analysis performed by independent actuaries prepared on an annual basis are reviewed by our management each quarter. Reserves reflect management's best estimate of the remaining unpaid portion of these liabilities. Prior period estimates of net ultimate losses and loss adjustment expense liabilities may change as our management considers the combined impact of commutations, policy buy-backs, settlement of losses on carried reserves and the trend of incurred loss development compared to prior forecasts. Net reductions in ultimate losses and loss adjustment expense liabilities are reported as negative expenses by us. For more information on how the reserves are calculated, see "— Critical Accounting Policies — Losses and Loss Adjustment Expenses."

Net Premiums Earned

We derive income from premiums from our insurance and reinsurance businesses. Insurance and reinsurance premiums are a function of the amount and type of contracts written as well as prevailing market prices and conditions. Non-life premiums are earned over the terms of the underlying coverage. Life and annuity premiums are generally earned when the premium is due from policyholders. Each of our insurance and reinsurance contracts contain different pricing, terms and conditions and expected profit margins. Therefore, the amount of premiums is not necessarily an accurate indicator of our anticipated profitability. Premium estimates are based upon information in underlying contracts and data received from clients, cedants and brokers. Changes in premium estimates are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume or insured values of our clients is obtained. There is often a delay in the receipt of updated premium information from clients due to the time lag in preparing and reporting the data to us. After review by our underwriters and finance staff, we increase or decrease premium estimates as updated information from our clients is received.

Net Investment Income and Net Realized and Unrealized Gains

Our net investment income is a function of the average invested assets and the average yield that we earn on those invested assets. The investment yield on our fixed maturity investments is a function of market interest rates as well as the credit quality and duration of our fixed maturities portfolio. Our net realized and unrealized gains or losses on investments includes realized gains and losses on our fixed maturity securities and changes in fair value of our trading securities and other investments. We recognize realized gains and losses at the time of sale, and they, along with the changes in fair value of our trading securities, reflect the results of changing market conditions, including changes in market interest rates and changes in the market's perception of the credit quality of our fixed maturity holdings. The change in fair value of other investments is principally a function of the success of the funds in which we are invested, which depends on, among other things, the underlying strategies of the funds, the ability of the fund managers to execute the fund strategies and general economic and investment market conditions.

Fees and Commission Income

Our Atrium segment earns profit commission income primarily related to the provision of managing general agency services to Syndicate 609 and its third-party members. Our non-life run-off segment generates fee income for run-off and claims services based on a combination of fixed and success-based fee arrangements. Fee income will vary from period to period depending on the timing of completion of success-based fee arrangements. Success-based fees are recorded when targets related to overall project completion or profitability goals are achieved.

Expenses

Salaries and Benefits

We are a service-based company and, as such, employee salaries and benefits are our largest expense. We have experienced significant increases in our salaries and benefits expenses as we have grown our operations, and we expect that trend to continue if we are able to expand our operations successfully.

We provide for the annual grant of bonus compensation to our officers and employees, including our senior executive officers. Bonus awards are based on a percentage of our consolidated net after-tax profits. The percentage is 15% unless our Compensation Committee exercises its discretion to change the percentage no later than 30 days after our year end. Bonus awards are payable in cash, ordinary shares or a combination of both.

General and Administrative Expenses

General and administrative expenses include rent and rent-related costs, professional fees (legal, investment, audit and actuarial) and travel expenses. We have operations in multiple jurisdictions and our employees travel frequently in connection with the search for acquisition opportunities and in the general management of the business.

Net Earnings Attributable to Noncontrolling Interest

Net earnings attributable to noncontrolling interest relates to the share of earnings of our subsidiaries in which there is either a noncontrolling interest or a redeemable noncontrolling interest.

Critical Accounting Policies

We believe the following accounting policies affect the more significant judgment and estimates used in the preparation of our financial statements.

Accounting for Acquisitions — Fair Value Measurement

Non-life Run-off

The most significant liability and asset of an acquired company are typically the liability for losses and loss adjustment expenses and the asset related to any reinsurance balances recoverable on these liabilities that may be contractually due to the acquired entity. The market for acquisition of run-off companies is not sufficiently active and transparent to enable us to identify reliable, market exit values for acquired assets and liabilities. Accordingly, consistent with provisions of U.S. GAAP, we have developed internal models that we believe allow us to determine fair values that are reasonable proxies for market exit values. We are familiar with the major participants in the acquisition run-off market and believe that the key assumptions we make in valuing acquired assets and liabilities are consistent with the kinds of assumptions made by such market participants. Furthermore, in our negotiation of purchase prices with sellers, it is frequently clear to us that other bidders in the market are using models and assumptions similar in nature to ours during the competitive bid process. The majority of acquisitions are completed following a public tender process whereby the seller invites market participants to provide bids for the target acquisition.

We account for acquisitions using the purchase method of accounting, which requires that the acquirer record the assets and liabilities acquired at their estimated fair value. The fair values of each of the insurance and reinsurance assets and liabilities acquired are derived from probability-weighted ranges of the associated projected cash flows, based on actuarially prepared information and management's run-off strategy. Our run-off strategy, as well as that of other run-off market participants, is expected to be different from the seller's as generally sellers are not specialized in running off insurance and reinsurance liabilities whereas we and other market participants do specialize in such run-offs.

The key assumptions used by us and, we believe, by other run-off market participants in the fair valuation of acquired companies are (i) the projected payout, timing and amounts of claims liabilities; (ii) the related projected timing and amount of reinsurance collections; (iii) a risk-free discount rate, which is applied to determine the present value of the future cash flows; (iv) the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off; (v) the impact that any accelerated run-off strategy may have on the adequacy of acquired bad debt provisions; and (vi) an appropriate risk margin.

The probability-weighted projected cash flows of the acquired company are based on projected claims payouts provided by the seller predominantly in the form of the seller's most recent independent actuarial reserve report. In the absence of the seller's actuarial reserve report, our independent actuaries will determine the estimated claims payout.

With respect to our U.K., Bermudian and Australian insurance and reinsurance subsidiaries, the local legislation provides for the possibility of pursuing strategies to achieve complete finality and conclude the run-off of a company by promoting solvent schemes of arrangement. Solvent schemes of arrangement have been a popular means of achieving financial certainty and finality for insurance and reinsurance companies incorporated or managed in the U.K., Bermuda and Australia by making a one-time full and final settlement of an insurance and reinsurance company's liabilities to policyholders. In April 2014, the PRA issued a supervisory statement that indicated that the PRA may require policyholders to be offered continuity of cover as part of a solvent scheme of arrangement proposal, in order to be compatible with the PRA's statutory objective of securing an appropriate degree of protection for policyholders. On acquisition of a U.K., Bermudian or Australian company, the claims payout projection is weighted according to management's estimated probability of being able to complete a solvent scheme of arrangement. To the extent that solvent schemes of arrangement are not available to an acquired company, no weighting is applied to the projected claims payout.

On acquisition, we make a provision for unallocated loss adjustment expense liabilities. This provision considers the adequacy of the provision maintained and recorded by the seller in light of our run-off strategy and estimated unallocated loss adjustment expenses to be incurred over the life of the acquired run-off as projected by the seller's actuaries or, in their absence, our actuaries. To the extent that our estimate of the total unallocated loss adjustment expense provision is different from the seller's, an adjustment will be made. While our objective is to accelerate the run-off by completing commutations of assumed and ceded business (which would have the effect of shortening the life, and therefore the cost, of the run-off), the success of this strategy is far from certain. Therefore, the estimates of unallocated loss adjustment expenses are based on running off the liabilities and assets over the actuarially projected life of the run-off. In those domiciles where solvent schemes of arrangement are available, management's estimates of the total unallocated loss adjustment expenses are probability-weighted in accordance with the estimated time that a solvent scheme of arrangement could be completed, which has the effect of reducing the period of the run-off and the related unallocated loss adjustment expenses. For those acquisitions in domiciles where solvent schemes of arrangement are not available, the unallocated loss adjustment expenses are estimated over the projected life of the run-off.

We believe that providing for unallocated loss adjustment expenses based on our run-off strategy is appropriate in determining the fair value of the assets and liabilities acquired in an acquisition of a run-off company. We believe that other participants in the run-off acquisition marketplace factor into the price to pay for an acquisition the estimated cost of running off the acquired company based on how that participant expects to manage the assets and liabilities.

The difference between the carrying value of reserves acquired at the date of acquisition and the fair value is the Fair Value Adjustment, or FVA. The FVA is amortized over the estimated payout period and adjusted for accelerations on commutation settlements or any other new information or subsequent change in circumstances after the date of acquisition. To the extent the actual payout experience after the acquisition is materially faster or slower than anticipated at the time of the acquisition, there is an adjustment to the estimated ultimate loss reserves, or there are changes in bad debt provisions or in estimates of future run-off costs following accelerated payouts, then the amortization of the FVA is accelerated or decelerated, as the case may be, to reflect such changes.

Losses and Loss Adjustment Expenses

Non-life Run-off

The following table provides a breakdown of gross losses and loss adjustment expense reserves by type of exposure as of December 31, 2014 and 2013.

	2014			2013		
	OLR	IBNR	Total	OLR	IBNR	Total
			(in thousands of U.S. dollars)			
Asbestos	$ 127,061	$ 234,551	$ 361,612	$ 152,478	$ 298,612	$ 451,090
Environmental	46,526	31,338	77,864	47,518	40,886	88,404
General casualty	414,869	362,743	777,612	383,609	261,911	645,520
Workers compensation/personal accident	774,225	282,943	1,057,168	944,077	383,287	1,327,364
Marine, aviation and transit	65,936	9,598	75,534	137,054	45,597	182,651
Construction defect	45,923	41,095	87,018	74,275	89,365	163,640
Other	626,992	171,318	798,310	664,419	233,784	898,203
Total	$ 2,101,532	$ 1,133,586	$ 3,235,118	$ 2,403,430	$ 1,353,442	$ 3,756,872
ULAE			199,892			247,641
Total			$ 3,435,010			$ 4,004,513

Our primary objective in running off the operations of acquired companies and portfolios of insurance and reinsurance business in run-off is to increase book value by settling loss reserves below their acquired fair value. The earnings created in each acquired company or portfolio of insurance and reinsurance business, together with the related decrease in loss reserves, lead to a reduction in the capital required for each company, thereby providing the ability to distribute both earnings and excess capital to the parent company.

To the extent that the nature of the acquired loss reserves are conducive to commutation, our aim is to settle the majority of the acquired loss reserves within a timeframe of approximately five to seven years from the date of acquisition. To the extent that acquired reserves are not conducive to commutation, we will instead adopt a disciplined claims management approach to pay only valid claims on a timely basis and endeavor to reduce the level of acquired loss adjustment expense provisions by withdrawing, where appropriate, from existing litigation and otherwise streamlining claims handling procedures.

By adopting either of the above run-off strategies, we would expect that over the targeted life of the run-off, acquired ultimate loss reserves would settle below their recorded fair value, resulting in reductions in ultimate losses and loss adjustment expense liabilities. There can be no assurance, however, that we will successfully implement our strategy.

Commutations of blocks of policies, along with disciplined claims management, have the potential to produce favorable claims development compared to established reserves. For each newly-acquired company, we determine a commutation strategy that broadly identifies commutation targets using the following criteria:

- Previous commutations completed by existing portfolio companies with policyholders of the newly-acquired company;
- Nature of liabilities;
- Size of incurred loss reserves;
- Recent loss development history; and
- Targets for claims audits.

Once commutation targets are identified, they are prioritized into target years of completion. At the beginning of each year, the approach to commutation negotiations is determined by the commutation team, including claims and exposure analysis and broker account reconciliations. On completion of this analysis, settlement parameters are set around incurred liabilities. Commutation discussions can take many months or even years to come to fruition. Commutation targets not completed in a particular year are re-prioritized for the following year.

Every commutation, irrespective of value, requires the approval of our Chief Financial Officer or one of our two Joint Chief Operating Officers. The impact of the commutation activity on the IBNR reserve is reflected as part of our annual actuarial reviews of reserves. However, if a significant commutation is completed during the year, loss reserves will be adjusted in the corresponding quarter to reflect management’s then best estimate of the impact on remaining IBNR reserves.

The following table provides a breakdown of losses and loss adjustment expense reserves (net of reinsurance balances recoverable) by type of exposure as of December 31, 2014 and 2013:

	2014		2013	
	Total	% of Total	Total	% of Total
	(in thousands of U.S. dollars)			
Asbestos	$ 324,803	12.3%	$ 405,323	14.1%
Environmental	64,307	2.4%	75,542	2.6%
General casualty	480,066	18.2%	431,362	15.0%
Workers compensation/personal accident	736,771	28.0%	903,756	31.3%
Marine, aviation and transit	69,508	2.6%	101,547	3.5%
Construction defect	55,551	2.1%	100,576	3.5%
Other	703,403	26.8%	617,233	21.4%
ULAE	199,892	7.6%	247,641	8.6%
Total	$2,634,301	100.0%	$2,882,980	100.0%

As of December 31, 2014, the IBNR reserves (net of reinsurance balances receivable) accounted for $862.4 million, or 32.7%, of our total net losses and loss adjustment expenses. The reserve for IBNR (net of reinsurance balance receivable) accounted for $962.6 million, or 33.4%, of our total net loss reserves at December 31, 2013.

Annual Losses and Loss Adjustment Reviews

Because a significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an insurance or reinsurance company and the ultimate payment of the claim on the loss event, the liability for unpaid losses and loss adjustment expenses is based largely upon estimates. Our management must use considerable judgment in the process of developing these estimates. The liability for unpaid losses and loss adjustment expenses for property and casualty business includes amounts determined from loss reports on individual cases and amounts for IBNR reserves. Such reserves, including IBNR reserves, are estimated by management based upon loss reports received from ceding companies, supplemented by our own estimates of losses for which no ceding company loss reports have yet been received and the results of annual independent actuarial studies.

Loss advices or reports from ceding companies are generally provided via the placing broker and comprise treaty statements, individual claims files, electronic messages and large loss advices or cash calls. Large loss advices and cash calls are provided to us as soon as practicable after an individual loss or claim is made or settled by the insured. The remaining broker advices are issued monthly, quarterly or annually depending on the provisions of the individual policies or the ceding company's practice. For certain direct insurance policies where the claims are managed by Third Party Administrators (TPAs) and Managing General Agents (MGAs), loss bordereaux are received either monthly or quarterly depending on the arrangement with the TPA and MGA.

Where we provide reinsurance or retrocession reinsurance protection, the process of claims advice from the direct insurer to the reinsurers and/or retrocessionaires naturally involves more levels of communication, which inevitably creates delays or lags in the receipt of loss advice by the reinsurers/retrocessionaires relative to the date of first advice to the direct insurer. Certain types of exposure, typically latent health exposures such as asbestos-related claims, have inherently long reporting delays, in some cases many years, from the date a loss occurred to the manifestation and reporting of a claim and ultimately until the final settlement of the claim. For asbestos and environmental exposures, our actuaries apply explicit time lag assumptions in their reserving methodologies. This time lag varies by portfolio from one to five years depending on the relative mix of domicile, percentages of product mix of insurance, reinsurance and retrocessional reinsurance, primary insurance, excess reinsurance, reinsurance of direct and reinsurance of reinsurance within any given exposure category. Exposure portfolios written from a non-U.S. domicile are assumed to have a greater time lag than portfolios written from a U.S.-domicile. Portfolios with a larger proportion of reinsurance exposures are assumed to have a greater time-lag than portfolios with a larger proportion of insurance exposures.

An industry-wide weakness in cedant reporting affects the adequacy and accuracy of reserving for advised claims. We attempt to mitigate this inherent weakness as follows:

1. We closely monitor cedant loss reporting and, for those cedants identified as providing inadequate, untimely or unusual reporting of losses, we conduct, in accordance with the provisions of the insurance and reinsurance contracts, detailed claims audits at the insured's or reinsured's premises. Such claims audits have the benefit of validating advised claims, determining whether the cedant's loss reserving practices and reporting are adequate and identifying potential loss reserving issues of which our actuaries need to be made aware. Any required adjustments to advised claims reserves reported by cedants identified during the claims audits will be recorded as an adjustment to the advised case reserve.
2. Onsite claims audits are often supplemented by further reviews by our internal and external legal advisors to determine the reasonableness of advised case reserves and, if considered necessary, an adjustment to the reported case reserve will be recorded.
3. Our actuaries project expected paid and incurred loss development for each class of business, which is monitored on a quarterly basis. Should actual paid and incurred development differ significantly from the expected paid and incurred development, we will investigate the cause and, in conjunction with our actuaries, consider whether any adjustment to ultimate loss reserves is required.

Our actuaries consider the quality of ceding company data as part of their ongoing evaluation of the liability for ultimate losses and loss adjustment expenses, and the methodologies they select for estimating ultimate losses inherently compensate for potential weaknesses in this data, including weaknesses in loss reports provided by cedants.

We strive to apply the highest standards of discipline and professionalism to our claims adjusting, processing and settlement, and disputes with cedants are rare. However, we are from time to time involved in various disputes and legal proceedings in the ordinary course of our claims adjusting process. The majority of the losses ceded to us are from the subscription insurance market (where there are often many insurers and reinsurers underwriting each policy), and we often are involved in disputes commenced by other co-insurers who act in unison with any litigation or dispute resolution controlled by the lead underwriter. Coverage disputes arise when the insured/reinsured and insurer/reinsurer cannot reach agreement as to the interpretation of the policy and/or application of the policy to a claim. Most insurance and reinsurance policies contain dispute resolution clauses requiring arbitration or mediation. In the absence of a contractual dispute resolution process, civil litigation would be commenced. We aim to reach a commercially acceptable resolution to any dispute, using arbitration or litigation as a last resort. We regularly monitor and provide internal reports on disputes involving arbitration and litigation and engage external legal counsel to provide professional advice and assist with case management.

In establishing reserves, management includes amounts for IBNR reserves using information from independent actuarial estimates of ultimate losses. Our independent actuaries use generally accepted actuarial methodologies to estimate ultimate losses and loss adjustment expenses and those estimates are reviewed by our management.

Nearly all of our unpaid claims liabilities are considered to have a long claims payout tail. Gross loss reserves for our non-life run-off subsidiaries relate primarily to casualty exposures, including latent claims, of which approximately 12.8% (2013: 13.5%) relate to asbestos and environmental, or A&E, exposures.

Within the annual loss reserve studies produced by our independent actuaries, exposures for each subsidiary are separated into homogeneous reserving categories for the purpose of estimating IBNR. Each reserving category contains either direct insurance or assumed reinsurance reserves and groups relatively similar types of risks and exposures (for example, asbestos, environmental, casualty, property) and lines of business written (for example, marine, aviation, non-marine). Based on the exposure characteristics and the nature of available data for each individual reserving category, a number of methodologies are applied. Recorded reserves for each category are selected from the indications produced by the various methodologies after consideration of exposure characteristics, data limitations and strengths and weaknesses of each method applied. This approach to estimating IBNR has been consistently adopted in the annual loss reserve studies for each period presented.

We review the external actuaries' reports for consistency and appropriateness of methodology and assumptions, including assumptions of industry benchmarks, and discuss any concerns or changes with them. Our Chief Actuary and Chief Financial Officer then consider the reasonableness of loss reserves recommended by our external actuaries, in light of actual loss development during the year, using the following reports produced internally on a quarterly basis for each of our insurance and reinsurance subsidiaries:

1. Gross, ceded and net incurred loss report — This report provides, for each reporting period, the total (including commuted policies) gross, ceded and net incurred loss development for each company and a commentary on each company's loss development prepared by our Chief Actuary. The report highlights the causes of any unusual or significant loss development activity (including commutations) and includes commentary on quality and reliability of underlying data.
2. Actual versus expected gross incurred loss development report — This report provides a summary, and commentary thereon, of each company's (excluding companies or portfolios of business acquired in the current year) non-commuted incurred gross losses compared to the estimate of the development of non-commuted incurred gross losses provided by our external actuaries at the beginning of the year as part of the prior year's reserving process.
3. Commutations summary schedule — This schedule summarizes all commutations completed during the year for all companies, and identifies the policyholder with which we commuted, the incurred losses settled by the commutation (comprising outstanding unpaid losses and case reserves) and the amount of the commutation settlement.
4. Analysis of paid, incurred and ultimate losses — This analysis for each company, and in the aggregate, provides a summary of the gross, ceded and net paid and incurred losses and the impact of applying our external actuaries' recommended loss reserves. This report, reviewed in conjunction with the previous reports, provides an analytical tool to review each company's incurred loss or gain and reduction in IBNR reserves to assess whether the ultimate reduction in loss reserves appears reasonable in light of known developments within each company.

The above reports provide our Chief Actuary and Chief Financial Officer with the relevant information to determine whether loss development (including commutations) during the year has, for each company, been sufficiently meaningful so as to warrant an adjustment to the reserves recommended by our external actuaries in the most recent actuarial study. It is not possible to quantify how much of any reserve release specifically relates to commutations or favorable development of non-commuted claims as the revised historical loss development used by the actuaries to estimate required reserves is a combination of both the elimination of historical loss development relating to commuted policies and non-commuted loss development.

When establishing loss reserves we have an expectation that, in the absence of commutations and significant favorable or unfavorable non-commuted loss development compared to expectations, loss reserves will not exceed the high, or be less than the low, end of the following ranges of gross losses and loss adjustment expense reserves implied by the various methodologies used by each of our insurance subsidiaries as of December 31, 2014.

The range of gross loss and loss adjustment expense reserves implied by the various methodologies used by each of our insurance and reinsurance subsidiaries as of December 31, 2014 were:

	Low	Selected	High
	(in thousands of U.S. dollars)		
Asbestos	$ 310,977	$ 361,612	$ 396,648
Environmental	67,519	77,864	86,399
General casualty	688,961	777,612	879,110
Workers compensation/personal accident	933,763	1,057,168	1,161,390
Marine, aviation and transit	66,428	75,534	87,479
Construction defect	75,396	87,018	94,879
Other	711,474	798,310	913,089
ULAE	199,892	199,892	199,892
Total	$ 3,054,410	$ 3,435,010	$ 3,818,886

Latent Claims

Our loss reserves are related largely to casualty exposures including latent exposures relating primarily to A&E. In establishing the reserves for unpaid claims, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and management can reasonably estimate its liability. In addition, reserves are established to cover loss development related to both known and unasserted claims.

The estimation of unpaid claim liabilities is subject to a high degree of uncertainty for a number of reasons. First, unpaid claim liabilities for property and casualty exposures in general are impacted by changes in the legal environment, jury awards, medical cost trends and general inflation. Moreover, for latent exposures in particular, developed case law and adequate claim history do not exist. There is significant coverage litigation related to these exposures, which creates further uncertainty in the estimation of the liabilities. As a result, for these types of exposures, it is especially unclear whether past claim experience will be representative of future claim experience. Ultimate values for such claims cannot be estimated using reserving techniques that extrapolate losses to an ultimate basis using loss development factors, and the uncertainties surrounding the estimation of unpaid claim liabilities are not likely to be resolved in the near future. There can be no assurance that the reserves we establish will be adequate or will not be adversely affected by the development of other latent exposures.

Our asbestos claims are primarily products liability claims submitted by a variety of insureds who operated in different parts of the asbestos distribution chain. While most such claims arise from asbestos mining and primary asbestos manufacturers, we have also been receiving claims from tertiary defendants such as smaller manufacturers, and the industry has seen an emerging trend of non-products claims arising from premises exposures. Unlike products claims, primary policies generally do not contain aggregate policy limits for premises claims, which, accordingly, remain at the primary layer and, thus, rarely impact excess insurance policies. As the vast majority of our policies are excess policies, this trend has had only a marginal effect on our asbestos exposures thus far.

Asbestos reform efforts have been underway at both the federal and state level to address the cost and scope of asbestos claims to the American economy. While congressional efforts to create a federal trust fund that would replace the tort system for asbestos claims failed, several states, including Texas and Florida, have passed reforms based on "medical criteria" requiring certain levels of medically documented injury before a lawsuit can be filed, generally resulting in a drop of case filings in those states adopting this reform measure.

Asbestos claims primarily fall into two general categories: impaired and unimpaired bodily injury claims. Property damage claims represent only a small fraction of asbestos claims. Impaired claims primarily include individuals suffering from mesothelioma or a cancer such as lung cancer. Unimpaired claims include asbestosis and those whose lung regions contain pleural plaques.

Unlike traditional property and casualty insurers that either have large numbers of individual claims arising from personal lines such as auto, or small numbers of high value claims as in medical malpractice insurance lines, our primary exposures arise from A&E claims that do not follow a consistent pattern. For instance, we may encounter a small insured with one large environmental claim due to significant groundwater contamination, while a Fortune 500 company may submit numerous claims for relatively small values. Moreover, there is no set pattern for the life of an environmental or asbestos claim. Some of these claims may resolve within two years whereas others have remained unresolved for nearly two decades. Therefore, our open and closed claims data do not follow any identifiable or discernible pattern.

Furthermore, because of the reinsurance nature of the claims we manage, we focus on the activities at the reinsured level rather than at the individual claims level. The counterparties with whom we typically interact are generally insurers or large industrial concerns and not individual claimants. Claims do not follow any consistent pattern. They arise from many insureds or locations and in a broad range of circumstances. An insured may present one large claim or hundreds or thousands of small claims. Plaintiffs' counsel frequently aggregate thousands of claims within one lawsuit. The deductibles to which claims are subject vary from policy to policy and year to year. Often claims data is only available to reinsurers, such as us, on an aggregated basis. Accordingly, we have not found claim count information or average reserve amounts to be reliable indicators of exposure for our reserve estimation process or for management of our liabilities. We have found data accumulation and claims management more effective and meaningful at the reinsured level rather than at the underlying claim level. As a result, we have designed our reserving methodologies to be independent of claim count information. As the level of exposures to a reinsured can vary substantially, we focus on the aggregate exposures and pursue commutations and policy buy-backs with the larger reinsureds.

Our future environmental loss development may be influenced by other factors including:

- Existence of currently undiscovered polluted sites eligible for clean-up under the Comprehensive Environmental Response, Compensation, and Liability Act (or CERCLA) and related legislation.
- Costs imposed due to joint and several liability if not all potentially responsible parties (or PRPs) are capable of paying their share.
- Success of legal challenges to certain policy terms such as the "absolute" pollution exclusion.
- Potential future reforms and amendments to CERCLA, particularly as the resources of Superfund — the funding vehicle, established as part of CERCLA, to provide financing for cleanup of polluted sites where no PRP can be identified — become exhausted.

The influence of each of these factors is not easily quantifiable and, as with asbestos-related exposures, our historical environmental loss development is of limited value in determining future environmental loss development using traditional actuarial reserving techniques.

Our independent, external actuaries use industry benchmarking methodologies to estimate appropriate IBNR reserves for our A&E exposures. These methods are based on comparisons of our loss experience on A&E exposures relative to industry loss experience on A&E exposures. Estimates of IBNR are derived separately for each of our relevant subsidiaries and, for some subsidiaries, separately for distinct portfolios of exposure. The discussion that follows describes, in greater detail, the primary actuarial methodologies used by our independent actuaries to estimate IBNR for A&E exposures.

In addition to the specific considerations for each method described below, many general factors are considered in the application of the methods and the interpretation of results for each portfolio of exposures. These factors include the mix of product types (e.g., primary insurance versus reinsurance of primary versus reinsurance of reinsurance), the average attachment point of coverages (e.g., first-dollar primary versus umbrella over primary versus high-excess), payment and reporting lags related to the international domicile of our subsidiaries, payment and reporting pattern acceleration due to large “wholesale” settlements (e.g., policy buy-backs and commutations) pursued by us, and lists of individual risks remaining and general trends within the legal and tort environments.

1. *Paid Survival Ratio Method*. In this method, our expected annual average payment amount is multiplied by an expected future number of payment years to get an indicated reserve. Our historical calendar year payments are examined to determine an expected future annual average payment amount. This amount is multiplied by an expected number of future payment years to estimate a reserve. Trends in calendar year payment activity are considered when selecting an expected future annual average payment amount. Accepted industry benchmarks are used in determining an expected number of future payment years. Each year, annual payments data is updated, trends in payments are re-evaluated and changes to benchmark future payment years are reviewed. Advantages of this method are ease of application and simplicity of assumptions. A potential disadvantage of the method is that results could be misleading for portfolios of high excess exposures where significant payment activity has not yet begun.

2. *Paid Market Share Method.* In this method, our estimated market share is applied to the industry estimated unpaid losses or estimate of industry ultimate losses. The ratio of our historical calendar year payments to industry historical calendar year payments is examined to estimate our market share. This ratio is then applied to the estimate of industry unpaid losses or estimate of industry ultimate losses. Each year, calendar year payment data is updated (for both us and industry), estimates of industry unpaid losses are reviewed and the selection of our estimated market share is revisited. This method has the advantage that trends in calendar year market share can be incorporated into the selection of company share of remaining market payments. A potential disadvantage of this method is that it is particularly sensitive to assumptions regarding the time-lag between industry payments and our payments.

3. *Reserve-to-Paid Method.* In this method, the ratio of estimated industry reserves to industry paid-to-date losses is multiplied by our paid-to-date losses to estimate our reserves. Specific considerations in the application of this method include the completeness of our paid-to-date loss information, the potential acceleration or deceleration in our payments (relative to the industry) due to our claims handling practices, and the impact of large individual settlements. Each year, paid-to-date loss information is updated (for both us and the industry) and updates to industry estimated reserves are reviewed. This method has the advantage of relying purely on paid loss data and so is not influenced by subjectivity of case reserve loss estimates. A potential disadvantage is that the application to our portfolios that do not have complete inception-to-date paid loss history could produce misleading results. To address this potential disadvantage, a variation of the method is also considered by multiplying the ratio of estimated industry reserves to industry losses paid during a recent period of time (e.g., 5 years) times our paid losses during that period.

4. *IBNR:Case Ratio Method.* In this method, the ratio of estimated industry IBNR reserves to industry case reserves is multiplied by our case reserves to estimate our IBNR reserves. Specific

considerations in the application of this method include the presence of policies reserved at policy limits, changes in overall industry case reserve adequacy and recent loss reporting history. Each year, our case reserves are updated, the estimate of industry reserves is updated and the applicability of the industry IBNR:Case Ratio is reviewed. This method has the advantage that it incorporates the most recent estimates of amounts needed to settle open cases included in current case reserves. A potential disadvantage is that results could be misleading where our case reserve adequacy differs significantly from overall industry case reserve adequacy. In these instances, the industry IBNR:Case Ratios were adjusted to reflect our portfolio case reserve adequacy.

5. *Ultimate-to-Incurred Method.* In this method, the ratio of estimated industry ultimate losses to industry incurred-to-date losses is applied to our incurred-to-date losses to estimate our IBNR reserves. Specific considerations in the application of this method include the completeness of our incurred-to-date loss information, the potential acceleration or deceleration in our incurred losses (relative to the industry) due to our claims handling practices and the impact of large individual settlements. Each year incurred-to-date loss information is updated (for both us and the industry) and updates to industry estimated ultimate losses are reviewed. This method has the advantage that it incorporates both paid and case reserve information in projecting ultimate losses. A potential disadvantage is that results could be misleading where cumulative paid loss data is incomplete or where our case reserve adequacy differs significantly from overall industry case reserve adequacy. In these instances, the industry IBNR:Case Ratios were adjusted to reflect our portfolio case reserve adequacy.

6. *Decay Factor Method.* In this method, a decay factor is directly applied to our payment data to estimate future payments. The decay factors were selected based on a review of our own decays and industry decays. This method is most useful where our data shows a decreasing pattern and is credible enough to be reliable. This method was introduced in 2013.

Under the Paid Survival Ratio Method, the Paid Market Share Method and the Reserve-to-Paid Method, we first determine the estimated total reserve and then deduct the reported outstanding case reserves to arrive at an estimated IBNR reserve. The IBNR:Case Ratio Method first determines an estimated IBNR reserve which is then added to the advised outstanding case reserves to arrive at an estimated total loss reserve. The Ultimate-to-Incurred Method first determines an estimate of the ultimate losses to be paid and then deducts paid-to-date losses to arrive at an estimated total loss reserve and then deducts outstanding case reserves to arrive at the estimated IBNR reserve. In the decay factor method, an initial payment is selected and reserves are estimated directly from the projection of future payments.

As of December 31, 2014, we had 30 separate insurance and/or reinsurance subsidiaries in the non-life run-off segment whose reserves are categorized into approximately 262 reserve categories in total, including 32 distinct asbestos reserving categories and 22 distinct environmental reserving categories.

To the extent that data availability allows, the six methodologies described above are applied for each of the 32 asbestos reserving categories and each of the 22 environmental reserving categories. As is common in actuarial practice, no one methodology is exclusively or consistently relied upon when selecting a recorded reserve. Consistent reliance on a single methodology to select a recorded reserve would be inappropriate in light of the dynamic nature of both the A&E liabilities in general, and our actual exposure portfolios in particular.

In selecting a recorded reserve, management considers the range of results produced by the methods, and the strengths and weaknesses of the methods in relation to the data available and the specific characteristics of the portfolio under consideration. Trends in both our data and industry data are also considered in the reserve selection process. Recent trends or changes in the relevant tort and legal environments are also considered when assessing methodology results and selecting an appropriate recorded reserve amount for each portfolio.

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The following key assumptions were used to estimate A&E reserves at December 31, 2014:

1. *$74 Billion Ultimate Industry Asbestos Losses* — This level of industry-wide losses and its comparison to industry-wide paid, incurred and outstanding case reserves is the base benchmarking assumption applied to Paid Market Share, Reserve-to-Paid, IBNR:Case Ratio and the Ultimate-to-Incurred asbestos reserving methodologies.

2. *$40 Billion Ultimate Industry Environmental Losses* — This level of industry-wide losses and its comparison to industry-wide paid, incurred and outstanding case reserves is the base benchmarking assumption applied to Paid Market Share, Reserve-to-Paid, IBNR:Case Ratio and the Ultimate-to-Incurred environmental reserving methodologies.

3. *Loss Reporting Lag* — Our subsidiaries assumed a mix of insurance and reinsurance exposures generally through the London market. As the available industry benchmark loss information, as supplied by our independent consulting actuaries, is compiled largely from U.S. direct insurance company experience, our loss reporting is expected to lag relative to available industry benchmark information. This time-lag used by each of our insurance subsidiaries varies from 1 to 5 years depending on the relative mix of domicile, percentages of product mix of insurance, reinsurance and retrocessional reinsurance, primary insurance, excess insurance, reinsurance of direct, and reinsurance of reinsurance within any given exposure category. Exposure portfolios written from a non-U.S. domicile are assumed to have a greater time-lag than portfolios written from a U.S. domicile. Portfolios with a larger proportion of reinsurance exposures are assumed to have a greater time-lag than portfolios with a larger proportion of insurance exposures.

The following tables provide a summary of the impact of changes in industry ultimate losses, from the selected $74 billion for asbestos and $40 billion for environmental, and changes in the time-lag, from the selected averages of 2.8 years for asbestos and 2.2 years for environmental, for us behind industry development that it is assumed relates to our insurance and reinsurance companies. Please note that the table below demonstrates sensitivity to changes to key assumptions using methodologies selected for determining loss and allocated loss adjustment expenses, or ALAE, at December 31, 2014 and differs from the table on page 81, which demonstrates the range of outcomes produced by the various methodologies.

Sensitivity to Industry Asbestos Ultimate Loss Assumption	Asbestos Loss Reserves
	(in thousands of U.S. dollars)
Asbestos — $79 billion	$ 419,470
Asbestos — $74 billion (selected)	361,612
Asbestos — $69 billion	303,754

Sensitivity to Industry Environmental Ultimate Loss Assumption	Environmental Loss Reserves
	(in thousands of U.S. dollars)
Environmental — $42.5 billion	$ 96,553
Environmental — $40 billion (selected)	77,864
Environmental — $37.5 billion	59,178

Sensitivity to Time-Lag Assumption*	Asbestos Loss Reserves	Environmental Loss Reserves
	(in thousands of U.S. dollars)	
Selected average of 2.8 years asbestos, 2.2 years environmental	$361,612	$ 77,864
Increase all portfolio lags by one year	386,925	84,094
Decrease all portfolio lags by one year	336,299	71,636

* Using $74 billion/$40 billion Asbestos/Environmental Industry Ultimate Loss assumptions.

Due to the inability of our external actuaries to review the data, methodologies and calculations supporting the industry published estimates, our external actuaries themselves have estimated ultimate industry losses. This allows our external actuaries to better monitor the impact on us of the selected asbestos and environmental ultimate loss assumptions on an annual basis and also allow them to monitor industry payments against expectations. For the year ended December 31, 2014, there were no changes in the assumptions regarding industry asbestos and environmental ultimate loss and loss reporting lag described on page 85.

All Other (Non-latent) Reserves

For our “All Other” (non-latent) loss exposure, a range of traditional loss development extrapolation techniques is applied by our independent actuaries and us. These methods assume that cohorts, or groups, of losses from similar exposures will increase over time in a predictable manner. Historical paid, incurred, and outstanding loss development experience is examined for earlier years to make inferences about how later years’ losses will develop. The application and consideration of multiple methods is consistent with the Actuarial Standards of Practice.

When determining which loss development extrapolation methods to apply to each company and each class of exposure within each company, we and our independent actuaries consider the nature of the exposure for each specific subsidiary and reserving segment and the available loss development data, as well as the limitations of that data. In cases where company-specific loss development information is not available or reliable, we and our independent actuaries select methods that do not rely on historical data (such as incremental or run-off methods) and consider industry loss development information published by industry sources such as the Reinsurance Association of America. In determining which methods to apply, we and our independent actuaries also consider cause of loss coding information when available.

A brief summary of the methods that are considered most frequently in analyzing non-latent exposures is provided below. This summary discusses the strengths and weaknesses of each method, as well as the data requirements for each method, all of which are considered when selecting which methods to apply for each reserve segment.

1. Cumulative Reported and Paid Loss Development Methods. The Cumulative Reported (Case Incurred) Loss Development method relies on the assumption that, at any given state of maturity, ultimate losses can be predicted by multiplying cumulative reported losses (paid losses plus case reserves) by a cumulative development factor. The validity of the results of this method depends on the stability of claim reporting and settlement rates, as well as the consistency of case reserve levels. Case reserves do not have to be adequately stated for this method to be effective; they only need to have a fairly consistent level of adequacy at all stages of maturity. Historical “age-to-age” loss development factors (or LDFs) are calculated to measure the relative development of an accident year from one maturity point to the next. Age-to-age LDFs are then selected based on these historical factors. The selected age-to-age LDFs are used to project the ultimate losses. The Cumulative Paid Loss Development Method is mechanically identical to the Cumulative Reported Loss Development Method described above, but the paid method does not rely on case reserves or claim reporting patterns in making projections. The validity of the results from using a cumulative loss development approach can be affected by many conditions, such as internal claim department processing changes, a shift between single and multiple payments per claim, legal changes, or variations in a company’s mix of business from year to year. Typically, the most appropriate circumstances in which to apply a cumulative loss development method are those in which the exposure is mature, full loss development data is available, and the historical observed loss development is relatively stable.

2. Incremental Reported and Paid Loss Development Methods. Incremental incurred and paid analyses are performed in cases where cumulative data is not available. The concept of the incremental loss development methods is similar to the cumulative loss development methods described above, in that the pattern of historical paid or incurred losses is used to project the remaining future development. The difference between the cumulative and incremental methods is that the incremental methods rely on only incremental incurred or paid loss data from a given point in time forward, and do not require full loss history. These incremental loss development methods are therefore helpful when data limitations apply. While this versatility in the incremental methods is a strength, the methods are sensitive to fluctuations in loss development, so care must be taken in applying them.

3. IBNR-to-Case Outstanding Method. This method requires the estimation of consistent cumulative paid and reported (case) incurred loss development patterns and age-to-ultimate LDFs, either from data that is specific to the segment being analyzed or from applicable benchmark or industry data. These patterns imply a specific expected relationship between IBNR, including both development on known claims (bulk reserve) and losses on true late reported claims, and reported case incurred losses. The IBNR-to-Case Outstanding method can be used in a variety of situations. It is appropriate for loss development experience that is mature and possesses a very high ratio of paid losses to reported case incurred losses. The method also permits an evaluation of the difference in maturity between the business being reviewed and benchmark development patterns. Depending on the relationship of paid to incurred losses, an estimate of the relative maturity of the business being reviewed can be made and a subsequent estimate of ultimate losses driven by the implied IBNR to case outstanding ratio at the appropriate maturity can be made. This method is also useful where loss development data is incomplete and only the case outstanding amounts are determined to be reliable. This method is less reliable in situations where relative case reserve adequacy has been changing over time.

4. Bornhuetter-Ferguson Expected Loss Projection Reported and Paid Methods. The Bornhuetter-Ferguson Expected Loss Projection Method based on reported loss data relies on the assumption that remaining unreported losses are a function of the total expected losses rather than a function of currently reported losses. The expected losses used in this analysis are based on initial selected ultimate loss ratios by year. The expected losses are multiplied by the unreported percentage to produce expected unreported losses. The unreported percentage is calculated as one minus the reciprocal of the selected cumulative incurred LDFs. Finally, the expected unreported losses are added to the current reported losses to produce ultimate losses. The calculations underlying the Bornhuetter-Ferguson Expected Loss Projection Method based on paid loss data are similar to the Bornhuetter-Ferguson calculations based on reported losses, with the exception that paid losses and unpaid percentages replace reported losses and unreported percentages. The Bornhuetter-Ferguson method is most useful as an alternative to other models for immature years. For these immature years, the amounts reported or paid may be small and unstable and therefore not predictive of future development. Therefore, future development is assumed to follow an expected pattern that is supported by more stable historical data or by emerging trends. This method is also useful when changing reporting patterns or payment patterns distort historical development of losses. Similar to the loss development methods, the Bornhuetter-Ferguson method may be applied to loss and ALAE on a combined or separate basis. The Bornhuetter-Ferguson method may not be appropriate in circumstances where the liabilities being analyzed are very mature, as it is not sensitive to the remaining amount of case reserves outstanding, or the actual development to date.

5. Reserve Run-off Method. This method first projects the future values of case reserves for all underwriting years to future ages of development. This is done by selecting a run-off pattern of case reserves. The selected case run-off ratios are chosen based on the observed run-off ratios at each age of development. Once the ratios have been selected, they are used to project the future values of case reserves. A paid on reserve factor is selected in a similar way. The ratios of the observed amounts paid during each development period to the respective case reserves at the beginning of the periods are used to estimate how much will be paid on the case reserves during each development period. These paid on reserve factors are then applied to the case reserve amounts that were projected during the first phase of this method. A summation of the resulting paid amounts yields an estimate of the liability. The Reserve Run-off Method works well when the historical run-off patterns are reasonably stable and when case reserves ultimately show a decreasing trend. Another strength of this method is that it only requires case reserves at a given point in time and incremental paid and incurred losses after that point, meaning that it can be applied in cases where full loss history is not available. In cases of volatile data where there is a persistent increasing trend in case reserves, this method will fail to produce a reasonable estimate. In several cases, reliance upon this method was limited due to this weakness.

Our independent actuaries select the appropriate loss development extrapolation methods to apply to each company and each class of exposure, and then apply these methods to calculate an estimate of ultimate losses. Our management, which is responsible for the final estimate of ultimate losses, reviews the calculations of our independent actuaries, considers whether the appropriate method was applied, and adjusts the estimate of ultimate losses as it deems necessary. Historically, we have not deviated from the recommendations of our independent actuaries. Paid-to-date losses are then deducted from the estimate of ultimate losses to arrive at an estimated total loss reserve, and reported outstanding case reserves are then deducted from estimated total loss reserves to calculate the estimated IBNR reserve.

Quarterly Reserve Reviews

In addition to an in-depth annual review, we also perform quarterly reserve reviews. This is done by examining quarterly paid and incurred loss development to determine whether it is consistent with reserves established during the preceding annual reserve review and with expected development. Loss development is reviewed separately for each major exposure type (e.g., asbestos, environmental, etc.), for each of our relevant subsidiaries, and for large “wholesale” commutation settlements versus “routine” paid and advised losses. This process is undertaken to determine whether loss development experience during a quarter warrants any change to held reserves.

Loss development is examined separately by exposure type because different exposures develop differently over time. For example, the expected reporting and payout of losses for a given amount of asbestos reserves can be expected to take place over a different time frame and in a different quarterly pattern from the same amount of environmental reserves.

In addition, loss development is examined separately for each of our relevant subsidiaries. Companies can differ in their exposure profile due to the mix of insurance versus reinsurance, the mix of primary versus excess insurance, the underwriting years of participation and other criteria. These differing profiles lead to different expectations for quarterly and annual loss development by company.

Our quarterly paid and incurred loss development is often driven by large, “wholesale” settlements — such as commutations and policy buy-backs — which settle many individual claims in a single transaction. This allows for monitoring of the potential profitability of large settlements, which, in turn, can provide information about the adequacy of reserves on remaining exposures that have not yet been settled. For example, if it were found that large settlements were consistently leading to large negative, or favorable, incurred losses upon settlement, it might be an indication that reserves on remaining exposures are redundant. Conversely, if it were found that large settlements were consistently leading to large positive, or adverse, incurred losses upon settlement, it might be an indication — particularly if the size of the losses were increasing — that certain loss reserves on remaining exposures are deficient. Moreover, removing the loss development resulting from large settlements allows for a review of loss development related only to those contracts that remain exposed to losses. Were this not done, it is possible that savings on large wholesale settlements could mask significant underlying development on remaining exposures.

Once the data has been analyzed as described above, an in-depth review is performed on classes of exposure with significant loss development. Discussions are held with appropriate personnel, including individual company managers, claims handlers and attorneys, to better understand the causes. If it were determined that development differs significantly from expectations, reserves would be adjusted.

Quarterly loss development is expected to be fairly erratic for the types of exposure insured and reinsured by us. Several quarters of low incurred loss development can be followed by spikes of relatively large incurred losses. This is characteristic of latent claims and other insurance losses that are reported and settled many years after the inception of the policy. Given the high degree of statistical uncertainty, and potential volatility, it would be unusual to adjust reserves on the basis of one, or even several, quarters of loss development activity. As a result, unless the incurred loss activity in any one quarter is of such significance that management is able to quantify the impact on the ultimate liability for losses and loss adjustment expenses, reductions or increases in losses and loss adjustment expense liabilities are carried out in the fourth quarter based on the annual reserve review described above.

As described above, our management regularly reviews and updates reserve estimates using the most current information available and employing various actuarial methods. Adjustments resulting from changes in our estimates are recorded in the period when such adjustments are determined. The ultimate liability for losses and loss adjustment expenses is likely to differ from the original estimate due to a number of factors, primarily consisting of the overall claims activity occurring during any period, including the completion of commutations of assumed liabilities and ceded reinsurance receivables, policy buy-backs and general incurred claims activity.

Losses and Loss Adjustment Expenses

Atrium and Torus Segments

The following table provides a breakdown of the total liability for losses and loss adjustment expenses by type of exposure for the years ended December 31, 2014 and 2013:

	2014						2013		
	OLR		IBNR		Total		Atrium only		
	Atrium	Torus	Atrium	Torus	Atrium	Torus	OLR	IBNR	Total
	(in thousands of U.S. dollars)								
General casualty	$10,836	$ 77,195	$ 16,299	$148,617	$ 27,135	225,812	$10,670	$ 12,887	$ 23,557
Workers compensation/personal accident	7,227	9,649	10,870	20,899	18,097	30,548	8,414	10,162	18,576
Marine, aviation and transit	24,902	150,530	37,455	113,785	62,357	264,315	23,743	28,678	52,421
Construction defect	—	—	—	—	—	—	4,489	5,422	9,911
Other	41,085	148,601	61,798	181,127	102,883	329,728	49,262	59,501	108,763
Total	$84,050	$385,975	$126,422	$464,428	$210,472	$850,403	$96,578	$116,650	$213,228
ULAE					2,139	11,397			2,164
Total					$212,611	$861,800			$215,392

The reserve for losses and loss expenses includes reserves for unpaid reported losses and for IBNR reserves. The reserves for unpaid reported losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by us. The reserve for incurred but not reported losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

Quarterly Reserve Reviews

The reserve for losses and loss expenses is reviewed on a quarterly basis. Each quarter, paid and incurred loss development is reviewed to determine whether it is consistent with expected development. Loss development is examined separately by class of business, and large individual losses or loss events are examined separately from regular attritional development. Discussions are held with appropriate personnel including underwriters, claims adjusters, actuaries, accountants and attorneys to fully understand quarterly loss development and implications for the quarter-end reserve balances. Based on analysis of the loss development data and the associated discussions, management determines whether any adjustment is necessary to quarter-end reserve balances.

Net Reduction in Ultimate Losses and Loss Adjustment Expense Liabilities

Non-life Run-off, Atrium and Torus

The change in our estimated total loss reserves for both latent and all other exposures compared to that of the previous period, less net losses paid during the period, is recorded as a reduction in net ultimate losses on our statement of earnings for the period. Our estimated total loss reserve at December 31, 2014 was determined by estimating the ultimate losses and deducting paid-to-date losses. The estimated ultimate losses, for both latent and all other (non-latent) liabilities, were determined by the amount of advised case reserves and the application of the actuarial methodologies described above to estimate IBNR reserves. Future changes in our estimates of ultimate losses are likely to have a significant impact on future operating results. Our operating objective is to commute our loss exposures and manage non-commuted loss development in a disciplined manner such that future incurred loss development will be less than expected. A combination of future commutations and better-than-expected incurred loss development of non-commuted exposures could improve the trend of loss development and, after the application of actuarial methodologies to the improved trend, reduce the December 31, 2014 estimates of ultimate losses with a positive impact on our future results. However, it is not possible to project future commutation settlements or whether incurred loss development will be better than expected, and it is possible that ultimate loss reserves could increase based on the factors discussed herein.

Policy Benefits for Life and Annuity Contracts

Policy benefits for life and annuity contracts as at December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	2013
	(in thousands of U.S. dollars)	
Life	$ 344,215	$ 380,874
Annuities	938,121	963,323
	1,282,336	1,344,197
Fair value adjustments	(61,472)	(71,097)
	$ 1,220,864	$ 1,273,100

Our policy benefits for life and annuity contracts (or policy benefits) are estimated using standard actuarial techniques and cash flow models in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 944, Financial Services — Insurance. We establish and maintain our policy benefits 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 future cash flow benefit obligations and third party servicing obligations as they become payable. We review our policy benefits regularly and perform loss recognition testing based upon cash flow projections.

Since the development of the policy benefits is based upon cash flow projection models, we must make estimates and assumptions based on experience and industry mortality tables, longevity and morbidity rates, lapse rates, expenses and investment experience, including a provision for adverse deviation. The assumptions used to determine policy benefits are determined at the inception of the contracts, reviewed and adjusted at the point of acquisition as required, and are locked-in throughout the life of the contract unless a premium deficiency develops. The assumptions are reviewed no less than annually and are unlocked if they would result in a material adverse reserve change. We establish these estimates based upon transaction-specific historical experience, information provided by the ceding company for the assumed business and industry experience. Actual results could differ materially from these estimates. As the experience on the contracts emerges, the assumptions are reviewed by management. We determine whether actual and anticipated experience indicates that existing policy benefits, together with the present value of future gross premiums, are sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. If such a review indicates that policy benefits should be greater than those currently held, then the locked-in assumptions are revised and a charge for policy benefits is recognized at that time.

During the years ended December 31, 2014, 2013 and 2012, there were no adjustments to the locked-in assumptions for these policy benefits.

Reinsurance Balances Recoverable

Our acquired insurance and reinsurance subsidiaries in all four of our business segments, prior to acquisition by us, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance they assumed. Loss reserves represent total gross losses, and reinsurance receivables represent anticipated recoveries of a portion of those unpaid losses as well as amounts receivable from reinsurers with respect to claims that have already been paid. While reinsurance arrangements are designed to limit losses and to permit recovery of a portion of direct unpaid losses, reinsurance does not relieve us of our liabilities to our insureds or reinsureds. Therefore, we evaluate and monitor concentration of credit risk among our reinsurers, including companies that are insolvent, in run-off or facing financial difficulties. Provisions are made for amounts considered potentially uncollectible.

In addition to the acquired retrocessional agreements, on an annual basis, our active underwriting subsidiaries purchase tailored outwards reinsurance programs designed to manage their risk profiles. The majority of the total third-party reinsurance cover for our active underwriting subsidiaries is with Lloyd's Syndicates or other reinsurers rated A- or better.

To estimate the provision for uncollectible reinsurance recoverable, the reinsurance recoverable is first allocated to applicable reinsurers. As part of this process, ceded IBNR is allocated by reinsurer. We use a detailed analysis to estimate uncollectible reinsurance. The primary components of the analysis are reinsurance recoverable balances by reinsurer and bad debt provisions applied to these balances to determine the portion of a reinsurer's balance deemed to be uncollectible. These provisions require considerable judgment and are determined using the current rating, or rating equivalent, of each reinsurer (in order to determine its ability to settle the reinsurance balances) as well as other key considerations and assumptions, such as claims and coverage issues.

Premium Revenue Recognition

Non-life Run-off, Atrium and Torus

Our premiums written are earned on a pro-rata basis over the coverage period. Our reinsurance premiums are recorded at the inception of the policy, unless policy language stipulates otherwise, and are estimated based upon information in underlying contracts and information provided by clients and/or brokers. A change in reinsurance premium estimates is made when additional information regarding changes in underlying exposures is obtained. Such changes in estimates are expected and may result in significant adjustments in future periods. We record any adjustments as premiums written in the period they are determined.

With respect to retrospectively rated contracts (where additional premium would be due should losses exceed pre-determined, contractual thresholds), any additional premiums are based upon contractual terms, and management judgment is involved in estimating the amount of losses that we expect to be ceded. We would recognize additional premiums at the time loss thresholds specified in the contract are exceeded and are earned over the coverage period, or are earned immediately if the period of risk coverage has passed. Changes in estimates of losses recorded on contracts with additional premium features would result in changes in additional premiums recognized.

Life and Annuities

We generally recognize premiums from term life insurance, credit life and disability insurance and assumed life reinsurance as revenue when due from policyholders. Term life insurance, assumed life reinsurance and credit life and disability insurance policies include those contracts with fixed and guaranteed premiums and benefits. We match benefits and expenses with revenue to result in the recognition of profit over the life of the contracts.

Investments

Valuation of Investments

Our non-life run-off, active underwriting and life and annuity businesses invest in trading portfolios of fixed maturity and short-term investments and equities, a held-to-maturity portfolio of fixed maturity investments and an available-for-sale portfolio of fixed maturity investments. We record both the trading and available-for-sale portfolios at fair value on our balance sheet. For our trading portfolios, the unrealized gain or loss associated with the difference between the fair value and the amortized cost of the investments is recorded in net earnings. For our available-for-sale portfolios, the unrealized gain or loss (other than credit losses) is excluded from net earnings and reported as a separate component of accumulated other comprehensive income. Fixed maturity investments classified as held-to-maturity, which are securities that we have the positive intent and ability to hold to maturity, are carried at amortized cost. The cost of short-term investments and fixed maturities are adjusted for amortization of premiums and accretion of discounts.

Our other investments comprise investments in various private equity, fixed income, fixed income hedge, equity, real estate debt and CLO equity funds, along with direct investments in CLO equities. All of these other investments are recorded at fair value.

We measure fair value in accordance with ASC 820, Fair Value Measurements. The guidance dictates a framework for measuring fair value and a fair value hierarchy based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

The use of valuation techniques may require a significant amount of judgment. During periods of market disruption, including periods of rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities if trading becomes less frequent or market data becomes less observable.

Fixed Maturity Investments

Fixed maturity investments are subject to fluctuations in fair value due to changes in interest rates, changes in issuer-specific circumstances such as credit rating and changes in industry-specific circumstances such as movements in credit spreads based on the market's perception of industry risks. As a result of these potential fluctuations, it is possible to have significant unrealized gains or losses on a security. At maturity, absent any credit loss, fixed maturity investments' amortized cost will equal their fair value and no realized gain or loss will be recognized in income. If, due to an unforeseen change in loss payment patterns, we need to sell any available-for-sale investments before maturity, we could realize significant gains or losses in any period, which could have a meaningful effect on reported net income for such period.

We perform regular reviews of our available-for-sale and held-to-maturity fixed maturities portfolios and utilize a process that considers numerous indicators in order to identify investments that are showing signs of potential other-than-temporary impairment losses. These indicators include the length of time and extent of the unrealized loss, any specific adverse conditions, historic and implied volatility of the security, failure of the issuer of the security to make scheduled interest payments, significant rating changes and recoveries or additional declines in fair value subsequent to the balance sheet date. The consideration of these indicators and the estimation of credit losses involve significant management judgment.

Any other-than-temporary impairment loss, or OTTI, related to a credit loss would be recognized in earnings, and the amount of the OTTI related to other factors (e.g. interest rates, market conditions, etc.) is recorded as a component of other comprehensive income. If no credit loss exists but either we have the intent to sell the fixed maturity investment or it is more likely than not that we will be required to sell the fixed maturity investment before its anticipated recovery, then the entire unrealized loss is recognized in earnings.

For the years ended December 31, 2014, 2013 and 2012, we did not recognize any other-than-temporary impairment charges through earnings.

Our fixed maturity portfolio is managed by our Chief Investment Officer and outside investment advisors with oversight from our Investment Committee. Fair value prices for all investments in the fixed maturity portfolios are independently provided by the investment custodians, investment accounting service providers and investment managers, each of which utilize internationally recognized independent pricing services. Interactive Data Corporation is, however, the main pricing service utilized to estimate the fair value measurements for our fixed maturity investments. We record the unadjusted price provided by the investment custodians, investment accounting service providers or the investment managers 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 custodians, investment accounting service providers and investment managers obtain actual transaction prices for investments that have quoted prices in active markets. For determining the fair value of investments 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.

Other Investments

Our other investments are comprised of private equity, fixed income, fixed income hedge, real estate debt and CLO equity funds, along with direct investments in CLO equities, all of which are recorded at fair value on our balance sheet. These other investments are stated at fair value, which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator. Many of the fund investments publish net asset values on a daily basis and provide daily liquidity; others report on a monthly basis. Private equities typically report quarterly. We believe the reported net asset value represents the fair value market participants would apply to an interest in the various private equities or funds. The change in fair value is included in net realized and unrealized gains on investments and recognized in net earnings.

We have ongoing due diligence processes with respect to funds 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. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate net asset value is a permitted practical expedient. While reported net asset value is the primary input to the review, when the net asset value is deemed not to be indicative of fair value, we may incorporate adjustments to the reported net asset value (and not use the permitted practical expedient) on an investment by investment basis. These adjustments may involve significant management judgment. As at December 31, 2014, there were no material adjustments made to the reported net asset value.

For our investments in private equity funds, we measure fair value by obtaining the most recently provided capital statement from the external fund manager or third-party administrator. The funds calculate net asset value on a fair value basis. Due to a lag in the valuations reported by the managers, we record changes in the investment value with up to a three-month lag. For all publicly-traded companies within these funds, we adjust the reported net asset value based on the latest share price as of our reporting date. We have classified our investments in private equity funds as Level 3 investments because they reflect our own judgment about the assumptions that market participants might use.

The fixed income funds and equity funds in which we invest have been classified as Level 2 investments because their fair value is estimated using the net asset value provided regularly and because the fixed income funds and equity funds are highly liquid.

For our investments in fixed income hedge funds, we measure fair value by obtaining the most recently published net asset value as advised by the external fund manager or third-party administrator. The investments in the funds are classified as Level 3.

The real estate debt fund in which we invest has been classified as a Level 3 investment because its fair value is estimated using the most recent published net asset value.

For investments in the CLO equity funds, we measure fair value by obtaining the most recently published net asset value as advised by the external fund manager. We use an income approach to corroborate the reasonableness of reported net asset value. The CLO equity funds have been classified as Level 3 due to a lack of observable and relevant trades in secondary markets.

We measure the fair value of direct investments in CLO equities based on valuations provided by the 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 CLO equities 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.

Our remaining other investments are valued based on the latest available capital statements and have been classified as Level 3.

Certain funds included in other investments are subject to a lock-up period. A lock-up period refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem the investment. Funds that do provide for periodic redemptions may, depending on the funds' governing documents, have the ability to deny or delay a redemption request, which is called a "gate." The fund may restrict redemptions because the aggregate amount of redemption requests as of a particular date exceeds a specified level. The gate is a method for executing an orderly redemption process that allows for redemption requests to be executed in a timely manner to reduce the possibility of adversely affecting the remaining investors in the fund. Typically, the imposition of a gate delays a portion of the requested redemption, with the remaining portion to be settled in cash sometime after the redemption date.

Certain funds included in other investments may be allowed to invest a portion of their assets in illiquid securities, such as private equity or convertible debt. In such cases, a common mechanism used is a "side-pocket", whereby the illiquid security is assigned to a separate memorandum capital account or designated account. Typically, the investor loses its redemption rights in the designated account. Only when the illiquid security is sold, or is otherwise deemed liquid by the fund, may investors redeem their interest in the side-pocket. At December 31, 2014, the Company had $2.0 million of investments subject to side-pockets ($3.2 million as of December 31, 2013). There is, however, no significant uncertainty in relation to the valuation of these investments and as of December 31, 2014, management has not made any adjustments to the fair value estimate reported by the fund managers for the side-pocketed investments.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. We perform an initial valuation of our goodwill assets and assess goodwill for impairment on an annual basis. If, as a result of the assessment, we determine the value of our goodwill asset is impaired, goodwill is written down in the period in which the determination is made.

Intangible Assets

Intangible assets represent the fair value adjustments related to unpaid losses and loss expenses, unearned premium, reinsurance balances recoverable and policy benefits for life and annuity contracts along with the fair values of Lloyd's syndicate capacity, customer relationships, management contract and brand arising from the acquisition of Atrium and the syndicate capacity, U.S insurance licenses, technology and brand arising from the acquisition of Torus. Definite-lived intangible assets are amortized over their estimated useful lives. We recognize the amortization of all intangible assets in our consolidated statement of earnings. Indefinite-lived intangible assets are not subject to amortization. The carrying values of intangible assets are reviewed for indicators of impairment on at least an annual basis or sooner whenever events or changes in circumstances indicate that the assets may be impaired. Impairment is recognized if the carrying values of the intangible assets are not recoverable from their undiscounted cash flows and are measured as the difference between the carrying value and the fair value.

Redeemable Noncontrolling Interest

In connection with the acquisitions of Arden, Atrium and Torus, certain subsidiaries have issued shares to a noncontrolling interest. These shares provide certain redemption rights to the holder, which may be settled in Enstar's own shares or cash, at our option. We classify redeemable noncontrolling interest with redemption features that are not solely within our control within temporary equity in our consolidated balance sheets and carry them at the redemption value, which is fair value. We recognize changes in the fair value that exceed the carrying value of redeemable noncontrolling interest through retained earnings as if the balance sheet date were also the redemption date.

Consolidated Results of Operations — For the Years Ended December 31, 2014, 2013 and 2012

The following table sets forth our consolidated statements of earnings data for each of the periods indicated:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$646,450	$ 239,807	$ 3,511
Fees and commission income	33,079	12,817	8,570
Net investment income	117,369	93,295	77,760
Net realized and unrealized gains	62,619	70,651	73,612
	859,517	416,570	163,453
EXPENSES			
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities	9,146	(163,672)	(237,953)
Life and annuity policy benefits	108,046	78,354	(300)
Acquisition costs	132,573	23,199	—
Salaries and benefits	211,222	124,616	100,473
General and administrative expenses	141,270	86,612	56,592
Interest expense	12,922	12,389	8,426
Net foreign exchange losses (gains)	5,960	(4,369)	406
	621,139	157,129	(72,356)
EARNINGS BEFORE INCOME TAXES	238,378	259,441	235,809
INCOME TAXES	(11,142)	(35,619)	(44,290)
NET EARNINGS	227,236	223,822	191,519
Less: Net earnings attributable to noncontrolling interest	(13,487)	(15,218)	(23,502)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$213,749	$ 208,604	$ 168,017

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

	Years Ended December 31,		
	2014	2013	2012
	(in thousands of U.S. dollars)		
Segment split of net earnings attributable to Enstar Group Limited:			
Non-life run-off	$203,282	$199,873	$163,868
Atrium	10,431	5,237	—
Torus	(10,553)	(1,544)	—
Life and annuities	10,589	5,038	4,149
Net earnings attributable to Enstar Group Limited	$213,749	$208,604	$168,017

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. Some of the information contained in this discussion and analysis or included elsewhere in this annual 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,” “Item 1A. Risk Factors,” and elsewhere in this annual report.

Comparison of Years Ended December 31, 2014 and 2013

We reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $227.2 million and $223.8 million for the years ended December 31, 2014 and 2013, respectively. Our comparative results were impacted by our 2014 acquisition of Torus and our 2013 acquisitions of SeaBright, Pavonia, Arden and Atrium. Our acquisitions are described in “Item 1. Business — Recent Transactions” and Notes 3 and 4 to our audited consolidated financial statements included in Item 8 of this report.

The $3.4 million increase in consolidated net earnings for the year ended December 31, 2014 was attributable primarily to:

Net premiums earned — Combined net premiums earned for our four operating segments were $646.5 million and $239.8 million for the years ended December 31, 2014 and 2013, respectively. The increase in 2014 was due primarily to the net premiums earned by the Torus and Atrium segments, partially offset by reductions in net premiums earned of SeaBright in our non-life run-off segment as described in greater detail in the segment discussion below.

Fees and commission income — Fees and commission income was $33.1 million and $12.8 million for the years ended December 31, 2014 and 2013, respectively. The increase during 2014 was predominantly attributable to fees and commission income earned by the Atrium segment.

Net investment income — Net investment income was $117.4 million and $93.3 million for the years ended December 31, 2014 and 2013, respectively. The increase during 2014 was principally attributable to the net investment income earned on a larger base of cash and fixed maturity investments as a result of the Torus, Atrium, Arden, SeaBright and Pavonia acquisitions, along with an increase in other investment income associated with our non-life run-off segment.

Net realized and unrealized gains on investments — Net realized and unrealized gains were $62.6 million and $70.7 million for the years ended December 31, 2014 and 2013, respectively. The decrease in net realized and unrealized gains between 2014 and 2013 was attributable primarily to a decrease in net realized and unrealized gains of $58.9 million on our private equity investments and equity portfolios, partially offset by an increase in net realized and unrealized gains of $50.8 million on our fixed maturity securities, due largely to decreases in U.S. interest rates when applied to a larger base of fixed maturity investments following our 2014 and 2013 acquisitions.

Net increase (reduction) in ultimate losses and loss adjustment expense liabilities — Net increase (reduction) in ultimate losses and loss adjustment expense liabilities were $9.1 million and $(163.7) million for the years ended December 31, 2014 and 2013, respectively. The increase in 2014 was attributable primarily to net increases in ultimate losses and loss adjustment expense liabilities of $218.4 million and $55.4 million in the Torus and Atrium segments, respectively (2013: $nil and $19.3 million, respectively), which largely consisted of current period loss development related to the issuance of new insurance policies in the two segments. The net reductions in ultimate losses and loss adjustment expense liabilities in our non-life run-off segment for the years ended December 31, 2014 and 2013 were $264.7 million and $183.0 million, respectively, which includes current period incurred losses and loss adjustment expenses of $24.2 million and $74.1 million, respectively. Current period activity relates to losses incurred on current premiums earned in connection with mandatory renewal, and premium audits and reinstatement premiums, on previously written policies.

Excluding current period loss development, net losses and loss adjustment expense liabilities in our non-life run-off segment were reduced by $288.9 million and $257.1 million for the years ended December 31, 2014 and 2013, respectively, which comprised prior period loss development due to changes to estimates of historical reserves that were recognized in 2014 and 2013.

Life and annuity policy benefits — Life and annuity policy benefits were $108.0 million and $78.4 million for the years ended December 31, 2014 and 2013, respectively. The increase in 2014 was due to the inclusion of a full year of results for Pavonia for 2014 as compared to nine months for 2013. The movements relate entirely to our life and annuities segment and are described in greater detail in the segment discussion below.

Acquisition costs — Acquisition costs were $132.6 million and $23.2 million for the years ended December 31, 2014 and 2013, respectively. The increase of $109.4 million was due primarily to the acquisitions of Torus ($65.7 million) and Atrium ($43.4 million).

Salaries and benefits — Salaries and benefits were $211.2 million and $124.6 million for the years ended December 31, 2014 and 2013, respectively. The increase of $86.6 million was due primarily to: (i) the salaries and benefits costs associated with an increased number of employees following the Torus and Atrium acquisitions; and (ii) an increase of $4.4 million in our 2014 bonus accrual of $36.5 million (2013: $32.1 million) relating primarily to a bonus accrual rate of 14.6% of pre-bonus net after tax profits under our annual incentive compensation program as compared to 13.3% in 2013.

General and administrative expenses — General and administrative expenses were $141.3 million and $86.6 million for the years ended December 31, 2014 and 2013, respectively. The increase of $54.7 million was principally due to the general and administrative expenses incurred in 2014 associated with the Torus and Atrium acquisitions (excluding $12.5 million of inter-segment expenses).

Income tax expense — Income tax expenses were $11.1 million and $35.6 million for the years ended December 31, 2014 and 2013, respectively. Income tax expense is generated through our foreign operations outside of Bermuda, principally in the United States, U.K and Australia. Our income tax expense may fluctuate significantly from period to period depending on the geographic distribution of pre-tax earnings or loss in any given period between different jurisdictions with different tax rates, along with our determination of any required changes in our previously determined valuation allowances on our deferred tax assets.

Noncontrolling interest — Noncontrolling interest in earnings decreased by $1.7 million to $13.5 million as a result of lower earning in those companies in which there are either noncontrolliing interests or redeemable noncontrolling interests.

Overall, net earnings attributable to Enstar Group Limited increased $5.1 million, or 2.5%, from $208.6 million for the year ended December 31, 2013 to $213.7 million for the year ended December 31, 2014.

Comparison of Years Ended December 31, 2013 and 2012

We reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $223.8 million and $191.5 million for the years ended December 31, 2013 and 2012, respectively. Our comparative results were impacted by our 2013 acquisitions of SeaBright (on February 7, 2013), Pavonia (on March 31, 2013), Arden (on September 9, 2013) and Atrium (on November 25, 2013), among other factors. The increase in consolidated net earnings for the year ended December 31, 2013 was attributable primarily to the following:

Net premiums earned — Combined net premiums earned for our three operating segments were $239.8 million and $3.5 million for the years ended December 31, 2013 and 2012, respectively. The significant increase in 2013 was due to the acquisitions of SeaBright, Pavonia, Arden and Atrium.

Net investment income — Net investment income was $93.3 million and $77.8 million for the years ended December 31, 2013 and 2012, respectively. The increase during 2013 was attributable primarily to the net investment income earned on a larger base of cash and fixed maturity investments as a result of the SeaBright, Pavonia, Arden and Atrium acquisitions, although this was partially offset by lower reinvestment yields on new purchases of fixed maturity investments.

Net realized and unrealized gains on investments — Net realized and unrealized gains were $70.7 million and $73.6 million for the years ended December 31, 2013 and 2012, respectively. The decrease in net realized and unrealized gains between 2013 and 2012 was attributable primarily to net realized and unrealized losses in 2013 of $28.3 million on our fixed maturity securities, due primarily to increases in U.S. interest rates when applied to a larger base of fixed maturity investments following the acquisitions of SeaBright, Pavonia, Arden and Atrium (as compared to net realized and unrealized gains of $28.7 million in 2012), although this was largely offset by significant increases in our net realized and unrealized gains on our equities and other investments. Approximately $886.7 million of investments within Pavonia have been classified as held-to-maturity and therefore do not contribute to reported net realized or unrealized gains / (losses).

Net reduction in ultimate losses and loss adjustment expense liabilities — These are comprised of the results of our non-life run-off and Atrium segments.

The non-life run-off segment results related to the combination of:

(i) net reduction in prior period ultimate losses and loss adjustment expense liabilities of $257.1 million and $238.0 million for the years ended December 31, 2013 and 2012, respectively; less

(ii) losses of $74.1 million incurred on SeaBright's current premiums earned.

These movements related entirely to our non-life run-off segment, as discussed in our non-life run-off segment discussion below.

Atrium segment results related to losses incurred for Arden and Atrium of $19.4 million and are described in the Atrium discussion below.

Life and annuity policy benefits — Life and annuity policy benefits were $78.4 million and $(0.3) million for the years ended December 31, 2013 and 2012, respectively. The significant increase in 2013 was due to the acquisition of Pavonia. The movements relate entirely to our life and annuities segment and are described in greater detail in the segment discussion below.

Acquisition costs — Acquisition costs were $23.2 million and $nil for the years ended December 31, 2013 and 2012, respectively. The balance for 2013 was due to the acquisitions of SeaBright ($14.4 million) and Pavonia ($8.8 million).

Salaries and benefits — Salaries and benefits were $124.6 million and $100.5 million for the years ended December 31, 2013 and 2012, respectively. The increase of $24.1 million was due primarily to: (i) the salaries and benefits costs associated with an increased number of employees following the SeaBright, Pavonia and Atrium acquisitions (we did not acquire any employees in the Arden acquisition) and (ii) an increase of $2.5 million in our 2013 bonus accrual of $32.1 million (2012: $29.6 million) relating to increased net earnings for the year ended December 31, 2013 and a bonus accrual rate of 13.3% of pre-bonus net after-tax profits under our annual incentive compensation program (2012: 15%).

General and administrative expenses — General and administrative expenses were $86.6 million and $56.6 million for the years ended December 31, 2013 and 2012, respectively. The increase of $30.0 million was principally due to the general and administrative expenses incurred in 2013 associated with the SeaBright, Pavonia, Arden and Atrium acquisitions along with arrangement and agency fees associated with our amended and restated revolving credit facility.

Income tax expense — Income tax expense was $35.6 million and $44.3 million for the years ended December 31, 2013 and 2012, respectively. Income tax expense is generated through our foreign operations outside of Bermuda, principally in the United States, U.K and Australia.

Noncontrolling interest — Noncontrolling interest in earnings decreased by $8.3 million to $15.2 million as a result of lower earnings in those companies in which there are either noncontrolling interests or redeemable noncontrolling interests.

Overall, net earnings attributable to Enstar Group Limited increased by $40.6 million, or 24.2%, from $168.0 million for the year ended December 31, 2012 to $208.6 million for the year ended December 31, 2013.

Segment Reporting

We previously monitored and reported our results of operations in three segments: non-life run-off, life and annuities, and active underwriting. The active underwriting segment was primarily comprised of the results of operations of Atrium and Arden. As a result of the acquisition of Torus on April 1, 2014, we began reporting and monitoring our results of operations in the following four segments.

Non-life Run-off Segment

Our non-life run-off segment is comprised of the operations and financial results of our subsidiaries that are running off their property and casualty and other non-life lines of business, as well as the run-off businesses of Arden and Torus. It also includes our smaller management business, which manages the run-off portfolios of third parties through our service companies.

Atrium Segment

Our Atrium segment is comprised of the active underwriting operations and financial results of Northshore Holdings Limited, a holding company that owns Atrium and its subsidiaries and Arden. Atrium is a managing general agent at Lloyd's of London, which manages Syndicate 609 through a corporate capital vehicle, Atrium 5 Ltd., and provides approximately 25% of the syndicate's underwriting capacity and capital (with the balance provided by traditional Lloyd's Names). Atrium specializes in accident and health, aviation, marine, property, non-marine direct and facultative, liability, property and casualty binding authorities, reinsurance, upstream energy, war and terrorism insurance, cargo and fine art. Arden is a Bermuda-based reinsurance company that provides reinsurance to Atrium (through an approximately 65% quota share reinsurance arrangement with Atrium 5 Ltd.) and is currently in the process of running off certain other third-party business. Results related to Arden's run-off business are included within our non-life run-off segment.

Torus Segment

Our Torus segment is comprised of the active underwriting operations and financial results of Bayshore Holdings Limited, a holding company that owns Torus and its subsidiaries. Torus is a global specialty insurer that offers a diverse range of property, casualty and specialty insurance through its operations in the U.K., Continental Europe, and the U.S. Torus' active underwriting operations are reported in the Torus segment, with Torus' run-off business reported in the non-life run-off segment.

Life and Annuities Segment

Our life and annuities segment is comprised of the operations and financial results of our subsidiaries that are operating our closed-block of life and annuity businesses, which primarily consists of the companies we acquired in the Pavonia acquisition on March 31, 2013.

Results of Operations by Segment — For the Years Ended December 31, 2014, 2013 and 2012

Non-life Run-off Segment

The following is a discussion and analysis of our results of operations for our non-life run-off segment for the years ended December 31, 2014, 2013 and 2012, which are summarized below:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$ 31,168	$ 112,611	$ —
Fees and commission income	19,342	12,785	9,283
Net investment income	71,209	64,048	76,813
Net realized and unrealized gains	48,030	79,368	71,730
	169,749	268,812	157,826
EXPENSES			
Net reduction in ultimate losses and loss adjustment expense liabilities	(264,711)	(182,975)	(237,953)
Acquisition costs	8,393	14,379	—
Salaries and benefits	127,776	117,141	99,342
General and administrative expenses	70,287	67,979	55,731
Interest expense	7,493	12,057	8,426
Net foreign exchange losses (gains)	8,015	(5,909)	644
	(42,747)	22,672	(73,810)
EARNINGS BEFORE INCOME TAXES	212,496	246,140	231,636
INCOME TAXES	622	(34,191)	(44,266)
NET EARNINGS	213,118	211,949	187,370
Less: Net earnings attributable to noncontrolling interest	(9,836)	(12,076)	(23,502)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 203,282	$ 199,873	$ 163,868

Summary Comparison of Years Ended December 31, 2014 and 2013

In our non-life run-off segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $213.1 million and $212.0 million for the years ended December 31, 2014 and 2013, respectively. The increase in earnings of approximately $1.1 million was attributable primarily to the following:

(i) an increase in net reduction in prior period ultimate losses and loss adjustment expense liabilities of $31.8 million (comprised of an increase in total net reduction in ultimate losses and loss adjustment expense liabilities of $81.7 million for the year ended December 31, 2014, partially offset by a reduction in net increase in current period ultimate losses and loss adjustment expense liabilities of $49.9 million for the year ended December 31, 2014);

(ii) a decrease in income tax expense of $34.8 million;

(iii) an increase in fees and commission income of $6.6 million;

(iv) a reduction in interest expense of $4.6 million; and

(v) an increase in net investment income of $7.2 million; partially offset by

(vi) a net underwriting loss primarily related to Torus' discontinued business of $1.4 million for the year ended December 31, 2014 (comprised primarily of net premiums earned of $31.2 million less losses incurred on current period premiums of $24.2 million and acquisition costs of $8.4 million), which was a decrease of $25.5 million in net underwriting result from the net underwriting gain related to SeaBright of $24.1 million for the year ended December 31, 2013 (comprised of net premiums earned of $112.6 million less losses incurred on current period premiums of $74.1 million and acquisition costs of $14.4 million);

(vii) a decrease in net realized and unrealized gains of $31.3 million;

(viii) a net foreign exchange loss of $8.0 million for the year ended December 31, 2014, which was a $13.9 million decrease from the net foreign exchange gain of $5.9 million for the same period in 2013;

(ix) an increase in salaries and benefits of $10.6 million; and

(x) an increase in general and administrative expenses of $2.3 million.

Noncontrolling interest in earnings decreased by $2.3 million to $9.8 million for the year ended December 31, 2014 as a result of lower earnings in those companies in which there are noncontrolling interests. Net earnings attributable to Enstar Group Limited increased by $3.4 million, or 1.7%, from $199.9 million for the year ended December 31, 2013 to $203.3 million for the year ended December 31, 2014.

Summary Comparison of Years Ended December 31, 2013 and 2012

In our non-life run-off segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $212.0 million and $187.4 million for the years ended December 31, 2013 and 2012, respectively. The increase in earnings of approximately $24.6 million was attributable primarily to the following:

(i) an increase of $24.1 million in net underwriting result comprised of net premiums earned, less losses incurred on current period premiums and acquisition costs related to SeaBright;

(ii) an increase of $19.2 million in prior period net reduction in ultimate losses and loss adjustment expense liabilities (excluding losses incurred relating to premiums earned by SeaBright in the year of $74.1 million);

(iii) a decrease in income tax expense of $10.1 million;

(iv) an increase in fees and commission income of $3.5 million;

(v) an increase in net realized and unrealized gains of $7.6 million; and

(vi) a net foreign exchange gain of $5.9 million for the year ended December 31, 2013, which was a $6.6 million increase from the net foreign exchange loss for the same period in 2012; partially offset by

(vii) an increase in salaries and benefits of $17.8 million;

(viii) an increase in general and administrative expenses of $12.2 million;

(ix) a decrease in net investment income of $12.8 million; and

(x) an increase in interest expense of $3.6 million.

Noncontrolling interest in earnings decreased by $11.4 million to $12.1 million for the year ended December 31, 2013 as a result of lower earnings in those companies in which there are noncontrolling interests. Net earnings attributable to Enstar Group Limited increased by $36.0 million, or 22.0%, from $163.9 million for the year ended December 31, 2012 to $199.9 million for the year ended December 31, 2013.

Net Premiums Earned:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Gross premiums written	$ 12,818		$ 14,166		$ —
Ceded reinsurance premiums written	(2,546)		(4,933)		—
Net premiums written	10,272	*$ 1,039*	9,233	*$ 9,233*	—
Gross premiums earned	45,684		124,262		—
Ceded reinsurance premiums earned	(14,516)		(11,651)		—
Net premiums earned	$ 31,168	*$(81,443)*	$112,611	*$112,611*	$ —

Premiums Earned

Gross non-life run-off premiums earned for the years ended December 31, 2014 and 2013 totaled $45.7 million and $124.3 million, respectively. Ceded non-life run-off reinsurance premiums earned for the years ended December 31, 2014 and 2013 totaled $14.5 million and $11.7 million, respectively.

Accordingly, net non-life run-off premiums earned for the years ended December 31, 2014 and 2013 totaled $31.2 million and $112.6 million, respectively.

Premiums written and earned in 2014 related primarily to Torus' run-off business whereas premiums written and earned in 2013 related to SeaBright. Because business related to Torus' discontinued lines and SeaBright are in run-off, we would expect to have relatively low levels of net earned premium in future periods.

Fees and Commission Income:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$19,342	*$ 6,557*	$12,785	*$ 3,502*	$9,283

Comparison of Years Ended December 31, 2014 and 2013

Our management companies in the non-life run-off segment earned fees and commission income of approximately $19.3 million and $12.8 million for the years ended December 31, 2014 and 2013, respectively. The increase in fees and commission income of $6.5 million related primarily to management fees charged to our Torus segment. These internal fees are eliminated upon consolidation of our results of operations. While our consulting subsidiaries continue to provide management and consultancy services, claims inspection services and reinsurance collection services to third-party clients in limited circumstances, our core focus of these subsidiaries is providing in-house services to companies within the Enstar group.

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Comparison of Years Ended December 31, 2013 and 2012

Our management companies in the non-life run-off segment earned fees and commission income of approximately $12.8 million and $9.3 million for the years ended December 31, 2013 and 2012, respectively. The increase in fees and commission income of $3.5 million related primarily to an increase in management fees earned from third-party agreements.

Net Investment Income and Net Realized and Unrealized Gains:

	Years Ended December 31,									
	Net Investment Income					Net Realized and Unrealized Gains				
	2014	*Variance*	2013	*Variance*	2012	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)									
Total	$71,209	*$ 7,161*	$64,048	*$(12,765)*	$76,813	$48,030	*$(31,338)*	$79,368	*$ 7,638*	$71,730

Comparison of Years Ended December 31, 2014 and 2013

Net investment income for the non-life run-off segment for the year ended December 31, 2014 increased by $7.2 million to $71.2 million, as compared to $64.0 million for the year ended December 31, 2013. The increase was a result of the following:

(i) an increase of $1.4 million in investment income from equities and other investments; and

(ii) an increase of $9.8 million in other investment income related primarily to recoveries received in excess of their cost on acquired insolvent debts; partially offset by

(iii) a decrease in investment income of $4.0 million that arose primarily as a result of lower yields obtained on our cash and fixed maturity portfolios in combination with a reduction in the current year average cash and fixed maturity balances as compared to those in 2013.

Net realized and unrealized gains for the non-life run-off segment for the year ended December 31, 2014 and 2013 were $48.0 million and $79.4 million, respectively. The decrease of $31.3 million was attributable primarily to the following items:

(i) a decrease of $39.0 million in net unrealized and realized gains in our private equity and other investment holdings attributable to:

- negative returns on equity funds in 2014 compared to gains in 2013 caused by lower global equity returns and foreign exchange currency movements in underlying portfolios;
- a decrease in income earned on our fixed income and private equity funds in 2014, due to lower returns earned in 2014 as compared to those earned in 2013; and
- a decrease in earnings in 2014 as a result of lower returns on our hedge fund investments;

(ii) a decrease of $18.4 million in net unrealized and realized gains on our equity portfolio. The decrease between 2014 and 2013 was due mostly to lower returns from equity markets; partially offset by

(iii) net unrealized and realized gains of $7.1 million in 2014 related to fixed maturity securities, which was an increase of $26.0 million from the losses of $18.9 million in 2013. In 2013, there were significant increases in the intermediate part of the U.S. yield curve resulting in losses associated with lower valuations for fixed maturity securities. In 2014, our fixed income portfolio experienced unrealized gains largely due to our yield curve positioning as gains in longer duration securities more than offset marginal valuation losses in the intermediate part of the U.S. yield curve.

Comparison of Years Ended December 31, 2013 and 2012

Net investment income for the non-life run-off segment for the year ended December 31, 2013 decreased by $12.8 million to $64.0 million, as compared to $76.8 million for the year ended December 31, 2012. The decrease was primarily a result of lower yields obtained on our cash and fixed maturity portfolios, as securities with higher yields matured and were reinvested at lower yields. This decrease was partially offset by net investment income attributable to higher cash and investment balances due to the SeaBright acquisition, which closed on February 7, 2013.

Net realized and unrealized gains for the non-life run-off segment for the year ended December 31, 2013 and 2012 were $79.4 million and $71.7 million, respectively. The increase of $7.7 million was attributable primarily to the combination of the following items:

(i) an increase of $38.4 million in net unrealized and realized gains due to greater amounts invested in, and improved performance of, our private equity and other investment holdings; and

(ii) an increase of $16.7 million in net unrealized and realized gains due to greater amounts invested in, and improved performance of, our equity portfolios; partially offset by

(iii) net unrealized and realized losses related to fixed maturity securities of $18.9 million (including $8.3 million related to SeaBright) for the year ended December 31, 2013, compared to net unrealized and realized gains of $28.7 million for the same period in 2012, due largely to increases in U.S interest rates during the year-ended December 31, 2013, as compared to the same period in 2012.

Annualized Returns

The below table presents the annualized investment returns (inclusive of net investment income and net realized and unrealized gains) earned by the non-life run-off segment on its cash and investments for the years ended December 31, 2014, 2013 and 2012:

	Annualized Return			Average Cash and Investment Balances		
	2014	2013	2012	2014	2013	2012
				(in thousands of U.S. dollars)		
Cash and fixed maturities	1.50%	0.83%	1.80%	$ 3,849,259	$ 4,122,022	$ 5,043,534
Other investments and equities	7.49%	16.88%	11.83%	$ 819,847	615,525	413,314
Combined overall	2.55%	3.00%	2.68%	$ 4,669,106	4,737,548	5,551,399

The average credit ratings of our fixed maturity investments in the non-life run-off segment as at December 31, 2014, 2013 and 2012 were AA-, A+ and AA-, respectively.

Net (Reduction) Increase in Ultimate Losses and Loss Adjustment Expense Liabilities:

The following table shows the components of the movement in the net (reduction) increase in ultimate losses and loss adjustment expense liabilities for the non-life run-off segment for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,						
	2014			2013			2012
	Prior Periods	Current Period	Total	Prior Periods	Current Period	Total	Prior Periods (Total) (1)
	(in thousands of U.S. dollars)						
Net losses paid	$ 323,621	$ 87,681	$ 411,302	$ 360,214	$ 10,656	$ 370,870	$ 314,528
Net change in case and LAE reserves	(285,814)	(24,600)	(310,414)	(310,488)	29,555	(280,933)	(265,222)
Net change in IBNR reserves	(262,384)	(39,400)	(301,784)	(265,206)	33,928	(231,278)	(267,422)
(Reduction) increase in estimates of net ultimate losses	(224,577)	23,681	(200,896)	(215,480)	74,139	(141,341)	(218,116)
Paid loss recoveries on provisions for bad debt	(11,206)	—	(11,206)	—	—	—	—
(Reduction) increase in provisions for bad debt	(7,700)	—	(7,700)	1,999	—	1,999	(3,111)
Reduction in provisions for ULAE liabilities	(49,445)	554	(48,891)	(49,580)	—	(49,580)	(39,298)
Amortization of fair value adjustments	3,982	—	3,982	5,947	—	5,947	22,572
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	$ (288,946)	$ 24,235	$ (264,711)	$ (257,114)	$ 74,139	$ (182,975)	(237,953)

(1) For the year ended December 31, 2012, we had no premium income and therefore no current period activity.

Net change in case and LAE reserves comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims. Net change in IBNR reserves represents the change in our actuarial estimates of losses incurred but not reported, less amounts recoverable.

Comparison of Years Ended December 31, 2014 and 2013

The net reduction in ultimate losses and loss adjustment expense liabilities for the year ended December 31, 2014 of $264.7 million included current period incurred losses and loss adjustment expenses of $24.2 million related to current period net earned premium of $31.2 million (primarily for the portion of the run-off business acquired with Torus). Excluding current period net ultimate losses and loss adjustment expense liabilities of $24.2 million, net ultimate losses and loss adjustment expense liabilities relating to prior periods were reduced by $288.9 million, which was attributable to a reduction in estimates of net ultimate losses of $224.6 million, paid loss recoveries on provisions for bad debt of $11.2 million, reduction in provisions for bad debt of $7.7 million and a reduction in provisions for unallocated loss adjustment expense liabilities of $49.5 million, relating to 2014 run-off activity, partially offset by amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $4.0 million.

The reduction in estimates of net ultimate losses relating to prior periods of $224.6 million comprised reductions in IBNR reserves of $262.4 million partially offset by net incurred loss development of $37.8 million. The decrease in the aggregate estimate of net IBNR reserves of $262.4 million (compared to $265.2 million during the year ended December 31, 2013), was comprised of

$59.4 million relating to asbestos liabilities (compared to $69.8 million in 2013), $6.2 million relating to environmental liabilities (compared to $4.9 million in 2013), $62.5 million relating to general casualty liabilities (compared to $42.6 million in 2013), $63.6 million relating to workers compensation liabilities (compared to $42.1 million in 2013) and $70.7 million relating to all other remaining liabilities (compared to $105.8 million in 2013).

The aggregate reduction in net IBNR reserves of $262.4 million, relating to prior periods, was a result of the application, on a basis consistent with the assumptions applied in the prior period, of our actuarial methodologies to revised historical loss development data, following 98 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and loss adjustment expenses relating to non-commuted exposures. The prior period estimate of aggregate net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2014, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $285.8 million for net paid losses of $323.6 million, related to the settlement of non-commuted losses in the year and 98 commutations and policy buy-backs of assumed and ceded exposures (including the partial commutation of two of our top ten assumed exposures and two of our top ten ceded recoverables as at January 1, 2014). Net advised case and LAE reserves settled by way of commutation and policy buyback during the year ended December 31, 2014 amounted to $29.1 million (comprising $99.5 million of assumed case reserves and LAE reserves partially offset by $70.4 million of ceded incurred reinsurance recoverable case reserves).

The reduction in aggregate provisions for bad debt of $7.7 million was a result of the collection of certain reinsurance recoverables against which bad debt provisions had been provided in earlier periods.

Comparison of Years Ended December 31, 2013 and 2012

The net reduction in ultimate losses and loss adjustment expense liabilities for the year ended December 31, 2013 of $183.0 million included current period incurred losses of $74.1 million related to SeaBright. Excluding SeaBright's current period incurred losses of $74.1 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by $257.1 million, which was attributable to a reduction in estimates of net ultimate losses of $215.5 million and a reduction in provisions for unallocated loss adjustment expense liabilities of $49.6 million, relating to 2013 run-off activity, partially offset by an increase in provisions for bad debt of $2.0 million and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $5.9 million.

The reduction in estimates of net ultimate losses relating to prior periods of $215.5 million comprised reductions in IBNR reserves of $265.2 million partially offset by net incurred loss development of $49.7 million. The decrease in the aggregate estimate of net IBNR reserves of $265.2 million (compared to $267.4 million during the year ended December 31, 2012), consisted of $69.8 million relating to asbestos liabilities (compared to $36.4 million in 2012), $4.9 million relating to environmental liabilities (compared to $2.6 million in 2012), $42.6 million relating to general casualty liabilities (compared to $96.3 million in 2012), $42.1 million relating to workers compensation liabilities (compared to $52.7 million in 2012) and $105.8 million relating to all other remaining liabilities (compared to $79.4 million in 2012).

The aggregate reduction in net IBNR reserves of $265.2 million relating to prior periods was a result of the application, on a basis consistent with the assumptions applied in the prior period, of our actuarial methodologies to revised historical loss development data, following 108 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and loss adjustment expenses relating to non-commuted exposures. The prior period estimate of aggregate net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2013, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $310.5 million for net paid losses of $360.2 million related to the settlement of non-commuted losses in the year and 108 commutations and policy buy-backs of assumed and ceded exposures (including the commutation of one of our top ten assumed exposures and one of our top ten ceded recoverables as at January 1, 2013). Net advised case and LAE reserves settled by way of commutation and policy buy-backs during the year ended December 31, 2013 amounted to $29.8 million (comprising $97.3 million of assumed case reserves and LAE reserves partially offset by $67.5 million of ceded incurred reinsurance recoverable case reserves).

The increase in aggregate provisions for bad debt of $2.0 million was a result of additional provisions being allowed in the quarter for contractual disputes with reinsurers, offset by cash collections and commutations on certain reinsurance receivables against which bad debt provisions had been provided in earlier periods.

Acquisition Costs:

	Year Ended December 31,				
	2014	***Variance***	**2013**	***Variance***	**2012**
	(in thousands of U.S. dollars)				
Total	$8,393	*$ 5,986*	$14,379	*$(14,379)*	$ —

Acquisition costs for the non-life run-off segment were $8.4 million and $14.4 million for the years ended December 31, 2014 and 2013, respectively. Acquisition costs are directly related to the amount of net premiums earned by us that, for the year ended December 31, 2014, related primarily to the portion of Torus' business that was placed into run-off and, for the same period in 2013, related to SeaBright. We did not have any acquisition costs for the year ended December 31, 2012 as our non-life run-off segment did not have any net premiums earned during the period.

Salaries and Benefits:

	Year Ended December 31,				
	2014	***Variance***	**2013**	***Variance***	**2012**
	(in thousands of U.S. dollars)				
Total	$ 127,776	*$ (10,635)*	$ 117,141	*$ (17,799)*	$ 99,342

Comparison of Years Ended December 31, 2014 and 2013

Salaries and benefits for the non-life run-off segment, which include expenses relating to our discretionary bonus and employee share plans, were $127.8 million and $117.1 million for the years ended December 31, 2014 and 2013, respectively.

The principal changes in salaries and benefits were:

(i) an increase in stock compensation costs of approximately $4.7 million due to new equity-based awards made during the year to our employees. As we continue to grow our organization we anticipate increased utilization of equity-based awards in future years as a way of incentivizing our employees;

(ii) an increase of $4.4 million in our 2014 bonus accrual primarily relating to a bonus accrual rate of 14.6% of pre-bonus net after tax profits under our annual incentive compensation program, as compared to 13.3% for 2013; and

(iii) an increase in salaries of approximately 3% as part of annual staff performance reviews.

Comparison of Years Ended December 31, 2013 and 2012

Salaries and benefits for the non-life run-off segment, which include expenses relating to our discretionary bonus and employee share plans, were $117.1 million and $99.3 million for the years ended December 31, 2013 and 2012, respectively.

The principal changes in salaries and benefits were:

(i) increased staff costs due to an increase in our average headcount from 392 in 2012 to 559 in 2013, primarily attributable to staff acquired on completion of the SeaBright acquisition; and

(ii) an increase in our bonus provision of $1.8 million.

General and Administrative Expenses:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$70,287	*$(2,308)*	$67,979	*$(12,248)*	$55,731

Comparison of Years Ended December 31, 2014 and 2013

General and administrative expenses for the non-life run-off segment increased by $2.3 million, from $68.0 million in the year ended December 31, 2013 to $70.3 million in the year ended December 31, 2014. The increase in expenses in 2014 related primarily to:

(i) an increase of $6.0 million related principally to an increase in: (a) professional fees of $1.9 million, (b) information technology costs of $1.6 million (due to increased project-related costs), and (c) $2.5 million of other costs related largely to amortization of fair value adjustments for assets and liabilities previously acquired;

(ii) an increase in rent and related expenses of $2.5 million due largely to an increase in office space and fees associated with the termination of various U.K. lease agreements as we consolidate staff into one office location; partially offset by

(iii) a decrease in bank charges of $6.2 million due to lower arrangement fees incurred on various loan and revolving credit facilities in 2014 as compared to 2013.

Comparison of Years Ended December 31, 2013 and 2012

General and administrative expenses for the non-life run-off segment increased by $12.2 million, from $55.7 million in the year ended December 31, 2012 to $68.0 million in the year ended December 31, 2013. The increase in expenses in 2013 related primarily to:

(i) an increase in bank charges of $4.2 million due to arrangement fees for our revolving credit facility; and

(ii) additional general and administrative expenses of $11.8 million incurred in relation to the acquisition of SeaBright, which we completed in 2013.

Interest Expense:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$7,493	*$ 4,564*	$12,057	*$(3,631)*	$8,426

Comparison of Years Ended December 31, 2014 and 2013

Interest expense of $7.5 million and $12.1 million for the non-life run-off segment was recorded for the years ended December 31, 2014 and 2013, respectively. The decrease in interest expense was primarily a result of the reduction in loans outstanding as a result of the repayment of both the Clarendon and SeaBright loan facilities during 2014. For 2015, we would anticipate that interest expense will largely be consistent with 2014 as the interest expense related to the Companion loan facility (which we fully drew down on January 27, 2015) will offset the reductions associated with the repayment of the Clarendon and SeaBright facilities.

Comparison of Years Ended December 31, 2013 and 2012

Interest expense of $12.1 million and $8.4 million for the non-life run-off segment was recorded for the years ended December 31, 2013 and 2012, respectively. The increase in interest expense was a result of an increased total amount of loans outstanding during the year ended December 31, 2013 as compared to the same period in 2012, due largely to the SeaBright acquisition.

Net Foreign Exchange (Losses) Gains

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$(8,015)	*$(13,924)*	$5,909	*$ 6,553*	$(644)

Comparison of Years Ended December 31, 2014 and 2013

We recorded net foreign exchange losses of $8.0 million for the non-life run-off segment for the year ended December 31, 2014 as compared to net foreign exchange gains of $5.9 million for the year ended December 31, 2013. The net foreign exchange losses for the year ended December 31, 2014 arose primarily as a result of the holding of surplus Euro and British pound assets at a time when the U.S. dollar appreciated against these currencies.

In addition to the net foreign exchange (losses) gains recorded in our consolidated statement of earnings, we recorded in our consolidated statement of comprehensive income currency translation adjustment losses, net of noncontrolling interest, related to our non-life run-off segment of $6.4 million and $13.5 million for the years ended December 31, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, the currency translation adjustments related primarily to our Australian-based subsidiaries.

Comparison of Years Ended December 31, 2013 and 2012

We recorded net foreign exchange gains of $5.9 million for the non-life run-off segment for the year ended December 31, 2013 as compared to net foreign exchange losses of $0.6 million for the year ended December 31, 2013. The net foreign exchange gains for the year ended December 31, 2013 arose primarily as a result of holding surplus U.S. dollar assets in one of our subsidiaries whose functional currency is Australian dollars at a time when the Australian dollar depreciated sharply against the U.S. dollar. These gains were partially offset by net foreign exchange losses as a result of holding surplus British pound assets at a time when the U.S. dollar was appreciating against this currency, along with net foreign exchange losses in the fair value of our Australian dollar forward exchange contract in place at that time.

Income Tax Recovery (Expense):

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$622	*$34,813*	$(34,191)	*$10,075*	$(44,266)

Comparison of Years Ended December 31, 2014 and 2013

We recorded income tax recovery (expense) for our non-life run-off segment of $0.6 million and $(34.2) million for the years ended December 31, 2014 and 2013, respectively.

The decrease in income taxes of $34.8 million was due principally to a lower effective tax rate due to decreased pre-tax net income recorded in our U.S. and U.K. based subsidiaries as compared to the prior year as well as a decrease in the valuation allowance on our deferred tax assets in the U.S.

Income tax expense is primarily generated through our foreign operations outside of Bermuda, principally in the United States, Europe and Australia. The effective tax rate, which is calculated as income tax expense or benefit divided by income before tax, is driven primarily by the geographic distribution of pre-tax net income between jurisdictions with comparatively higher tax rates and those with comparatively lower income tax rates and as a result may fluctuate significantly from period to period.

The effective tax rate was (0.3)% for the year ended December 31, 2014 compared with 13.9% for the year ended December 31, 2013 due to having proportionately lower net income in our tax paying subsidiaries in 2014 than in 2013 as well as a decrease in the valuation allowance on our deferred tax assets in the U.S.

Comparison of Years Ended December 31, 2013 and 2012

We recorded income tax expense for the non-life run-off segment of $34.2 million and $44.3 million for the years ended December 31, 2013 and 2012, respectively.

The decrease in income taxes of $10.1 million was due principally to decreased pre-tax net income recorded in our U.S. and U.K. based subsidiaries as compared to the prior year.

The effective tax rate was 13.9% for the year ended December 31, 2013 compared with 18.8% for the year ended December 31, 2012. In 2013, we had proportionately lower net income in our tax paying subsidiaries than in the previous year.

Noncontrolling Interest:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Total	$9,836	*$ 2,240*	$12,076	*$11,426*	$23,502

Comparison of Years Ended December 31, 2014 and 2013

We recorded a noncontrolling interest in earnings of our non-life run-off segment of $9.8 million and $12.1 million for the years ended December 31, 2014 and 2013, respectively.

The decrease for the year ended December 31, 2014 was due primarily to the decrease in earnings for those companies where there exists a noncontrolling interest. The number of subsidiaries in this segment with a noncontrolling interest decreased from 8 as at December 31, 2013 to 7 as at December 31, 2014.

Comparison of Years Ended December 31, 2013 and 2012

We recorded a noncontrolling interest in earnings of our non-life run-off segment of $12.1 million and $23.5 million for the years ended December 31, 2013 and 2012, respectively.

The decrease for the year ended December 31, 2013 was due primarily to the decrease in earnings for those companies where there exists a noncontrolling interest. The number of subsidiaries in this segment with a noncontrolling interest increased from 7 as at December 31, 2012 to 8 as at December 31, 2013.

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Atrium Segment

The following is a discussion and analysis of our results of operations for the Atrium segment for the year ended December 31, 2014 and for the period from the date of acquisition of Atrium and Arden to December 31, 2013. The results of Atrium 5 Ltd., or Atrium 5, represent its proportionate share of the results of Syndicate 609 for which it provides 25% of the underwriting capacity and capital (in the Atrium 5 column). The results of Atrium Underwriters Ltd, or AUL, (in the AUL column) 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. Elimination items represent Atrium 5's share of fees and commissions paid to AUL. The results of Northshore Holdings Limited relate primarily to amortization of intangible assets (in the Holding Companies column) and Enstar's acquisition financing costs (in the Enstar Specific Expenses column). Northshore owns Atrium and its subsidiaries and Arden.

	Year Ended December 31, 2014							Period Ended December 31, 2013
	Atrium							
	Atrium 5	AUL	Elimination	Total Atrium	Holding Companies	Enstar Specific Expenses	Total	Total
	(in thousands of U.S. dollars)							
INCOME								
Net premiums earned	$135,945	$ —	$ —	$135,945	$ —	$ —	$135,945	$ 32,212
Fees and commission income	—	33,565	(7,389)	26,176	—	—	26,176	2,708
Net investment income	1,699	380	—	2,079	(108)	—	1,971	521
Net realized and unrealized gains	—	—	—	—	41	—	41	542
	137,644	33,945	(7,389)	164,200	(67)	—	164,133	35,983
EXPENSES								
Net increase in ultimate losses and loss adjustment expense liabilities	54,734	—	—	54,734	694	—	55,428	19,303
Acquisition costs	43,417	—	—	43,417	—	—	43,417	—
Salaries and benefits	—	20,142	—	20,142	—	—	20,142	2,676
General and administrative expenses	17,569	2,349	(7,389)	12,529	2,250	—	14,779	2,716
Interest expense	—	—	—	—	—	5,429	5,429	332
Net foreign exchange (gains) losses	(6,139)	4,580	—	(1,559)	—	—	(1,559)	1,364
	109,581	27,071	(7,389)	129,263	2,944	5,429	137,636	26,391
EARNINGS (LOSS) BEFORE INCOME TAXES	28,063	6,874	—	34,937	(3,011)	(5,429)	26,497	9,592
INCOME TAXES	(3,409)	(1,683)	—	(5,092)	—	—	(5,092)	(185)
NET EARNINGS (LOSS)	24,654	5,191	—	29,845	(3,011)	(5,429)	21,405	9,407
Less: Net (earnings) loss attributable to noncontrolling interest	(10,088)	(1,995)	—	(12,083)	1,109	—	(10,974)	(4,170)
NET EARNING (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 14,566	$ 3,196	$ —	$ 17,762	$ (1,902)	$ (5,429)	$ 10,431	$ 5,237
Loss ratio (1)	40.3%							
Acquisition cost ratio (2)	31.9%							
Other operating expense ratio (3)	12.9%							
Combined ratio (4)	85.1%							

(1) Loss ratio is obtained by dividing net increase in ultimate losses and loss adjustment expense liabilities by net premiums earned by Atrium 5. Loss ratio is a non-GAAP financial measure because it excludes net increase in ultimate losses and loss adjustment expense liabilities related to the Atrium holding companies. The most directly comparable GAAP financial measure would be to include these holding company expenses, which would result in a ratio of 40.8% for the year ended December 31, 2014.

(2) Acquisition cost ratio is obtained by dividing acquisition costs by net premiums earned by Atrium 5.

(3) Other operating expense ratio is obtained by dividing general and administrative expenses attributable to Atrium 5 by net premiums earned by Atrium. Other operating expense ratio is a non-GAAP financial measure because it excludes the general and administrative expenses and salaries and benefits of AUL (including those eliminated) and Atrium holding companies. The most directly comparable GAAP financial measure would be to include these AUL and Atrium holding company expenses (including AUL expenses eliminated), which would result in a ratio of 25.7% for the year ended December 31, 2014.

(4) Our combined ratio is the sum of: (i) our loss ratio; (ii) our acquisition cost ratio; and (iii) our other operating expense ratio. The combined ratio is a non-GAAP financial measure as described in footnotes (1) and (3). The most directly comparable GAAP financial measure would be to include these holding company and AUL expenses, which would result in a ratio of 98.4% for the year ended December 31, 2014. Our historical combined ratio may not be indicative of future underwriting performance.

Non-GAAP Financial Measures

We provide loss ratio, acquisition cost ratio, other operating expense ratio, and the combined ratio in our discussions of the results for the Atrium segment in order to provide more complete information regarding our underwriting results. The ratios are calculated by dividing the related expense by net earned premiums, and the combined ratio is the sum of these ratios. Our loss, other operating expense and combined ratios are considered to be “non-GAAP” financial measures, which may be defined or calculated differently by other companies.

The Atrium loss and other operating expense ratios exclude expenses related to the holding companies, which we believe is the most meaningful presentation because these expenses are not incremental and/or directly related to the individual underwriting operations at Atrium. In the loss ratio, the excluded net increases in ultimate losses and loss adjustment expense liabilities of the holding companies relate to amortization of fair value purchase accounting adjustment established at the date of acquisition for Atrium’s losses and loss adjustment expenses. In the other operating expense ratio, the excluded holding company general and administrative expenses relate to amortization of the definite-lived intangible assets. The excluded salaries and benefits expenses relate to AUL managing agency employee salaries, benefits, bonuses and current year share grant costs.

The excluded AUL general and administrative expenses relate to expenses incurred in managing the syndicate, and eliminated items represent Atrium 5’s share of the fees and commissions paid to AUL. The excluded AUL salaries and benefits expenses relate to salaries, benefits, bonuses expenses, and current year share grant costs for AUL managing agency employees. We believe this is the most meaningful presentation because these costs are principally funded by the profit commission fees earned from Syndicate 609.

Summary for the Year Ended December 31, 2014

For the Atrium segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $21.4 million for the year ended December 31, 2014.

The results arose primarily as a result of:

(i) net underwriting result of $37.1 million (comprised of net premiums earned of $135.9 million less $55.4 million in net increase in ultimate losses and loss adjustment expense liabilities and $43.4 million of acquisition costs);

(ii) fees and commission income of $26.2 million; and

(iii) net investment income of $2.0 million; partially offset by

(iv) salaries and benefits of $20.1 million;

(v) general and administrative expenses of $14.8 million;

(vi) interest expense of $5.4 million; and

(vii) income taxes of $5.1 million.

Noncontrolling interest in earnings of the Atrium segment of $11.0 million resulted in net earnings attributable to Enstar Group Limited of $10.4 million for the year ended December 31, 2014. The noncontrolling interests' share of earnings is greater than their 41.02% share of the Atrium segment's net earnings due primarily to interest expense in respect of borrowings under our revolving credit facility that are recorded within the Atrium segment and 100% attributable to us.

Summary from the Dates of Acquisition to December 31, 2013

For the Atrium segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of approximately $9.4 million from the dates of the acquisitions of Atrium and Arden to December 31, 2013.

The results arose primarily as a result of:

(i) net underwriting result of $12.9 million (comprised of net premiums earned of $32.2 million less $19.3 million in net increase in ultimate losses and loss adjustment expense liabilities);

(ii) fees and commission income of $2.7 million; and

(iii) net investment income and net realized and unrealized gains of $1.1 million; partially offset by

(iv) salaries and benefits of $2.7 million; and

(v) general and administrative expenses of $2.7 million.

Noncontrolling interest in earnings of the Atrium segment of $4.2 million resulted in net earnings attributable to Enstar Group Limited of $5.2 million for the year ended December 31, 2013.

Gross Premiums Written:

The following table provides gross premiums written by line of business for the Atrium segment for the year ended December 31, 2014:

	Year Ended December 31, 2014 (in thousands of U.S. dollars)	% of Total Gross Premiums Written
Marine	$ 23,531	15.2%
Property and Casualty Binding Authorities	29,355	19.0%
Upstream Energy	19,162	12.4%
Reinsurance	12,710	8.2%
Accident and Health	15,837	10.3%
Non-Marine Direct and Facultative	17,204	11.2%
Liability	18,300	11.9%
Aviation	7,883	5.1%
War and Terrorism	10,266	6.7%
Total	$ 154,248	100.0%

Net Premiums Earned:

The following table provides net premiums earned by line of business for the Atrium segment for the year ended December 31, 2014:

	Year Ended December 31, 2014 (in thousands of U.S. dollars)	% of Total Net Premiums Earned
Marine	$ 21,382	15.7%
Property and Casualty Binding Authorities	25,350	18.7%
Upstream Energy	18,365	13.5%
Reinsurance	11,466	8.4%
Accident and Health	13,725	10.1%
Non-Marine Direct and Facultative	14,762	10.9%
Liability	15,722	11.6%
Aviation	7,120	5.2%
War and Terrorism	8,053	5.9%
Total	$ 135,945	100.0%

Net premiums earned for the Atrium segment were $135.9 million for the year ended December 31, 2014 and $32.2 million for the period from the date of acquisition to December 31, 2013. The increase was attributable to us only owning Atrium for approximately one month in 2013 as compared to a full year for 2014. Net premiums earned for the 2014 year reflect execution of Atrium's underwriting strategies combined with the impact of softened market conditions across the industry. These conditions contributed to a very challenging 2015 renewal season for most lines of business, with continued pressure on pricing and overcapacity in many markets. We anticipate these challenging market conditions will continue for the rest of 2015 and as a result, Atrium may write less premium than in 2014. Atrium has, however, considered market conditions in its strategic planning and will continue to manage the impact of these conditions through maintaining underwriting discipline and strong risk management practices.

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Fees and Commission Income:

	Years Ended December 31, 2014	2013
	(in thousands of U.S. dollars)	
Total	$26,176	$2,708

The Atrium segment earned fees and commission income of approximately $26.2 million and $2.7 million for the years ended December 31, 2014 and 2013, respectively. The fees represent management and profit commission fees earned by us in relation to AUL's management of Syndicate 609 and other underwriting consortiums. The increase in 2014 as compared to 2013 was due primarily to us owning Atrium for a full year in 2014.

Net Investment Income and Net Realized and Unrealized Gains

	Year Ended December 31,					
	Net Investment Income			Net Realized and Unrealized Gains		
	(in thousands of U.S. dollars)					
	2014	*Variance*	2013	2014	*Variance*	2013
Total	$1,971	*$ 1,450*	$521	$ 41	*$ (501)*	$542

Atrium's investment portfolio returned 0.53% as the investment portfolio was allocated to cash and short-duration fixed maturity investments. Fixed income yields in U.S. Dollars, Euros and British pounds remained low in 2014, which had a significant impact on the Atrium portfolio.

Net Increase in Ultimate Losses and Loss Adjustment Expense Liabilities:

For the year ended December 31, 2014, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities in the Atrium segment of $55.4 million, including net favorable prior year development of $18.7 million due to claims improvement and reserve releases largely related to our non-marine direct and facultative and upstream energy lines of business following reserve reviews. A $74.1 million increase in net ultimate losses and loss adjustment expenses for the current period was recorded based on the combination of expected loss ratios on current period earned premium, as well as incurred losses during the year including from the war and terrorism and aviation lines of business, and actual estimates of ultimate loss and loss adjustment expense liabilities.

There is no assurance that conditions or trends that have affected the development of our reserves in the past will continue, and prior period development may not be indicative of development in future periods.

Salaries and Benefits:

	Year Ended December 31,		
	2014	*Variance*	2013
	(in thousands of U.S. dollars)		
Total	$20,142	*$(17,466)*	$2,676

Salaries and benefits for the Atrium segment were $20.1 million and $2.7 million for the years ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2014, the total of $20.1 million was comprised of salaries and benefits of $7.5 million, total current and prior year related share grant costs of $5.2 million and discretionary bonus of approximately $7.4 million. The total current and prior year share grant costs relate to Northshore incentive plan awards to Atrium employees. Expenses relating to the discretionary bonus will be variable and dependent on Atrium's overall profitability. Expenses relating to the share grant costs are expected to decrease in 2015, as only current year costs will be recorded.

General and Administrative Expenses:

	Years Ended December 31,		
	2014	*Variance*	2013
	(in thousands of U.S. dollars)		
Total	$14,779	*$(12,063)*	$2,716

General and administrative expenses for the Atrium segment were $14.8 million and $2.7 million for the years ended December 31, 2014 and 2013, respectively. 2014 expenses were comprised of $12.6 million related to AUL's direct expenses and Atrium's share of the syndicate expenses for the year ended December 31, 2014. In addition, expenses of $2.2 million for the year ended December 31, 2014 related to the amortization of the definite-lived intangible assets in the Atrium segment holding companies.

Interest Expense:

	Years Ended December 31,		
	2014	*Variance*	2013
	(in thousands of U.S. dollars)		
Total	$5,429	*$(5,097)*	$332

Interest expense for the Atrium segment of $5.4 million and $0.3 million was recorded for the years ended December 31, 2014 and 2013, respectively. The interest expense recorded in the segment was in respect of borrowings under the Enstar revolving credit facility that are recorded in the segment and 100% attributable to us.

Noncontrolling Interest:

	Years Ended December 31,		
	2014	*Variance*	2013
	(in thousands of U.S. dollars)		
Total	$10,974	*$(6,804)*	$4,170

We recorded noncontrolling interest in earnings of the Atrium segment of $11.0 million and $4.2 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, Trident and Dowling had a combined 41.02% noncontrolling interest in the Atrium segment, although their share of net earnings was higher due primarily to the interest expense recorded in the segment that is 100% attributable to us.

Torus Segment

The following is a discussion and analysis of our results of operations for the Torus segment for the year ended December 31, 2014 which are summarized below. These results reflect both the results of Torus Insurance Holdings Limited and its subsidiaries (in the Torus column) and the expenses related to Enstar management fees, the amortization of intangible assets, and acquisition-related expenses, each as incurred by Bayshore Holdings Limited (in the Holding Companies column), the company that owns Torus and its subsidiaries.

	Year Ended December 31,			
	2014			2013
	Torus	Holding Companies	Total	Total
	(in thousands of U.S. dollars)			
INCOME				
Net premiums earned	$380,259	$ (6,626)	$373,633	$ —
Net investment income	5,937	—	5,937	—
Net realized and unrealized losses	2,136	—	2,136	—
	388,332	(6,626)	381,706	—
EXPENSES				
Net increase in ultimate losses and loss adjustment expense liabilities	221,290	(2,861)	218,429	—
Acquisition costs	65,734	—	65,734	—
Salaries and benefits	55,846	—	55,846	—
General and administrative expenses	40,503	16,995	57,498	2,554
Net foreign exchange losses (gains)	1,198	(253)	945	18
	384,571	13,881	398,452	2,572
EARNINGS (LOSS) BEFORE INCOME TAXES	3,761	(20,507)	(16,746)	(2,572)
INCOME TAXES	(1,130)	—	(1,130)	—
NET EARNINGS (LOSS)	2,631	(20,507)	(17,876)	(2,572)
Less: Net (earnings) loss attributable to noncontrolling interest	(1,089)	8,412	7,323	1,028
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 1,542	$ (12,095)	$ (10,553)	$(1,544)
Loss ratio (1)	58.2%			
Acquisition cost ratio (2)	17.3%			
Other operating expense ratio (3)	25.3%			
Combined ratio (4)	100.8%			

(1) Loss ratio is obtained by dividing net increase in ultimate losses and loss adjustment expense liabilities by net premiums earned attributable to Torus. Loss ratio is a non-GAAP financial measure because it excludes the net increase in ultimate losses and loss adjustment expense liabilities and net premiums earned of the Torus holding companies. The most directly comparable GAAP financial measure would be to include these holding company expenses, which would result in a ratio of 58.5% for the year ended December 31, 2014.

(2) Acquisition cost ratio is obtained by dividing acquisition costs by net premiums earned by Torus. Acquisition cost ratio is a non-GAAP financial measure because it excludes the net premiums earned of the Torus holding companies. The most directly comparable GAAP financial measure would be to include this holding company expense, which would result in a ratio of 17.6% for the year ended December 31, 2014.

(3) Other operating expense ratio is obtained by dividing the sum of general and administrative expenses and salaries and benefits attributable to Torus by net premiums earned by Torus. Other operating expense ratio is a non-GAAP financial measure because it excludes the general and administrative expenses, salaries and benefits and the net premiums earned of the Torus holding companies. The most directly comparable GAAP financial measure would be to include these holding company expenses, which would result in a ratio of 30.3% for the year ended December 31, 2014.

(4) Our combined ratio is the sum of: (i) our loss ratio, (ii) our acquisition cost ratio and (iii) our other operating expense ratio. The combined ratio is a non-GAAP financial measure as described in footnotes (1), (2) and (3). The most directly comparable GAAP financial measure would be to include these holding company expenses, which would result in a ratio of 106.4% for the year ended December 31, 2014. Our historical combined ratio may not be indicative of future underwriting performance.

Non-GAAP Financial Measures

We provide loss ratio, acquisition cost ratio, other operating expense ratio, and the combined ratio in our discussions of the results for the Torus segment in order to provide more complete information regarding our underwriting results. The ratios are calculated by dividing the related expense by net earned premiums, and the combined ratio is the sum of these ratios. Our ratios are considered to be “non-GAAP” financial measures, which may be defined or calculated differently by other companies.

The Torus ratios exclude expenses related to the holding companies, which we believe is the most meaningful presentation because these expenses are not incremental and/or directly related to the individual underwriting operations at Torus. In the loss ratio, the excluded net premiums earned and net increases in ultimate losses and loss adjustment expense liabilities of the holding companies relate to amortization of our fair value adjustment associated with unearned premium reserves acquired on the acquisition date. Torus includes all of its fair value purchase accounting adjustments established at the date of acquisition as part of the holding companies. In the other operating expense ratio, the excluded general and administrative expenses relate to management fee expenses charged by our non-life run-off segment to Torus primarily related to our direct costs incurred in managing Torus, the amortization of the definite-lived intangible assets, and acquisition-related expenses, in each case as incurred at the holding company level.

Summary for the Year Ended December 31, 2014

For the Torus segment, we reported net loss, before net loss attributable to noncontrolling interest, of approximately $17.9 million for the year ended December 31, 2014.

The result was driven primarily by:

(i) salaries and benefits and general and administrative expenses of $113.3 million;

(ii) income taxes of $1.1 million; and

(iii) net foreign exchange losses of $0.9 million; partially offset by

(iv) net underwriting result of $89.5 million (comprised of net premiums earned of $373.6 million less $218.4 million in net increase in ultimate losses and loss adjustment expense liabilities and $65.7 million of acquisition costs); and

(v) net investment income and net realized and unrealized gains of $8.1 million.

Noncontrolling interest in the loss of the Torus segment of $7.3 million resulted in net loss attributable to Enstar Group Limited of $10.5 million for the year ended December 31, 2014.

Gross Premiums Written:

The following table provides gross premiums written by line of business for the Torus segment from April 1, 2014 to December 31, 2014:

	Gross Premiums Written	
	From April 1, 2014 to December 31, 2014	% of Total Gross Premiums Written
	(in thousands of U.S. dollars)	
Marine and Excess Casualty	$ 70,826	13.8%
Property	118,479	23.1%
Aviation and Space	86,446	16.9%
Workers Compensation	51,442	10.0%
Casualty:		
U.S. Excess Casualty	106,049	20.7%
Healthcare	36,698	7.2%
U.S. Management and Professional Liability	17,805	3.5%
Non-U.S. Management and Professional Liability	15,429	3.0%
Accident and Health	9,045	1.8%
Total Casualty	185,026	36.2%
Total	$ 512,219	100.0%

Net Premiums Earned:

The following table provides net premiums earned by line of business for the Torus segment from April 1, 2014 to December 31, 2014.

	Net Premiums Earned	
	From April 1, 2014 to December 31, 2014	% of Total Net Premiums Earned
	(in thousands of U.S. dollars)	
Marine and Excess Casualty	$ 68,767	18.1%
Property	80,650	21.2%
Aviation and Space	54,510	14.3%
Workers Compensation	17,996	4.7%
Other	18,621	4.9%
Casualty:		
U.S. Excess Casualty	66,065	17.4%
Healthcare	25,780	6.8%
U.S. Management and Professional Liability	19,848	5.2%
Non-U.S. Management and Professional Liability	21,519	5.7%
Accident and Health	6,503	1.7%
Total Casualty	139,715	36.8%
Total	$ 380,259	100.0%

Net premiums earned for the Torus segment from April 1, 2014 to December 31, 2014 were $373.6 million, which included $6.6 million of holding company expense related to the amortization of our fair value adjustment associated with Torus' acquisition date unearned premium reserves. Excluding the holding company expense, net premiums earned by Torus from April 1, 2014 to December 31, 2014 were $380.3 million.

Torus repositioned itself during 2014 to focus on its core specialty products. Insurance markets have seen a general slowdown and leveling off of market conditions, with downward pressures on rates in certain lines of business. Despite the slowdown in pricing, Torus believes that good fundamentals and opportunities for profitable growth exist in many lines. In 2015, Torus looks to continue the selective expansion of its U.S. operations by using its Escape broker portal to increase access to business and focusing on workers compensation, healthcare and excess casualty lines where we believe pricing can remain strong compared to international markets. Torus will continue to explore its opportunities for expansion while maintaining a focus on risk management and underwriting returns. Enstar expects increased premiums written by Torus in 2015 as a result of owning Torus for a full year as compared to only nine months in 2014.

Net Increase in Ultimate Losses and Loss Adjustment Expense Liabilities:

For the year ended December 31, 2014, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities for the Torus segment of $218.4 million, which includes an adjustment of $2.9 million for amortization of fair value adjustments within the holding company. The segment recorded a net favorable prior period reserve development of $8.4 million due to claims improvement and reserve releases, largely related to our marine and non-marine property lines of business. A $229.5 million increase in net ultimate losses and loss adjustment expense liabilities for the current period was recorded based on expected loss ratios on current period earned premium and loss development during the year ended December 31, 2014, including additional net losses incurred of $7.7 million in Torus' power and utility business and $13.2 million in the aviation and space line.

There is no assurance that conditions or trends that have affected the development of our reserves in the past will continue, and prior period development may not be indicative of development in future periods.

Net Investment Income and Net Realized and Unrealized Gains:

Net investment income for the Torus segment for the period from April 1, 2014 to December 31, 2014 was $5.9 million. Net realized and unrealized gains for the Torus segment for the period from April 1, 2014 to December 31, 2014 were $2.1 million. The average credit ratings of our fixed maturity investments in the Torus segment as at December 31, 2014 were AA-.

Salaries and Benefits:

Salaries and benefits for the Torus segment from April 1, 2014 to December 31, 2014 were $55.8 million. The salaries and benefits were related primarily to $52.5 million of direct salaries and benefits for approximately 500 employees of Torus, inclusive of discretionary bonus costs accrued of approximately $4.6 million, and $3.2 million costs associated with employee share awards granted in the period.

General and Administrative Expenses:

General and administrative expenses for the Torus segment from April 1, 2014 to December 31, 2014 were $57.5 million. The amounts consisted of $40.5 million directly incurred by Torus' operations and $17.0 million of holding company costs relating to: (i) management fee expenses of $10.2 million charged by our non-life run-off segment to Bayshore primarily relating to our direct costs incurred in managing Torus; (ii) expenses of $3.8 million related to the amortization of the definite-lived intangible assets; and (iii) $2.9 million of acquisition related expenses incurred by Bayshore.

General and administrative expenses for the Torus segment for the year ended December 31, 2013 were $2.6 million and related to pre-acquisition costs of the holding company.

Noncontrolling Interest:

We recorded noncontrolling interest in the net loss of the Torus segment of $7.3 million for the year ended December 31, 2014. As of December 31, 2014, Trident and Dowling held a combined 41.02% noncontrolling interest in the Torus segment.

Life and Annuities Segment

The following is a discussion and analysis of our results of operations for our life and annuities segment for the years ended December 31, 2014, 2013 and 2012, which are summarized below.

Following the Pavonia acquisition, we reevaluated our segment reporting and began including the results of Laguna within the life and annuities segment for each of the years ended December 31, 2014, 2013 and 2012. Accordingly, our 2014 and 2013 results for the life and annuities segment are substantially different than our 2012 results, when we only owned Laguna.

	Years Ended December 31,		
	2014	2013	2012
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$105,704	$ 94,984	$3,511
Fees and commission income	32	—	—
Net investment income	39,470	30,182	947
Net realized and unrealized gains (losses)	12,412	(9,259)	1,882
	157,618	115,907	6,340
EXPENSES			
Life and annuity policy benefits	108,046	78,354	(300)
Acquisition costs	15,029	8,820	—
Salaries and benefits	7,458	4,799	1,131
General and administrative expenses	11,177	16,039	1,574
Interest expense	1,218	1,456	—
Net foreign exchange (gains) losses	(1,441)	158	(238)
	141,487	109,626	2,167
EARNINGS BEFORE INCOME TAXES	16,131	6,281	4,173
INCOME TAXES	(5,542)	(1,243)	(24)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 10,589	$ 5,038	$4,149

Net Premiums Earned:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Term life insurance	$ 28,825	*$ 3,235*	$25,590	*$22,079*	$3,511
Assumed life reinsurance	24,745	*9,161*	15,584	*15,584*	—
Credit life and disability	52,134	*(1,676)*	53,810	*53,810*	—
	$105,704		$94,984		$3,511

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Comparison of Years Ended December 31, 2014 and 2013

Net premiums earned in our life and annuities segment were $105.7 million and $95.0 million for the years ended December 31, 2014 and 2013, respectively. The increase in net premiums earned was the result of three additional months of premiums from Pavonia in 2014 as compared to 2013 (we acquired Pavonia on March 31, 2013). This increase was partially offset by acquisition costs for the years ended December 31, 2014 and 2013 of approximately $15.0 million and $8.8 million, respectively, primarily attributable to commissions on credit premiums earned by Pavonia. Substantially all of the net premiums earned in the years ended December 31, 2014 and 2013 related to the U.S. and Canadian business of the Pavonia companies.

The term life business consists of 10, 15, 20 and 30 year direct term business with approximately 90% of premiums to be earned over the next 20 years. The assumed life reinsurance premiums will continue to be earned until the year 2053; however, approximately 70% are expected to be earned within the next 12 years. Credit life and disability premiums are monthly premiums received on credit products that mostly consist of sub-prime mortgages in the U.S. and Canada; approximately 90% of these premiums are expected to be earned before the year 2023. Substantially all net premiums earned in 2014 relate to the acquisition of the Pavonia companies. The premiums are expected to reduce by approximately 15-20% per annum as the blocks of business continue to run-off and policies lapse.

For our life and annuities business, although the companies no longer write new business, the strategy differs from the non-life run-off business, in particular because the companies have limited ability to shorten the duration of the liabilities in this business through either early claims settlement, commutations or policy buy backs. Instead, the companies will hold the policies associated with the life and annuities business to their natural maturity or lapse and will pay claims as they fall due.

Comparison of Years Ended December 31, 2013 and 2012

Net premiums earned were $95.0 million and $3.5 million for the years ended December 31, 2013 and 2012, respectively. Substantially all net premiums earned in 2013 relate to the acquisition of the Pavonia companies. We separately recorded acquisition costs from the date of acquisition to December 31, 2013 of approximately $8.8 million associated with the premiums earned by Pavonia. Net premiums earned in 2012 related to the Laguna term life business.

Net Investment Income and Net Realized and Unrealized (Losses) Gains:

	Years Ended December 31,									
	Net Investment Income					Net Realized and Unrealized (Losses) Gains				
	2014	*Variance*	2013	*Variance*	2012	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)									
Total	$ 39,470	*$ 9,288*	$ 30,182	*$ 29,235*	$ 947	$ 12,412	*$ 21,671*	$ (9,259)	*$ (11,141)*	$ 1,882

Comparison of Years Ended December 31, 2014 and 2013

Net investment income for the life and annuities segment for the years ended December 31, 2014 and 2013 was $39.5 million and $30.2 million, respectively. The increase was due primarily to the inclusion of the investments of the Pavonia companies for the full year in 2014.

Net realized and unrealized (losses) gains for the life and annuities segment for the years ended December 31, 2014 and 2013 were $12.4 million and $(9.3) million, respectively. The increase in net realized and unrealized gains of $21.7 million was due primarily to unrealized gains on fixed maturity investments in respect of the Pavonia companies. The gains were due mostly to declines across the U.S. yield curve compared to increases in U.S. yield curves in the previous year.

The current operations of one of the Pavonia companies relates solely to periodic payment annuities. We have a long duration held-to-maturity investment portfolio to manage the cash flow obligations of these annuities. This held-to-maturity portfolio is carried at amortized cost, and earns investment income. As a result we would not anticipate any unrealized gains or losses on the portfolio. The carrying value of the held-to-maturity portfolio comprises approximately 70% of the Pavonia investments. The remaining 30% of the Pavonia investments consists of fixed maturity investments classified as trading securities, which relate to the non-periodic payment annuity business.

Comparison of Years Ended December 31, 2013 and 2012

Net investment income for the life and annuities segment for the years ended December 31, 2013 and 2012 was $30.2 million and $0.9 million, respectively. The increase was due primarily to the inclusion of the cash and fixed maturity securities associated with the acquisition of the Pavonia companies on March 31, 2013.

Net realized and unrealized (losses) gains for the life and annuities segment for the years ended December 31, 2013 and 2012 were ($9.3) million and $1.9 million, respectively. The increase in net realized and unrealized losses of $11.1 million was due primarily to unrealized losses on fixed maturity investments acquired with the non-periodic payment annuity business, which were due largely to increases in U.S. yield curves during the year ended December 31, 2013.

Annualized Returns

The table below presents the annualized investment returns (inclusive of net investment income and net realized and unrealized gains (losses)) earned by the life and annuities segment on its average cash and investments for the years ended December 31, 2014, 2013 and 2012:

	Annualized Return			Average Cash and Investment Balances		
	2014	2013	2012	2014	2013	2012
				(in thousands of U.S. dollars)		
Cash and fixed maturities	3.88%	1.93%	5.80%	$ 1,294,443	$ 1,040,455	$ 48,736
Other investments and equities	10.06%	2.84%	—%	17,025	10,924	—
Combined overall	3.96%	2.00%	5.80%	1,311,468	1,044,440	48,736

The average credit ratings of our fixed maturity investments in the life and annuities segment as at December 31, 2014, 2013 and 2012 were A+, A+ and AA-, respectively.

Life and Annuity Policy Benefits:

	Years Ended December 31,				
	2014	*Variance*	2013	*Variance*	2012
	(in thousands of U.S. dollars)				
Periodic payment annuity benefits paid	$ 52,700	*$(15,204)*	$ 37,496	*$(37,496)*	$ —
Reductions in periodic payment annuity benefit reserves	(25,214)	*5,946*	(19,268)	*19,268*	—
Net change in periodic payment annuity benefit reserves	27,486		18,228		—
Net life claims benefits paid	101,603	*(37,296)*	64,307	*(64,307)*	
Net change in life claims benefit reserves	(33,818)	*18,375*	(15,443)	*15,143*	(300)
Amortization of fair value adjustments	12,775	*(1,513)*	11,262	*(11,262)*	—
Net ultimate change in life benefit reserves	80,560		60,126		(300)
	$108,046		$ 78,354		$(300)

Comparison of Years Ended December 31, 2014 and 2013

Life and annuity policy benefits were $108.0 million and $78.4 million for the years ended December 31, 2014 and 2013, respectively. The increase was attributable primarily to the inclusion of the Pavonia business results for twelve months in 2014 as opposed to nine months in 2013. PPA benefits paid during the year ended December 31, 2014 were $52.7 million, which was an average of approximately $4.4 million per month, partially offset by a reduction in PPA benefit reserves of $25.2 million. Net ultimate change in life benefit reserves of $80.6 million year ended December 31, 2014 was comprised of net life claims benefits paid of $101.6 million and amortization of fair value adjustments of $12.8 million, partially offset by net change in life claims benefit reserves of $33.8 million.

Comparison of Years Ended December 31, 2013 and 2012

Life and annuity policy benefits were $78.4 million and ($0.3) million for the years ended December 31, 2013 and 2012, respectively. PPA benefits paid during the year ended December 31, 2013 were $37.5 million, which was an average of approximately $4.2 million per month, offset by a reduction in PPA benefit reserves of $19.3 million. Net ultimate change in life benefit reserves of $60.1 million was comprised of net life claims benefits paid of $64.3 million and amortization of fair value adjustments of $11.3 million, partially offset by net change in life claims benefit reserves of $15.4 million.

Life and annuity policy benefits for 2012 related to the Laguna term life business.

General and Administrative Expenses:

	Years Ended December 31,				
	2014	***Variance***	**2013**	***Variance***	**2012**
	(in thousands of U.S. dollars)				
Total	$11,177	*$ 4,862*	$16,039	*$(14,465)*	$1,574

Comparison of Years Ended December 31, 2014 and 2013

General and administrative expenses were $11.1 million and $16.0 million for the years ended December 31, 2014 and 2013, respectively. The decrease in expenses was primarily related to non-recurring Pavonia transaction costs of approximately $4.0 million in 2013, partially offset by the additional expenses of operating the Pavonia business for a full year in 2014. General and administrative expenses consist primarily of information technology, rent, premium taxes, bank charges, legal and professional fees, and other expenses.

Comparison of Years Ended December 31, 2013 and 2012

General and administrative expenses were $16.0 million and $1.6 million for the years ended December 31, 2013 and 2012, respectively. The expenses in 2013 related to our acquisition and operation of Pavonia in 2013, while 2012 expenses related only to the Laguna business.

Liquidity and Capital Resources

Our capital management strategy is to preserve sufficient capital to enable us to make future acquisitions while maintaining a conservative investment strategy. As we are a holding company and have no substantial operations of our own, our assets consist primarily of investments in subsidiaries. The potential sources of the cash flows to Enstar as a holding company consist of dividends, advances and loans from our subsidiary companies.

Our future cash flows depend upon the availability of dividends or other statutorily permissible payments from our subsidiaries. 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 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 “Business — Regulation”.

As of December 31, 2014, all of our insurance and reinsurance subsidiaries’ capital resources levels were in excess of the minimum levels required. Our subsidiaries’ ability to pay dividends and make other forms of distributions may be limited by our repayment obligations under certain of our outstanding loan facility agreements.

We believe that restrictions on liquidity resulting from restrictions on the payments of dividends by our subsidiary companies will not have a material impact on our ability to meet our cash obligations. Retained earnings of our insurance and reinsurance subsidiaries are not currently restricted, as our minimum capital solvency margins are covered by share capital and additional paid-in-capital.

Historically, our sources of funds primarily consisted of cash and investment portfolios acquired on the completion of the acquisition of an insurance or reinsurance company in run-off. These acquired cash and investment balances are classified as cash provided by investing activities. With our recent acquisitions of Pavonia, Atrium and Torus we now collect premiums. We expect to incur and pay losses associated with those premiums.

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. With the acquisitions of Atrium, Torus and Pavonia we now expect a net provision of cash from operations as investment income earned and collected premiums will generally be in excess of total net claim payments, losses incurred on earned premiums and operating expenses. We expect our operating cash flows, together with our existing capital base and cash and investments acquired on the acquisition of our insurance and reinsurance subsidiaries, to be sufficient to meet cash requirements and to operate our business. We currently do not intend to pay dividends on our ordinary shares.

At December 31, 2014, we had total cash and cash equivalents, restricted cash and cash equivalents and investments of approximately $7.50 billion, compared to approximately $6.56 billion at December 31, 2013. Our cash and cash equivalent portfolio is comprised mainly of cash, high-grade fixed deposits, commercial paper with maturities of less than three months and money market funds.

Reinsurance Balances Recoverable

Our acquired insurance and reinsurance run-off subsidiaries, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. Our insurance and reinsurance subsidiaries 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.

On an annual basis, both Torus and Atrium purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium's total third-party reinsurance cover is with Lloyd's Syndicates or other highly rated reinsurers. The majority of Torus' total third-party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

As of December 31, 2014 and 2013, we had reinsurance balances recoverable of $1.33 billion and $1.36 billion, respectively. The decrease of $32.3 million in reinsurance balances recoverable was primarily a result of commutations and cash collections made during the year ended December 31, 2014 in our non-life run-off segment, partially offset by balances associated with the Torus acquisition.

As of December 31, 2014 and 2013, the provision for uncollectible reinsurance recoverable relating to reinsurance balances recoverable was $289.9 million and $338.6 million, respectively. To estimate the provision for uncollectible reinsurance recoverable, the balances are first allocated to applicable reinsurers using management judgment. As part of this process, ceded IBNR reserves are allocated by reinsurer. The ratio of the provision for uncollectible reinsurance recoverable to total non-life reinsurance balances recoverable (excluding provision for uncollectible reinsurance recoverable) as of December 31, 2014 decreased to 17.9% as compared to 19.9% as of December 31, 2013, primarily as a result of reinsurance balances recoverable of Torus acquired during the year that required minimal provisions for uncollectible reinsurance recoverable partally offset by commutations and cash collections from reinsurers with minimal bad debt provisions.

Included within total reinsurance balances recoverable of $1.33 billion are: (i) reinsurance balances recoverable from A- and above rated reinsurers amounting to $1.05 billion, net of provisions for uncollectible reinsurance recoverables of $81.0 million; (ii) reinsurance balances recoverable from less than A- rated reinsurers amounting to $204.5 million, against which there are no provisions for uncollectible reinsurance recoverables because the balances are secured by collateral such as trust funds or letters of credit; and (iii) reinsurance balances recoverable from less than A- rated reinsurers amounting to $81.2 million, net of provisions for uncollectible reinsurance recoverables of $208.9 million, which are unsecured.

Cash Flows

The following table summarizes our consolidated cash flows from operating, investing and financing activities in the last three years:

	Years Ended December 31,		
Total cash provided by (used in):	**2014**	**2013**	**2012**
	(in thousands of U.S. dollars)		
Operating activities	$ 497,619	$ (62,387)	$ (187,350)
Investing activities	(292,098)	(365,789)	228,631
Financing activities	131,586	423,076	(233,773)
Effect of exchange rate changes on cash	(17,546)	(5,949)	(3,092)
Net increase (decrease) in cash and cash equivalents	319,561	(11,049)	(195,584)
Cash and cash equivalents, beginning of year	643,841	654,890	850,474
Cash and cash equivalents, end of year	$ 963,402	$ 643,841	$ 654,890

See "Item 8. Financial Statements and Supplementary Data — Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012" for further information.

Operating

Net cash provided by our operating activities for the year ended December 31, 2014 was $497.6 million compared to net cash used in our operating activities of $62.4 million for the year ended December 31, 2013. This $560.0 million increase in cash provided by operating activities was due primarily to the following:

(i) a net increase of $920.5 million in the purchases, sales and maturities of trading securities between 2014 and 2013; partially offset by

(ii) an increase in losses and loss adjustment expenses of $967.3 million in 2014 compared to $706.9 million in 2013 due to reserves acquired from our current year acquisitions activity partially offset by decreases in reserves due to commutations and claim settlements during the year.

Net cash used in our operating activities for the year ended December 31, 2013 was $62.4 million compared to $187.4 million for the year ended December 31, 2012. This $125.0 million decrease in cash used in operating activities was due primarily to the following:

(i) a net increase of $115.7 million in the purchases, sales and maturities of trading securities between 2013 and 2012;

(ii) an increase in reinsurance balances recoverable of $236.3 million in 2013 due primarily to increased balances associated with our current year acquisitions;

(iii) a decrease in funds held by reinsured companies of $175.8 million in 2013 compared to an increase of $257.5 million in 2012, due primarily to the RITC transaction completed by Syndicate 2008 in 2012;

(iv) an increase in losses and loss adjustment expenses of $706.9 million in 2013 compared to $623.2 million in 2012 due to reserves acquired from our current year acquisition activity; and

(v) an increase in unearned premiums of $82.0 million in 2013 due to our current year acquisition activity of companies that wrote or continue to write premiums.

Investing

Investing cash flows consist primarily of cash acquired net of acquisitions along with net proceeds on the sale and purchase of available-for-sale and other investments. Net cash used in investing activities was $292.1 million and $365.8 million during the years ended December 31, 2014 and 2013, respectively. The decrease of $73.7 million in investing cash flows between 2014 and 2013 was due primarily to the following:

(i) net cash provided by acquisitions was $37.5 million in 2014 relating to Torus (which required significantly less cash used because we funded the majority of our share of the purchase price by issuing new shares), compared to net cash used of $409.6 million in 2013, due primarily to the acquisitions of Pavonia, Arden, and Atrium during 2013; partially offset by

(ii) a net decrease of $188.2 million in the purchases, sales and maturities of available-for-sale securities between 2014 and 2013; and

(iii) a net increase of $166.1 million in the purchase and redemption of other investments between 2014 and 2013.

Net cash used in investing activities was $365.8 million during the year ended December 31, 2013 compared to net cash provided by investing activities of $228.6 million during the year ended December 31, 2012. The decrease of $594.4 million in investing cash flows between 2013 and 2012 was due primarily to the following:

(i) an increase of $409.6 million in net cash used for acquisitions between 2013 and 2012, due primarily to the acquisitions of Pavonia, Arden, and Atrium during 2013;

(ii) an increase of $78.6 million in restricted cash and cash equivalents during 2013, compared to a decrease of $73.2 million in 2012;

(iii) a decrease of $157.4 million in the sales and maturity of available-for-sale securities between 2013 and 2012; partially offset by

(iv) a decrease of $107.2 million in the purchase of other investments between 2013 and 2012.

Financing

Net cash provided by financing activities was $131.6 million during the year ended December 31, 2014 compared to $423.1 million during the year ended December 31, 2013. The decrease of $291.5 million in cash provided by financing activities was attributable primarily to the following:

(i) a reduction in funds provided by bank loans of $299.8 million between 2014 and 2013. In 2013, we drew down approximately $370.0 million on our revolving credit facility and other loan facilities for the acquisitions of SeaBright, Pavonia, Arden and Atrium; whereas for 2014, we used $70.0 million of our revolving credit facility in connection with our acquisition of Torus; and

(ii) an increase in repayments of loans of $159.7 million between 2014 and 2013 due primarily to the repayment of both the SeaBright and Clarendon loan facilities during 2014; partially offset by

(iii) contributions to surplus by Trident and Dowling of $290.8 million in 2014 (related to the acquisition of Torus) as compared to contributions by Trident of $96.7 million in 2013 in connection with the acquisitions of Atrium and Arden.

Net cash provided by (used in) financing activities was $423.1 million during the year ended December 31, 2013 compared to ($233.8) million during the year ended December 31, 2012. The increase of $656.9 million in cash provided by financing activities was attributable primarily to the following:

(i) an increase of $369.8 million in cash received attributable to bank loans between 2012 and 2013, and a decrease of $95.0 million in the repayment of bank loans between 2012 and 2013;

(ii) an increase in contribution to surplus of subsidiary by redeemable noncontrolling interest of $96.7 million in 2013 compared to $nil in 2012; and

(iii) a distribution of capital and dividends to noncontrolling interests of $3.9 million in 2013 compared to $99.2 million in 2012.

Investments

Aggregate invested assets, comprising cash and cash equivalents, restricted cash and cash equivalents, fixed maturities, short-term investments, equities and other investments, were $7.50 billion as of December 31, 2014 compared to $6.56 billion as of December 31, 2013, an increase of 14.3%. The increase in cash and invested assets resulted principally from the completion of the acquisition of Torus.

We hold trading portfolios of fixed maturities, short-term investments, equities and other investments; available-for-sale portfolios of fixed maturities; and a held-to-maturity portfolio of fixed maturities. Our available-for-sale and trading portfolios are recorded at fair value.

Our held-to-maturity portfolio relates to our PPA business within our life and annuities segment. In an effort to match the expected cash flow requirements of the long-term liabilities associated with the business, we invest a portion of our fixed maturity investments in longer duration securities that we intend to hold to maturity. We classify these securities as held-to-maturity in our consolidated balance sheet. This held-to-maturity portfolio is recorded at amortized cost. As a result, we do not record changes in the fair value of this portfolio, which should reduce the impact on shareholders' equity of fluctuations in fair value of those investments.

The table below shows the aggregate amounts of our investments carried at fair value as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
	(in thousands of U.S. dollars)			
U.S. government and agency	$ 769,002	14.8%	$ 468,289	10.0%
Non-U.S. government	439,439	8.5%	562,516	12.1%
Corporate	2,087,929	40.2%	2,201,579	47.2%
Municipal	25,607	0.5%	41,034	0.9%
Residential mortgaged-backed	311,864	6.0%	235,964	5.1%
Commercial mortgage-backed	139,907	2.7%	114,637	2.5%
Asset-backed	430,170	8.3%	285,066	6.1%
Fixed maturities	4,203,918	81.0%	3,909,085	83.9%
Other investments	836,868	16.1%	569,293	12.2%
Equities — U.S.	106,895	2.1%	115,285	2.5%
Equities — International	43,235	0.8%	66,748	1.4%
Total investments	$5,190,916	100.0%	$4,660,411	100.0%

The table below shows the aggregate fair values of our investments classified as held-to-maturity and carried at amortized cost as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
	(in thousands of U.S. dollars)			
U.S. government and agency	$ 20,559	2.5%	$ 18,132	2.3%
Non-U.S. government	38,689	4.7%	22,327	2.8%
Corporate	767,124	92.8%	759,100	94.9%
Total investments	$826,372	100.0%	799,559	100.0%

As at December 31, 2014, we held investments on our balance sheet totaling approximately $6.0 billion, compared to approximately $5.52 billion at December 31, 2013, with net unrealized losses included in accumulated comprehensive income of approximately $3.0 million compared to unrealized gains of approximately $3.1 million at December 31, 2013. As at December 31, 2014, we had approximately $3.6 billion of restricted assets compared to approximately $2.9 billion at December 31, 2013. The increase in restricted assets is primarily due to 2014 acquisition activity.

Across all of our segments, we strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile. If our liquidity needs or general liability profile unexpectedly change, we may adjust the structure of our investment portfolio to meet new business needs.

For our non-life run-off segment, our strategy of commuting our liabilities has the potential to accelerate the natural payout of losses. Therefore, we maintain a relatively short-duration investment portfolio in order to provide liquidity for commutation opportunities and avoid having to liquidate longer dated investments. Accordingly, the majority of our investment portfolio consists of highly rated fixed maturities, including U.S. government and agency investments, highly rated sovereign and supranational investments, high-grade corporate investments, and mortgage-backed and asset-backed investments. We allocate a portion of our investment portfolio to other investments, including private equity funds, fixed income funds, fixed income hedge funds, equity funds, real estate debt fund, CLO equities and CLO equity funds. At December 31, 2014, these other investments totaled $836.9 million, or 13.9%, of our total balance sheet investments (December 31, 2013: $569.3 million or 10.3%).

For our life and annuities segment, we have limited ability to shorten the duration of the policy benefits for life and annuity contracts liabilities and, as a result, we maintain a longer duration investment portfolio that attempts to match the cash flows and duration of our liability profile. Accordingly, the majority of this portfolio consists of highly rated fixed maturity investments, primarily corporate bonds.

Our fixed maturity investments associated with our PPA business are primarily highly rated corporate bonds with which we attempt to match duration and cash flows to the liability profile for this business. As these fixed maturity investments are classified as held-to-maturity, we invest surplus cash flows from maturities into longer dated fixed maturities. As at December 31, 2014, the duration of our fixed maturity investment portfolio associated with our PPA business was shorter than the liabilities, as a significant amount of the liabilities extend beyond 30 years and it is difficult, due to limited investment options, to match duration and cash flows beyond that period.

Our fixed maturity investments associated with our non-PPA life business are primarily highly rated corporate bonds with which we attempt to match duration and cash flows to the liability profile for this business (the non-PPA life business has a short-duration liability profile). These fixed maturity investments are classified as trading, and therefore we may sell existing securities to buy higher yielding securities and funds in the future. As at December 31, 2014, the duration of our fixed maturity investment portfolio associated with our non-PPA life business was shorter than the liabilities, although we have the discretion to change this in the future.

Fixed Maturity and Short-term Investments

The maturity distribution for our fixed maturity and short-term investments held as of December 31, 2014 and 2013 was as follows:

	December 31, 2014		December 31, 2013	
	Fair Value	% of Total	Fair Value	% of Total
	(in thousands of U.S. dollars)			
One year or less	$ 893,490	17.8%	$ 871,881	18.5%
More than one year through two years	853,279	16.9%	1,345,596	28.6%
More than two years through five years	1,313,918	26.1%	769,176	16.3%
More than five years through ten years	390,691	7.8%	478,033	10.2%
More than ten years	696,971	13.9%	608,291	12.9%
	4,148,349	82.5%	4,072,977	86.5%
Residential mortgage-backed	311,864	6.2%	235,964	5.0%
Commercial mortgage-backed	139,907	2.8%	114,637	2.4%
Asset-backed	430,170	8.5%	285,066	6.1%
Total	$5,030,290	100.0%	$4,708,644	100.0%

As at December 31, 2014 and 2013, our fixed maturity investments and short-term investment portfolio had an average credit quality rating of AA- and A+, respectively. At December 31, 2014 and 2013, our fixed maturity investments rated BBB or lower comprised 9.4% and 9.5% of our total investment portfolio, respectively.

At December 31, 2014, we had approximately $130.5 million of short-term investments (December 31, 2013: $313.5 million). Short-term investments are managed as part of our investment portfolio and have a maturity of greater than three months up to one year when purchased. Short-term investments are carried at fair value.

The following tables summarize the composition of the amortized cost and fair value of our fixed maturity investments, short-term investments, equities and other investments carried at fair value at the date indicated by ratings as assigned by major rating agencies.

At December 31, 2014	Amortized Cost	Fair Value	% of Total Investments	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
	(in thousands of U.S. dollars)								
Fixed maturity and short-term investments									
U.S. government & agency	$ 766,967	$ 769,002	14.8%	$ —	$ 766,175	$ 2,827	$ —	$ —	$ —
Non-U.S. government	448,661	439,439	8.5%	162,813	169,859	68,839	37,928	—	—
Corporate	2,100,972	2,087,929	40.2%	117,545	505,697	1,080,974	331,657	31,603	20,453
Municipal	25,452	25,607	0.5%	5,993	11,790	7,824	—	—	—
Residential mortgage-backed	311,152	311,864	6.0%	32,023	269,777	4,351	4,584	1,118	11
Commercial mortgage-backed	139,984	139,907	2.7%	79,016	21,223	19,266	19,414	988	—
Asset-backed	431,509	430,170	8.3%	245,767	64,838	29,586	11,911	78,068	—
Total fixed maturity and short-term investments	$4,224,697	4,203,918	81.0%	643,157	1,809,359	1,213,667	405,494	111,777	20,464
				15.3%	43.0%	28.9%	9.6%	2.7%	0.5%
Equities									
U.S.		106,895	2.1%	—	—	—	—	—	106,895
International		43,235	0.8%	—	—	—	—	—	43,235
Total equities		150,130	2.9%	—	—	—	—	—	150,130
				0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Other investments									
Private equity funds		197,269	3.8%	—	—	—	—	—	197,269
Fixed income funds		335,026	6.4%	—	—	—	—	—	335,026
Fixed income hedge funds		59,627	1.1%	—	—	—	—	—	59,627
Equity funds		150,053	2.9%	—	—	—	—	—	150,053
Real estate debt fund		33,902	0.7%	—	—	—	—	—	33,902
CLO equities		41,271	0.8%	—	—	—	—	—	41,271
CLO equity funds		16,022	0.3%	—	—	—	—	—	16,022
Other		3,698	0.1%	—	—	—	—	—	3,698
Total other investments		836,868	16.1%	—	—	—	—	—	836,868
				0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total investments		$5,190,916	100.0%	$643,157	$1,809,359	$1,213,667	$405,494	$ 111,777	$1,007,462
				12.4%	34.9%	23.4%	7.8%	2.1%	19.4%

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At December 31, 2013	Amortized Cost	Fair Value	% of Total Investments	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
				(in thousands of U.S. dollars)					
Fixed maturity and short-term investments									
U.S. government & agency	$ 468,198	$ 468,289	10.0%	$ 4,391	$ 458,477	$ 434	$ —	$ —	$ 4,987
Non-U.S. government	553,724	562,516	12.1%	215,224	208,322	115,423	11,095	12,452	—
Corporate	2,197,955	2,201,579	47.2%	143,552	542,216	1,052,315	388,815	26,507	48,174
Municipal	40,889	41,034	0.9%	8,500	25,355	7,179	—	—	—
Residential mortgage-backed	236,984	235,964	5.1%	12,596	204,217	7,507	3,960	809	6,875
Commercial mortgage-backed	115,351	114,637	2.5%	38,081	31,893	29,631	8,826	6,206	—
Asset-backed	283,940	285,066	6.1%	207,146	34,808	13,260	4,733	7,174	17,945
Total fixed maturity and short-term investments	$3,897,041	3,909,085	83.9%	629,490	1,505,288	1,225,749	417,429	53,148	77,981
				16.1%	38.5%	31.3%	10.7%	1.4%	2.0%
Equities									
U.S.		115,285	2.5%	—	—	—	—	—	115,285
International		66,748	1.4%	—	—	—	—	—	66,748
Total equities		182,033	3.9%	—	—	—	—	—	182,033
				0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Other investments									
Private equity funds		161,229	3.5%	—	—	—	—	—	161,229
Fixed income funds		194,375	4.2%	—	—	—	—	—	194,375
Fixed income hedge funds		68,157	1.4%	—	—	—	—	—	68,157
Equity funds		109,355	2.3%	—	—	—	—	—	109,355
Real estate debt fund		32,113	0.7%	—	—	—	—	—	32,113
Other		4,064	0.1%	—	—	—	—	—	4,064
Total other investments		569,293	12.2%	—	—	—	—	—	569,293
				0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Total investments		$4,660,411	100.0%	$629,490	$1,505,288	$1,225,749	$417,429	$ 53,148	$ 829,307
				13.5%	32.3%	26.3%	9.0%	1.1%	17.8%

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The following tables summarize the composition of the amortized cost and fair value of our held-to-maturity fixed maturity investments by ratings as assigned by major rating agencies.

At December 31, 2014	Amortized Cost	Fair Value	% of Total Investments	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
	(in thousands of U.S. dollars)								
Fixed maturity:									
U.S. government & agency	$ 20,257	$ 20,559	2.5%	$ 6,821	$ 13,738	$ —	$ —	$ —	$ —
Non-U.S. government	38,613	38,689	4.7%	—	30,795	7,894	—	—	—
Corporate	754,363	767,124	92.8%	48,074	202,231	468,748	42,748	5,323	—
Total fixed maturity investments	$ 813,233	$826,372	100.0%	$54,895	$246,764	$476,642	$42,748	$ 5,323	$ —
				6.6%	29.9%	57.7%	5.2%	0.6%	—%

At December 31, 2013	Amortized Cost	Fair Value	% of Total Investments	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
	(in thousands of U.S. dollars)								
Fixed maturity:									
U.S. government & agency	$ 19,992	$ 18,132	2.2%	$ —	$ 18,058	$ —	$ —	$ —	$ 74
Non-U.S. government	23,592	22,327	2.8%	—	22,327	—	—	—	—
Corporate	815,803	759,100	95.0%	44,552	198,803	463,000	47,157	5,125	462
Total fixed maturity investments	$ 859,387	$799,559	100.0%	$44,552	$239,188	$463,000	$47,157	$ 5,125	$ 536
				5.6%	29.9%	57.9%	5.9%	0.6%	0.1%

The fair value of our fixed maturity investments will fluctuate with changes in the interest rate environment and when changes occur in the overall investment market and in overall economic conditions. We recorded no impairment losses in 2014 and 2013.

Our fixed maturity portfolio is managed by our Chief Investment Officer and outside investment advisors with oversight from our Investment Committee.

At December 31, 2014 and 2013, our gross unrealized losses on our available-for-sale investments totaled $4.6 million and $0.4 million, respectively. At December 31, 2014 and 2013, we held 120 and nil, respectively, available-for-sale investments that were in an unrealized loss position for longer than twelve months. As at December 31, 2014 and 2013, no investments were considered other-than-temporarily impaired.

At December 31, 2014 and 2013, our gross unrealized losses on our held-to-maturity investments totaled $3.7 million and $60.0 million, respectively. Our held-to-maturity investments relate entirely to our Pavonia PPA business acquired on March 31, 2013.

Other Investments

The table below shows the fair value of our portfolio of other investments held at December 31, 2014 and 2013:

	Total Fair Value	
	As at December 31, 2014	As at December 31, 2013
	(in thousands of U.S. Dollars)	
Private equity funds	$ 197,269	$ 161,229
Fixed income funds	335,026	194,375
Fixed income hedge funds	59,627	68,157
Equity funds	150,053	109,355
Real estate debt fund	33,902	32,113
CLO equities	41,271	—
CLO equity funds	16,022	—
Other	3,698	4,064
	$ 836,868	$ 569,293

As at December 31, 2014 and 2013, we had total unfunded capital commitments related to other investments of approximately $99.9 million and $114.2 million, respectively.

Measuring the Fair Value of Other Investments using Net Asset Valuations

The following table presents the fair value, unfunded commitments and redemption frequency for the funds included within other investments. These investments are all valued at net asset value as at December 31, 2014 and 2013.

December 31, 2014	Total Fair Value	Gated/ Side Pocket Investments	Investments without Gates or Side Pockets	Unfunded Commitments	Redemption Frequency
	(in thousands of U.S. dollars)				
Private equity funds	$197,269	$ —	$ 197,269	$ 99,885	Not eligible
Fixed income funds	335,026	—	335,026	—	Daily, monthly and quarterly
Fixed income hedge funds	59,627	1,958	57,669	—	Quarterly after lock-up periods expire
Equity funds	150,053	—	150,053	—	Bi-monthly
Real estate debt fund	33,902	—	33,902	—	Monthly
CLO equity funds	16,022	—	16,022	—	Not eligible
Other	1,363	—	1,363	—	Not eligible
	$793,262	$ 1,958	$ 791,304	$ 99,885	

December 31, 2013	Total Fair Value	Gated/Side Pocket Investments	Investments without Gates or Side Pockets	Unfunded Commitments	Redemption Frequency
Private equity funds	$161,229	$ —	$ 161,229	$ 113,585	Not eligible
Fixed income funds	194,375	—	194,375	—	Daily to monthly
Fixed income hedge funds	68,157	3,150	65,007	—	Quarterly after lock-up periods expire
Equity funds	109,355	—	109,355	—	Bi-monthly
Real estate debt fund	32,113	—	32,113	—	Monthly
Other	4,064	—	4,064	655	Not eligible
	$569,293	$ 3,150	$ 566,143	$ 114,240	

Private equity funds

This class comprises several private equity funds that 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 the initial investments were made.

As of December 31, 2014 and 2013, we had approximately $197.3 million and $161.2 million, respectively, of other investments recorded in private equity funds, which represented 2.6% and 2.5% of total investments, cash and cash equivalents and restricted cash and cash equivalents at December 31, 2014 and 2013, respectively. Due to a lag in the valuations reported by the managers, we record changes in the investment value with up to a three-month lag. Management regularly reviews and discusses fund performance with our 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.

Fixed income funds

This class comprises 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. The funds have liquidity terms that vary from daily up to quarterly.

Fixed income hedge funds

This class comprises hedge funds that invest in a diversified portfolio of debt securities. The hedge funds have imposed lock-up periods of three years from the time of our initial investment. Once eligible, redemptions will be permitted quarterly with 90 days' notice.

Equity funds

This class comprises equity funds that invest in a diversified portfolio of international publicly-traded equity securities.

Real estate debt fund

This class comprises a real estate debt fund that invests primarily in U.S. commercial real estate loans and securities. A redemption request for this fund can be made 10 days after the date of any monthly valuation; the fund states that it will make commercially reasonable efforts to redeem the investment within the next monthly period.

CLO equities

This class comprises investments in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans. CLO equities denote direct investments by us in these securities.

CLO equity funds

This class comprises two funds that invest primarily in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.

Other

This class primarily comprises a fund that provides loans to educational institutions throughout the U.S. and its territories. Through these investments, we participate in the performance of the underlying loan pools. This investment matures when the loans are paid down and cannot be redeemed before maturity. Also included within this class is a catastrophe bond acquired as part of our acquisition of Torus.

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Eurozone Exposure

At December 31, 2014, we did not own any investments in fixed maturity securities (which include bonds that are classified as cash and cash equivalents) or fixed income funds issued by sovereign governments of Portugal, Italy, Ireland, Greece or Spain.

Loans Payable

Our long-term debt consists of loan facilities used to partially finance certain of our acquisitions or significant new business transactions and our revolving credit facility, or the EGL Revolving Credit Facility, which can be used for permitted acquisitions and general corporate purposes. The EGL Revolving Credit Facility replaced our prior revolving credit facility on September 16, 2014.

Our acquisition term loan facilities related to our 2011 acquisition of Clarendon National Insurance Company, or the Clarendon Facility, our 2013 acquisition of SeaBright, or the SeaBright Facility, and our 2015 acquisition of Companion, or the Companion Facility.

For the years ended December 31, 2014, 2013 and 2012, we incurred interest expense of approximately $12.9 million, $12.4 million and $8.4 million, respectively, on our loan facilities. All of our currently outstanding loan facilities are floating rate loans, and the fair values of these loans approximate their book values.

Amounts of loans payable outstanding, and accrued interest, as of December 31, 2014 and 2013 total approximately $320.0 million and $452.4 million, respectively, and comprise:

Facility	Date of Facility	Term	As at December 31, 2014	2013
			(in thousands of U.S. dollars)	
EGL Revolving Credit Facility	September 16, 2014	5 Years	$ 319,550	$ —
Prior EGL Revolving Credit Facility	July 8, 2013	5 Years	—	258,800
Companion Facility	December 24, 2014	4 Years	—	—
SeaBright Facility	December 21, 2012	3 Years	—	111,000
Clarendon Facility	July 12, 2011	4 Years	—	78,995
Total long-term bank debt			319,550	448,795
Accrued interest on loans payaable			491	3,651
Total loans payable			$ 320,041	$ 452,446

Companion Facility

On December 24, 2014, Sussex, an indirect, wholly-owned subsidiary of the Company, as borrower and guarantor, entered into the Companion Facility with National Australia Bank Limited and Barclays Bank PLC, or the Lenders. The Companion Facility provides for a four-year term loan facility pursuant to which Sussex was permitted to borrow up to an aggregate of $109.0 million to fund 50% of the consideration payable for the acquisition of Companion. Sussex fully drew down on the Companion Facility and completed the acquisition of Companion on January 27, 2015.

The Companion Facility is secured by a first priority security interest in all of the assets of Sussex, including the capital stock of Companion, and by a first priority security interest in the stock of Sussex. Interest is payable at the end of each interest period chosen by Sussex, or, at the latest, each six months. The interest rate is LIBOR plus 2.75%.

The Companion Facility imposes various financial and business covenants on Sussex including limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to dispositions of stock and assets (except for certain permitted dispositions), restrictions on dividends, and limitations on liens.

During the existence of any event of default (as specified in the Companion Facility), the lenders may declare all or a portion of outstanding amounts immediately due and payable, declare all or a portion of borrowed amounts payable upon demand, or proceed against the security. During the existence of any payment default, the interest rate would be increased by 1.0%. The Companion Facility terminates and all amounts borrowed must be repaid on December 24, 2018.

EGL Revolving Credit Facility

On September 16, 2014, we and certain of our subsidiaries, as borrowers and as guarantors, entered into the EGL Revolving Credit Facility Agreement with National Australia Bank Limited (or NAB), Barclays Bank PLC (or Barclays), and Royal Bank of Canada (or RBC), as mandated lead arrangers and original lenders, and NAB as agent, or the Credit Agreement.

The Credit Agreement provides for an unsecured five-year revolving credit facility (expiring in September 2019) pursuant to which we are permitted to borrow up to an aggregate of $500 million, or the EGL Revolving Credit Facility, which is available to fund permitted acquisitions and for general corporate purposes. The Credit Agreement replaces and refinances our Prior Credit Agreement (as defined below). Our ability to draw on the EGL Revolving Credit Facility is subject to customary conditions.

Interest is payable at the end of each interest period chosen by us or, at the latest, each six months. The interest rate is LIBOR plus a margin factor initially set at 2.75%. The margin factor is subject to variation (ranging from 2.50% to 3.25%) in the event of a change to our long term senior unsecured debt rating assigned by Standard & Poor’s Ratings Services or Fitch Ratings Ltd. Any unused portion of the EGL Revolving Credit Facility will be subject to a commitment fee of 35% of the applicable margin factor. The EGL Revolving Credit Facility imposes various financial and business covenants on us and our subsidiaries, including certain limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to dispositions of stock and assets, and limitations on liens.

During the existence of any event of default (as specified in the Credit Agreement), the agent may cancel the commitments of the lenders, declare all or a portion of outstanding amounts immediately due and payable or declare all or a portion of outstanding amounts payable upon demand. During the existence of any payment default, the interest rate would be increased by 1.0%. The EGL Revolving Credit Facility terminates and all amounts borrowed must be repaid on the fifth anniversary of the date of the Credit Agreement.

The Credit Agreement refinanced and replaced, in its entirety, our Revolving Credit Facility Agreement, originally dated June 14, 2011, as amended from time to time, and as amended and restated pursuant to the Restatement Agreement, dated July 8, 2013, among us and certain of our subsidiaries, NAB and Barclays, as mandated lead arrangers, NAB, Barclays and RBC, as original lenders, and NAB as agent, or the Prior Credit Agreement. The Prior Credit Agreement had permitted us to borrow up to an aggregate of $375 million on a secured basis over a five-year term, or the Prior EGL Revolving Credit Facility. Effective September 16, 2014 and concurrent with our entry into the Credit Agreement, we terminated the Prior Credit Agreement. Outstanding borrowings under the Prior EGL Revolving Credit Facility totaled $319.6 million and were refinanced on September 16, 2014 with borrowings pursuant to the EGL Revolving Credit Facility.

We were in compliance with all covenants under the Prior Credit Agreement and no material early termination fees were incurred in connection with the termination.

The Prior EGL Revolving Credit Facility had been secured by a first priority lien on the stock of certain of our subsidiaries and certain of our bank accounts held with Barclays and into which amounts received in respect of any capital release from certain of our subsidiaries were required to be paid. In connection with the termination of the Prior Credit Agreement, all security pursuant to the Prior EGL Revolving Credit Facility was released, effective September 16, 2014.

As of December 31, 2014, the unused portion of the EGL Revolving Credit Facility was approximately $180.5 million. As of December 31, 2014, all of the covenants relating to the EGL Revolving Credit Facility were met.

On February 27, 2015, the Credit Agreement was amended and restated, in order to: (i) increase the amount we are permitted to borrow to $665.0 million; (ii) add Lloyd's Bank plc as a Lender; and (iii) reallocate the capacity provided among the four Lenders into equal shares.

Clarendon Facility

On September 30, 2014, we fully repaid the remaining $66.0 million of outstanding principal and accrued interest on the Clarendon Facility out of the proceeds of distributions from Clarendon. We had previously repaid $13.0 million of the outstanding principal on the Clarendon Facility on March 17, 2014. All security pursuant to the Clarendon Facility was released in connection with the full repayment of the facility.

SeaBright Facility

On June 25, 2014, we fully repaid the remaining $89.0 million of outstanding principal and accrued interest on the SeaBright Facility out of the proceeds of distributions from SeaBright. We had previously repaid $22.0 million of the outstanding principal on the SeaBright Facility on March 31, 2014. All security pursuant to the SeaBright Facility was released in connection with the full repayment of the facility.

Aggregate Contractual Obligations

The following table shows our aggregate contractual obligations and commitments by time period remaining to due date as at December 31, 2014.

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 years	3 - 5 years	More than 5 Years
	(in thousands of U.S. dollars)				
Operating Activities					
Estimated gross reserves for losses and loss adjustment expenses (1)	$4,660.0	$1,134.8	$1,605.3	$655.9	$1,264.0
Policy benefits for life and annuity contracts (2)	2,540.8	80.4	74.4	73.8	2,312.2
Operating lease obligations	43.4	11.1	16.6	10.0	5.7
Investing Activities					
Investment commitments	99.9	40.0	50.7	4.6	4.6
Financing Activities					
Acquisition funding	256.5	256.5	—	—	—
Loan repayments (including estimated interest payments)	325.8	265.4	60.4	—	—
Total	$7,926.4	$1,788.2	$1,807.4	$744.3	$3,586.5

(1) The reserves for losses and loss adjustment expenses 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 December 31, 2014 and do not take into account corresponding reinsurance recoverable amounts that would be due to us. Furthermore, reserves for losses and loss adjustment expenses recorded in the audited consolidated financial statements as of December 31, 2014 are computed on a fair value basis, 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 audited consolidated balance sheet as at December 31, 2014 of $1,220.9 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.

Commitments and Contingencies

Investments

The following table provides a summary of our outstanding unfunded investment commitments for the years ended December 31, 2014 and 2013:

December 31, 2014			December 31, 2013		
Original	Commitments		Original	Commitments	
Commitments	Funded	Unfunded	Commitments	Funded	Unfunded
$311,000	$211,115	$99,885	$291,000	$176,760	$114,240

Guarantees

As at December 31, 2014 and 2013, we had, in total, parental guarantees supporting a subsidiary's insurance obligations in the amount of approximately $238.6 million and $228.5 million, respectively.

Acquisitions and Significant New Business

As of December 31, 2014, we had entered into definitive agreements with respect to the purchase of Companion, which closed on January 27, 2015, and the Reciprocal of America loss portfolio transfer, which closed on January 15, 2015. On February 5, 2015, we entered into a definitive agreement with respect to the purchase of NSA. These agreements are described in "Item 1. Business — Recent Transactions."

Legal Proceedings

Refer to "Item 3. Legal Proceedings" for a description of our litigation matters.

Off-Balance Sheet Arrangements

At December 31, 2014, we did not have any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

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ITEM 7A. *QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK*

The following risk management discussion and the estimated amounts generated from sensitivity 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 2014 were not materially different than those used in 2013, 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 Risk

Interest rate risk is the price sensitivity of a security to changes in interest rates. Our investment portfolio includes fixed maturity investments 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 tables summarize the aggregate hypothetical increase (decrease) in fair value from an immediate parallel shift in the treasury yield curve, assuming credit spreads remain constant, in our cash and fixed maturity and short-term investments portfolio classified as trading and available for sale for the years indicated:

Interest Rate Movement Analysis on Market Value of Cash, Short-Term Investments and Investments Classified as Trading and Available-for-Sale

	Interest Rate Shift in Basis Points				
At December 31, 2014	**-100**	**-50**	**0**	**+50**	**+100**
	(in millions of U.S. dollars)				
Total Market Value	$5,752	$5,730	$5,702	$5,671	$5,640
Market Value Change from Base	0.9%	0.5%	0%	(0.5)%	(1.1)%
Change in Unrealized Value	$ 50	$ 28	$ 0	$ (31)	$ (62)
At December 31, 2013	**-100**	**-50**	**0**	**+50**	**+100**
Total Market Value	$4,999	$4,979	$4,951	$4,919	$4,888
Market Value Change from Base	1.0%	0.6%	0%	(0.7)%	(1.3)%
Change in Unrealized Value	$ 48	$ 28	$ 0	$ (32)	$ (63)

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 within our portfolios of fixed maturity and short-term investments, and through customers, brokers and reinsurers in the form of premiums receivable and reinsurance recoverables, respectively, as discussed below.

Fixed Maturity and Short Term Investments

As a holder of fixed maturity and short-term investments and mutual funds, we 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. At December 31, 2014, approximately 54.8% of our fixed maturity investments and short-term investment portfolio was rated AA or higher by a major rating agency (December 31, 2013: 51.4%) with 11.2% (December 31, 2013: 12.8%) rated BBB or lower. The portfolio as a whole had an average credit quality rating of AA- (December 31, 2013: A+). In addition, we manage our portfolio pursuant to guidelines that follow what we believe are prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers and, as a result, we do not believe we have significant concentrations of credit risk.

Reinsurance

We also have exposure to credit risk as it relates to our reinsurance balances recoverable. Our acquired reinsurance subsidiaries, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. Additionally, on an annual basis, Atrium and Torus purchase tailored outwards reinsurance programs designed to manage their risk profile. Our subsidiaries remain liable to the extent that retrocessionaires and reinsurers do not meet their obligations under these agreements and, therefore, we evaluate and monitor concentration of credit risk among our reinsurers.

As at December 31, 2014 and 2013, reinsurance balances recoverable with a carrying value of approximately $314.5 million and $256.2 million, respectively, were associated with two and one reinsurers, respectively, which represented 10% or more of total non-life run-off reinsurance balances recoverable. One of those reinsurers (accounting for $139.3 million of the $314.5 million as at December 31, 2014) was rated A+, while the remaining $175.2 million of the $314.5 million as at December 31, 2014 were secured by trust funds held for the benefit of our insurance and reinsurance subsidiaries.

Equity Price Risk

Our portfolio of equity investments, including the equity funds included in other investments (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 fair value of our equities at risk at December 31, 2014 was approximately $300.2 million (December 31, 2013: $291.4 million). At December 31, 2014, the impact of a 10% decline in the overall market prices of our equities at risk would be approximately $30.0 million (December 31, 2013: $29.1 million), on a pre-tax basis.

Foreign Currency Risk

Through our subsidiaries located in various foreign countries, we conduct our insurance and reinsurance operations in a variety of non-U.S. currencies. As the functional currency for the majority of our subsidiaries is the U.S. dollar, fluctuations in foreign currency exchange rates related to these subsidiaries will have a direct impact on the valuation of our assets and liabilities denominated in local currencies. All changes in foreign exchange rates, with the exception of non-U.S. dollar denominated investments classified as available-for-sale, are recognized currently in foreign exchange gains (losses) in our consolidated statements of earnings.

We have exposure to foreign currency risk due to our ownership of our Irish, U.K., Canadian, and Australian subsidiaries whose functional currencies are the Euro, British pound, Canadian dollar, and Australian dollar.

The foreign exchange gain or loss resulting from the translation of our subsidiaries' financial statements (expressed in Euro, British pound, Canadian dollar, and Australian dollar functional currency) into U.S. dollars is classified in the currency translation adjustment account, which is a component of accumulated other comprehensive income in shareholders' equity.

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, and to selectively use foreign currency exchange contracts. The matching process is carried out quarterly in arrears and therefore any mismatches occurring in the period may give rise to foreign exchange gains and losses, which could adversely affect our operating results. We are, however, required to maintain assets in non-U.S. dollars to meet certain local country branch and regulatory requirements, which restricts our ability to manage these exposures through the matching of our assets and liabilities. In addition, we do utilize foreign currency forward contracts to mitigate foreign currency risk.

The table below summarizes our primary net exposures as of December 31, 2014 and 2013 to foreign currencies for our subsidiaries whose functional currency is U.S. dollars:

2014	GBP	Euro	AUD	CDN	Other	Total
	(in millions of U.S. dollars)					
Total net foreign currency exposure	$62.6	$15.0	$(4.0)	$16.0	$(28.0)	$61.6
Pre-tax impact of a 10% movement of the U.S. dollar(1)	$ 6.3	$ 1.5	$(0.4)	$ 1.6	$ (2.8)	$ 6.2

2013	GBP	Euro	AUD	CDN	Other	Total
	(in millions of U.S. dollars)					
Total net foreign currency exposure	$67.0	$18.0	$ 1.0	$16.0	$(10.0)	$92.0
Pre-tax impact of a 10% movement of the U.S. dollar(1)	$ 6.7	$ 1.8	$ 0.1	$ 1.6	$ (1.0)	$ 9.2

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

Effects of Inflation

We do not believe that inflation has had or will have a material effect on our consolidated results of operations, however, the actual effects of inflation on our results cannot be accurately known until claims are ultimately resolved. Inflation may affect interest rates, as well as losses and loss adjustment expenses (by causing the cost of claims to rise in the future). Although loss reserves are established to reflect likely loss settlements at the date payment is made, we would be subject to the risk that inflation could cause these costs to increase above established reserves.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Enstar Group Limited:

We have audited the accompanying consolidated balance sheets of Enstar Group Limited and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedules I, II, III, IV, and VI as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements and financial statement Schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement Schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Enstar Group Limited and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement Schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Enstar Group Limited's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG Audit Limited

Hamilton, Bermuda
March 2, 2015

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ENSTAR GROUP LIMITED

CONSOLIDATED BALANCE SHEETS
As of December 31, 2014 and 2013

	2014	2013
	(expressed in thousands of U.S. dollars, except share data)	
ASSETS		
Short-term investments, trading, at fair value	$ 130,516	$ 281,002
Short-term investments, available-for-sale, at fair value (amortized cost: 2014 — $nil; 2013 — $32,477)	—	32,504
Fixed maturities, trading, at fair value	3,832,291	3,381,719
Fixed maturities, held-to-maturity, at amortized cost	813,233	859,387
Fixed maturities, available-for-sale, at fair value (amortized cost: 2014 — $244,110; 2013 — $210,825)	241,111	213,860
Equities, trading, at fair value	150,130	182,033
Other investments, at fair value	836,868	569,293
Total investments	6,004,149	5,519,798
Cash and cash equivalents	963,402	643,841
Restricted cash and cash equivalents	534,974	397,657
Accrued interest receivable	37,581	38,864
Accounts receivable	79,237	75,351
Premiums receivable	391,008	111,748
Income taxes recoverable	11,510	5,481
Deferred tax assets	50,506	34,295
Prepaid reinsurance premiums	114,197	—
Reinsurance balances recoverable	1,331,555	1,363,819
Funds held by reinsured companies	134,628	237,789
Deferred acquisition costs	61,706	—
Goodwill and intangible assets	201,150	150,071
Other assets	21,282	41,441
TOTAL ASSETS	$ 9,936,885	$ 8,620,155
LIABILITIES		
Losses and loss adjustment expenses	$ 4,509,421	$ 4,219,905
Policy benefits for life and annuity contracts	1,220,864	1,273,100
Unearned premiums	468,626	70,698
Insurance and reinsurance balances payable	276,723	281,028
Accounts payable and accrued liabilities	126,721	97,103
Income taxes payable	22,450	23,721
Deferred tax liabilities	43,958	53,328
Loans payable	320,041	452,446
Other liabilities	50,642	70,444
TOTAL LIABILITIES	7,039,446	6,541,773
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE NONCONTROLLING INTEREST	374,619	100,859
SHAREHOLDERS' EQUITY		
Share capital		
Authorized, issued and fully paid, par value $1 each (authorized 2014: 156,000,000; 2013: 156,000,000)		
Ordinary shares (issued and outstanding 2014: 15,761,365; 2013: 13,802,706)	15,761	13,803
Non-voting convertible ordinary shares:		
Series A (issued 2014: 2,972,892; 2013: 2,972,892)	2,973	2,973
Series C (issued and outstanding 2014: 2,725,637; 2013: 2,725,637)	2,726	2,726
Series E (issued and outstanding 2014: 714,015; 2013: Nil)	714	—
Treasury shares at cost (Series A non-voting convertible ordinary shares 2014: 2,972,892; 2013: 2,972,892)	(421,559)	(421,559)
Additional paid-in capital	1,321,715	962,145
Accumulated other comprehensive income	(12,686)	13,978
Retained earnings	1,395,206	1,181,457
Total Enstar Group Limited Shareholders' Equity	2,304,850	1,755,523
Noncontrolling interest	217,970	222,000
TOTAL SHAREHOLDERS' EQUITY	2,522,820	1,977,523
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND SHAREHOLDERS' EQUITY	$ 9,936,885	$ 8,620,155

See accompanying notes to the consolidated financial statements

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ENSTAR GROUP LIMITED

CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(expressed in thousands of U.S. dollars, except share and per share data)		
INCOME			
Net premiums earned	$ 646,450	$ 239,807	$ 3,511
Fees and commission income	33,079	12,817	8,570
Net investment income	117,369	93,295	77,760
Net realized and unrealized gains	62,619	70,651	73,612
	859,517	416,570	163,453
EXPENSES			
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities	9,146	(163,672)	(237,953)
Life and annuity policy benefits	108,046	78,354	(300)
Acquisition costs	132,573	23,199	—
Salaries and benefits	211,222	124,616	100,473
General and administrative expenses	141,270	86,612	56,592
Interest expense	12,922	12,389	8,426
Net foreign exchange losses (gains)	5,960	(4,369)	406
	621,139	157,129	(72,356)
EARNINGS BEFORE INCOME TAXES	238,378	259,441	235,809
INCOME TAXES	(11,142)	(35,619)	(44,290)
NET EARNINGS	227,236	223,822	191,519
Less: Net earnings attributable to noncontrolling interest	(13,487)	(15,218)	(23,502)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 213,749	$ 208,604	$ 168,017
EARNINGS PER SHARE — BASIC			
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	$ 11.61	$ 12.62	$ 10.22
EARNINGS PER SHARE — DILUTED			
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	$ 11.44	$ 12.49	$ 10.10
Weighted average ordinary shares outstanding — basic	18,409,069	16,523,369	16,441,461
Weighted average ordinary shares outstanding — diluted	18,678,130	16,703,442	16,638,021

See accompanying notes to the consolidated financial statements

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ENSTAR GROUP LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(expressed in thousands of U.S. dollars)		
NET EARNINGS	$227,236	$223,822	$191,519
Other comprehensive income, net of tax:			
Unrealized holding (losses) gains on fixed income investments arising during the year	(6,297)	(2,045)	1,232
Reclassification adjustment for net realized gains included in net earnings	(58)	(491)	(5,123)
Unrealized losses arising during the year, net of reclassification adjustment	(6,355)	(2,536)	(3,891)
(Increase) decrease in defined benefit pension liability	(5,477)	4,930	(2,461)
Currency translation adjustment	(19,421)	(19,473)	3,556
Total other comprehensive loss	(31,253)	(17,079)	(2,796)
Comprehensive income	195,983	206,743	188,723
Less comprehensive income attributable to noncontrolling interest	(8,898)	(8,600)	(23,365)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$187,085	$198,143	$165,358

See accompanying notes to the consolidated financial statements

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ENSTAR GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(expressed in thousands of U.S. dollars)		
Share Capital — Ordinary Shares			
Balance, beginning of year	$ 13,803	$ 13,752	$ 13,665
Issue of shares	1,915	6	43
Share awards granted/vested	43	45	44
Balance, end of year	$ 15,761	$ 13,803	$ 13,752
Share Capital — Series A Non-Voting Convertible Ordinary Shares			
Balance, beginning and end of year	$ 2,973	$ 2,973	$ 2,973
Share Capital — Series C Non-Voting Convertible Ordinary Shares			
Balance, beginning and end of year	$ 2,726	$ 2,726	$ 2,726
Share Capital — Series E Non-Voting Convertible Ordinary Shares			
Balance, beginning of year	$ —	$ —	$ —
Conversion of Series B Convertible Participating Non-Voting Perpetual Preferred Stock	714	—	—
Balance, end of year	$ 714	$ —	$ —
Share Capital — Series B Convertible Participating Non-Voting Perpetual Preferred Stock			
Balance, beginning of year	$ —	$ —	$ —
Issue of shares	714	—	—
Shares converted to Series E Non-Voting Convertible Ordinary Shares	(714)	—	—
Balance, end of year	$ —	$ —	$ —
Treasury Shares			
Balance, beginning and end of year	$ (421,559)	$ (421,559)	$ (421,559)
Additional Paid-in Capital			
Balance, beginning of year	$ 962,145	$ 958,571	$ 956,329
Issue of shares and warrants	354,622	650	(872)
Share awards granted/vested	—	—	343
Amortization of equity incentive plan	4,948	2,924	2,771
Balance, end of year	$ 1,321,715	$ 962,145	$ 958,571
Accumulated Other Comprehensive Income Attributable to Enstar Group Limited			
Balance, beginning of year	$ 13,978	$ 24,439	$ 27,096
Currency translation adjustment			
Balance, beginning of year	14,264	27,821	25,616
Change in currency translation adjustment	(17,043)	(13,557)	2,205
Balance, end of year	(2,779)	14,264	27,821
Defined benefit pension liability			
Balance, beginning of year	(2,249)	(7,179)	(4,718)
Change in defined benefit pension liability	(5,477)	4,930	(2,461)
Balance, end of year	(7,726)	(2,249)	(7,179)
Unrealized gain on investments			
Balance, beginning of year	1,963	3,797	6,198
Change in unrealized gain on investments	(4,144)	(1,834)	(2,401)
Balance, end of year	(2,181)	1,963	3,797
Balance, end of year	$ (12,686)	$ 13,978	$ 24,439
Retained Earnings			
Balance, beginning of year	$ 1,181,457	$ 972,853	$ 804,836
Net earnings attributable to Enstar Group Limited	213,749	208,604	168,017
Balance, end of year	$ 1,395,206	$ 1,181,457	$ 972,853
Noncontrolling Interest			
Balance, beginning of year	$ 222,000	$ 221,478	$ 297,345
Return of capital	(11,864)	—	(30,245)
Dividends paid	(18,108)	(3,908)	(68,987)
Contribution of capital	18,081	—	—
Reallocation from redeemable noncontrolling interest	1,028	—	—
Net earnings attributable to noncontrolling interest*	9,429	11,048	23,502
Foreign currency translation adjustments	(2,181)	(5,916)	1,352
Net movement in unrealized holding losses on investments	(415)	(702)	(1,489)
Balance, end of year	$ 217,970	$ 222,000	$ 221,478

* Excludes net loss attributable to redeemable noncontrolling interest.

See accompanying notes to the consolidated financial statements

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ENSTAR GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(expressed in thousands of U.S. dollars)		
OPERATING ACTIVITIES:			
Net earnings	$ 227,236	$ 223,822	$ 191,519
Adjustments to reconcile net earnings to cash flows provided by operating activities:			
Net realized and unrealized investment gains	(32,651)	(188)	(42,233)
Net realized and unrealized gains from other investments	(29,968)	(70,463)	(31,379)
Other items	(1,268)	11,276	(765)
Depreciation and amortization	5,792	1,055	1,469
Net amortization of premiums and discounts	54,979	51,505	28,758
Net movement of trading securities held on behalf of policyholders	4,256	3,485	24,225
Sales and maturities of trading securities	2,974,318	2,679,826	2,468,584
Purchases of trading securities	(2,087,611)	(2,713,581)	(2,618,029)
Changes in assets and liabilities:			
Reinsurance balances recoverable	434,605	430,542	666,793
Funds held by reinsured companies	113,771	175,750	(257,504)
Other assets	57,752	155,177	63,952
Losses and loss adjustment expenses	(967,263)	(706,880)	(623,174)
Policy benefits for life and annuity contracts	(52,236)	6,443	—
Insurance and reinsurance balances payable	(187,178)	(165,896)	(65,475)
Unearned premiums	4,998	(81,967)	—
Accounts payable and accrued liabilities	12,662	(30,295)	(3,209)
Other liabilities	(34,575)	(31,998)	9,118
Net cash flows provided by (used in) operating activities	497,619	(62,387)	(187,350)
INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	$ 37,540	$ (409,560)	$ —
Sales and maturities of available-for-sale securities	110,180	196,507	353,913
Purchase of held-to-maturity securities	—	(112)	—
Purchase of available-for-sale securities	(117,624)	(15,739)	—
Maturities of held-to-maturity securities	36,680	18,449	—
Movement in restricted cash and cash equivalents	(114,538)	(78,638)	73,226
Purchase of other investments	(349,652)	(107,396)	(214,558)
Redemption of other investments	104,684	28,568	16,839
Other investing activities	632	2,132	(789)
Net cash flows (used in) provided by investing activities	(292,098)	(365,789)	228,631
FINANCING ACTIVITIES:			
Distribution of capital to noncontrolling interest	$ (11,864)	$ —	$ (30,245)
Contribution by noncontrolling interest	17,768	—	—
Contribution by redeemable noncontrolling interest	273,035	96,689	—
Dividends paid to noncontrolling interest	(18,108)	(3,908)	(68,987)
Receipt of loans	70,000	369,800	—
Repayment of loans	(199,245)	(39,505)	(134,541)
Net cash flows provided by (used in) financing activities	131,586	423,076	(233,773)
EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS	(17,546)	(5,949)	(3,092)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	319,561	(11,049)	(195,584)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	643,841	654,890	850,474
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 963,402	$ 643,841	$ 654,890
Supplemental Cash Flow Information			
Net income taxes paid	$ 41,830	$ 32,115	$ 27,938
Interest paid	$ 16,130	$ 9,114	$ 9,155

See accompanying notes to the consolidated financial statements

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013 and 2012
(Tabular information expressed in thousands of U.S. dollars except share and per share data)

1. DESCRIPTION OF BUSINESS

Enstar Group Limited ("Enstar" or the "Company") was formed in August 2001 under the laws of Bermuda. The Company's core focus is acquiring and managing insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off, and providing management, consulting and other services to the insurance and reinsurance industry. Since the Company's formation, it has completed the acquisition of over 65 insurance and reinsurance companies and portfolios of insurance and reinsurance business. The Company also operates active underwriting businesses, including the Atrium group of companies, which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609, and the Torus group of companies, an A-rated global specialty insurance group with multiple global underwriting platforms. Additionally the Company operates closed life and annuities businesses.

With the Company's 2014 acquisition of Torus Insurance Holdings Limited ("Torus") and its 2013 acquisitions of the Pavonia companies ("Pavonia"), Arden Reinsurance Company Ltd. ("Arden") and Atrium Underwriters Ltd. ("Atrium"), it now measures the results of its operations in four segments:

(i) *Non-life run-off* — This segment is comprised of the operations and financial results of the Company's subsidiaries that are running off their property and casualty and other non-life lines of business together with the run-off businesses of Arden and Torus. It also includes the Company's management business, which manages the run-off portfolios of third parties through its service companies.

(ii) *Atrium* — This active underwriting segment is comprised of the operations and financial results of Northshore Holdings Limited, a holding company that owns Atrium and its subsidiaries and Arden. Atrium is a managing general agent at Lloyd's of London, which manages Syndicate 609 through a corporate capital vehicle, Atrium 5 Ltd., and provides approximately 25% of the syndicate's underwriting capacity and capital (with the balance provided by traditional Lloyd's Names). Atrium specializes in accident and health, aviation, marine, property, non-marine direct and facultative, liability, property and casualty binding authorities, reinsurance, upstream energy, war and terrorism insurance, cargo and fine art. Arden is a Bermuda-based reinsurance company that provides reinsurance to Atrium (through an approximately 65% quota share reinsurance arrangement with Atrium 5 Ltd.) and is currently in the process of running off certain other third-party business. Results related to Arden's run-off business are included within the Company's non-life run-off segment.

(iii) *Torus* — This active underwriting segment is comprised of the operations and financial results of Bayshore Holdings Limited, a holding company that owns Torus and its subsidiaries. Torus is a global specialty insurer that offers a diverse range of property, casualty and specialty insurance through its operations in the U.K., Continental Europe, and the U.S. Torus' active underwriting operations are reported in the Torus segment, with Torus' run-off business reported in the non-life run-off segment.

(iv) *Life and annuities* — This segment is comprised of the operations and financial results of the Company's subsidiaries that are operating its closed-block of life and annuity businesses, which primarily consists of the companies it acquired in the Pavonia acquisition on March 31, 2013.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012. Results of operations for subsidiaries acquired are included from the dates of their acquisition by the Company. Intercompany transactions are eliminated on consolidation.

Use of Estimates

The preparation of these consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include, but are not limited to:

- reserves for losses and loss adjustment expenses;
- policy benefits for life and annuity contracts;
- gross and net premiums written and net premiums earned;
- reinsurance balances recoverable, including the provisions for uncollectible amounts;
- other-than-temporary impairments in the carrying value of available-for-sale investment securities;
- valuation of certain other investments that are measured using significant unobservable inputs;
- valuation of goodwill and intangible assets; and
- fair value estimates associated with accounting for acquisitions.

Significant Accounting Policies

The Company's significant accounting policies are described below:

(a) Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

(b) Investments

Short-term investments and fixed maturity investments

Short-term investments comprise investments with a maturity greater than three months up to one year from the date of purchase. Fixed maturities comprise investments with a maturity of greater than one year from the date of purchase.

Short-term investments and fixed maturities classified as trading are carried at fair value, with realized and unrealized holding gains and losses included in net earnings and reported as net realized and unrealized gains and losses.

Short-term investments and fixed maturity investments classified as held-to-maturity securities, which are securities that the Company has the positive intent and ability to hold to maturity, are carried at amortized cost. The cost of short-term investments and fixed maturities are adjusted for amortization of premiums and accretion of discounts.

Short-term and fixed maturity investments classified as available-for-sale are carried at fair value, with unrealized gains and losses excluded from net earnings and reported as a separate component of accumulated other comprehensive income. Realized gains and losses on sales of investments classified as available-for-sale are recognized in the consolidated statements of earnings.

The costs of short-term and fixed maturity investments are adjusted for amortization of premium or discount, recognized using the effective yield method and included in net investment income. For mortgage-backed and asset-backed investments, and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised on a regular basis.

Investment purchases and sales are recorded on a trade-date basis. Realized gains and losses on the sale of investments are based upon specific identification of the cost of investments.

Fixed maturity investments classified as available-for-sale and held-to-maturity are reviewed quarterly to determine if they have sustained an impairment of value that is, based on management's judgement, considered to be other than temporary. The process includes reviewing each fixed maturity investment that is below cost and: (1) determining if the Company has the intent to sell the fixed maturity investment; (2) determining if it is more likely than not that the Company will be required to sell the fixed maturity investment before its anticipated recovery; and (3) assessing whether a credit loss exists, that is, whether the Company expects that the present value of the cash flows expected to be collected from the fixed maturity investment is less than the amortized cost basis of the investment. In evaluating credit losses, the Company considers a variety of factors in the assessment of a fixed maturity investment including: (1) the time period during which there has been a significant decline below cost; (2) the extent of the decline below cost and par; (3) the potential for the investment to recover in value; (4) an analysis of the financial condition of the issuer; (5) the rating of the issuer; and (6) failure of the issuer of the investment to make scheduled interest or principal payments. If management concludes an investment is other-than-temporarily impaired ("OTTI"), then the difference between the fair value and the amortized cost of the investment is presented as an OTTI charge in the consolidated statements of earnings, with an offset for any non-credit related loss component of the OTTI charge to be recognized in other comprehensive income. Accordingly, only the credit loss component of the OTTI amount would have an impact on the Company's earnings.

Equities

Equities are classified as trading and are carried at fair value with realized and unrealized holding gains and losses included in net earnings and reported as net realized and unrealized gains and losses.

Other investments

Other investments include investments in limited partnerships and limited liability companies (collectively "private equities") and fixed income, hedge, equity, real estate debt and CLO equity funds that carry their investments at fair value, along with direct investments in CLO equities. These other investments are stated at fair value, which ordinarily will be the most recently reported net asset value as advised by the fund manager or administrator. Many of the Company's fund investments publish net asset values on a daily basis and provide daily liquidity; others report on a monthly basis. Private equities typically report quarterly. The Company believes the reported net asset value represents the fair value market participants would apply to an interest in the various private equities or funds. The change in fair value is included in net realized and unrealized gains on investments and recognized in net earnings.

(c) Deferred Acquisition Costs

Acquisition costs, consisting principally of commissions and brokerage expenses and certain premium taxes and fees incurred at the time a contract or policy is issued and that vary with and are directly related to the Company's reinsurance and insurance business, are deferred and amortized over the period in which the related premiums are earned. Deferred acquisition costs are limited to their estimated realizable value by line of business based on the related unearned premiums, anticipated claims and claim expenses and anticipated investment income.

(d) Losses and loss adjustment expenses

Non-life run-off

The liability for losses and loss adjustment expenses in the non-life run-off segment includes an amount determined from reported claims and an amount, based on historical loss experience and industry statistics, for losses incurred but not reported determined using a variety of actuarial methods. These estimates are continually reviewed and are necessarily subject to the impact of future changes in factors such as claim severity and frequency, changes in economic conditions including the impact of inflation, legal developments and changes in social attitudes. While management believes that the amount is adequate, the ultimate liability may be significantly in excess of, or less than, the amounts provided. Adjustments will be reflected as part of net increase or reduction in losses and loss adjustment expense liabilities in the periods in which they become known. Premium and commission adjustments may be triggered by incurred losses and any amounts are recorded in the same period that the related incurred loss is recognized.

Commutations provide an opportunity for the Company to exit exposures to entire policies with insureds and reinsureds for an agreed upon payment, or payments, often at a discount to the previously estimated ultimate liability. As a result of exiting all exposures to such policies, all advised case reserves and incurred but not reported ("IBNR") reserves relating to the insured or reinsured are eliminated. A commutation is recognized upon the execution of a commutation release agreement. Following completion of a commutation, all the related balances, including insurance and reinsurance balances payable and/or receivable, funds held by ceding companies, and losses and loss adjustment expenses (including fair value adjustments and estimated IBNR), are written off with corresponding gain or loss recorded in the net reduction of ultimate losses. A commutation may result in a net gain irrespective of whether the settlement exceeds the advised case reserves. Advised case reserves are those reserve estimates for a specific loss or losses reported to the Company by either the broker or insured or reinsured. IBNR reserves are established by the Company at a class of business or exposure level for claims that have not yet been reported to the Company but can reasonably be expected to have occurred, as well as for the future development of reported claims. A commutation settlement is a negotiated settlement of both the advised case reserves and an estimate of the IBNR reserves that relate to the policies being commuted. For latent exposures with a long reporting tail, the estimated level of IBNR reserves may be significantly higher than the advised case reserves. In such an instance, the commutation settlement of a block of such policies may be greater than the advised case reserves but less than the aggregate of the advised case reserves plus the estimated related IBNR reserves, resulting in a total saving to the remaining liability.

To the extent possible, all prior historical loss development that relates to commuted exposures is eliminated to produce revised historical loss development for the remaining non-commuted exposures. The Company's estimates of IBNR reserves are not determined at the policyholder level but at the aggregate class of business or exposure level. Therefore, the Company does not typically identify a specific amount of IBNR reserves settled with each commutation. Rather, on an annual basis in the fourth quarter, the Company's actuaries apply their actuarial methodologies to the remaining aggregate exposures and revised historical loss development information to reassess their estimates of gross and net ultimate liabilities and required gross and net IBNR reserves. Should a commutation that the Company considers significant occur in one of the first three quarters, then the Company, in conjunction with its independent actuaries, would estimate the amount of IBNR that would be associated with the policies being commuted. If the financial impact (including release of IBNR) of the commutation is considered significant, the Company would adjust its estimate of ultimate loss and loss adjustment expense liabilities in the quarter that the commutation was concluded. The agreed commutation settlement is recorded in net losses paid.

To the extent that commuted policies are protected by reinsurance, then the Company will, on completion of a commutation with an insured or reinsured, negotiate with the reinsurers to contribute their share of the commutation settlement. Any amounts received from such reinsurers will be recorded in net losses paid and the impact of any savings or loss on reinsurance recoverable on unpaid losses will be included in the actuarial reassessment of net ultimate liabilities and net IBNR reserves.

Commutations of acquired companies' exposures have the effect of accelerating the payout of claims compared to the probability-weighted ranges of actuarially projected cash flows that the Company applies when estimating the fair values of assets and liabilities at the time of acquisition. Any material acceleration of payout together with the impact of any material loss reserve savings in any period will also accelerate the amortization of fair value adjustments in that period.

The Company's insurance and reinsurance subsidiaries also establish provisions for loss adjustment expenses relating to run-off costs for the estimated duration of the run-off, which are included in losses and loss adjustment expenses. These provisions are assessed at each reporting date, and provisions relating to future periods are adjusted to reflect any changes in estimates of the periodic run-off costs or the duration of the run-off, including the impact of any acceleration of the run-off period that may be caused by commutations. Provisions relating to the current period together with any adjustment to future run-off provisions are included in net reduction in ultimate loss and loss adjustment expenses in the consolidated statements of earnings.

Atrium and Torus

The reserves for losses and loss expenses in the Atrium and Torus segments includes reserves for unpaid reported losses and for IBNR reserves. The reserves for unpaid reported losses and loss expenses are established by management based on reports from brokers, ceding companies and insureds and represent the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Company. The reserve for IBNR losses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

(e) Reinsurance balances recoverable

Amounts billed to, and due from, reinsurers result from paid movements in the underlying assumed business and are calculated in accordance with the terms of the individual reinsurance contracts.

Similarly, reinsurance balances recoverable related to the Company's assumed case reserves are calculated by applying the terms of any applicable reinsurance coverage to movements in the underlying assumed case reserves. The Company's estimate of reinsurance balances recoverable related to its assumed IBNR reserves is recognized on a basis consistent with the underlying assumed IBNR reserves.

The Company's reinsurance balances recoverable are presented net of a provision for uncollectible amounts, reflecting the amount deemed not collectible due to credit quality, collection problems due to location of the reinsurer, contractual disputes with reinsurers over individual contentious claims, contract language or coverage or for some other reason.

(f) Retroactive reinsurance and novations

Consideration received for business assumed by way of novation and premiums received on retroactive reinsurance is recorded in the balance sheet. The difference between the consideration received and liabilities assumed is recorded as an intangible asset or liability. Intangible assets or liabilities are subsequently amortized using the interest method over the expected claims settlement periods. As changes in estimates of timing or amount of losses and loss adjustment expenses are recognized, the amortization is adjusted retrospectively and included in losses and loss adjustment expenses in the period of the charge.

(g) Premium revenue recognition

Non-life premiums written are earned on a pro-rata basis over the period the coverage is provided. Reinsurance premiums are recorded at the inception of the policy, are based upon contractual terms and for certain business are estimated based on underlying contracts or from information provided by clients and/or brokers. Changes in reinsurance premium estimates are expected and may result in adjustments in future periods. These estimates change over time as additional information regarding changes in underlying exposures is obtained. Any subsequent differences arising on such estimates are recorded as premiums written in the period in which they are determined.

Unearned premiums represent the portion of premiums written that relate to the unexpired terms of policies in force. Premiums ceded are similarly pro-rated over the period the coverage is provided with the unearned portion being deferred as prepaid reinsurance premiums.

Certain contracts written prior to the business going into run-off, are retrospectively rated and additional premium will be due should losses exceed pre-determined contractual thresholds. These required additional premiums are based upon contractual terms and management judgment is involved with respect to the estimate of the amount of losses that the Company expects to be ceded. Additional premiums are recognized at the time loss thresholds specified in the contract are exceeded and are earned over the coverage period, or are earned immediately if the period of risk coverage has passed. Changes in estimates of losses recorded on contracts with additional premium features will result in changes in additional premiums based on contractual terms.

Life and annuities

The Pavonia companies, prior to going into run-off, wrote various U.S. and Canadian life insurance, including credit life and disability insurance, term life insurance, assumed life reinsurance and annuities. The Pavonia companies will continue to recognize premiums on term life insurance, assumed life reinsurance and credit life and disability insurance.

Premiums from term life insurance, credit life and disability insurance and assumed life reinsurance are generally recognized as revenue when due from policyholders. Term life, assumed life reinsurance and credit life and disability policies include those contracts with fixed and guaranteed premiums and benefits. Benefits and expenses are matched with such revenue to result in the recognition of profit over the life of the contracts.

(h) Premiums Receivable

Premiums receivable represent amounts currently due and amounts not yet due on insurance and reinsurance policies. Premiums for insurance policies are generally due at inception. Premiums for reinsurance policies generally become due over the period of coverage based on the policy terms. The Company monitors the credit risk associated with premiums receivable, taking into consideration that credit risk is reduced by the Company's contractual right to offset loss obligations or unearned premiums against premiums receivable. Amounts deemed uncollectible are charged to net earnings in the period they are determined. Changes in the estimate of premiums written will result in an adjustment to premiums receivable in the period they are determined. Certain contracts are retrospectively rated and provide for a final adjustment to the premium based on the final settlement of all losses. Premiums receivable on such contracts are adjusted based on the estimate of losses the Company expects to incur, and are not considered due until all losses are settled.

(i) Policy Benefits for Life and Annuity Contracts

The Company's policy benefits for life and annuity contracts ("policy benefits") are calculated using standard actuarial techniques and cash flow models in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 944, Financial Services —Insurance. The Company establishes and maintains its policy benefits at a level that the Company estimates 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. The Company reviews its policy benefits regularly and performs loss recognition testing based upon cash flow projections.

Since the development of the policy benefits is based upon cash flow projection models, the Company makes estimates and assumptions based on experience and industry mortality tables, longevity and morbidity rates, lapse rates, expenses and investment experience, including a provision for adverse deviation. The assumptions used to determine policy benefits are determined at the inception of the contracts, reviewed and adjusted at the point of acquisition, as required, and are locked-in throughout the life of the contract unless a premium deficiency develops. The assumptions are reviewed no less than annually and are unlocked if they would result in a material adverse reserve change. The Company establishes these estimates based upon transaction-specific historical experience, information provided by the ceding company for the assumed business and industry experience. Actual results could differ materially from these estimates. As the experience on the contracts emerges, the assumptions are reviewed by management. The Company determines whether actual and anticipated experience indicates that existing policy benefits, together with the present value of future gross premiums, are sufficient to cover the present value of future benefits, settlement and maintenance costs and to recover unamortized acquisition costs. If such a review indicates that policy benefits should be greater than those currently held, then the locked-in assumptions are revised and a charge for policy benefits is recognized at that time.

Because of the many assumptions and estimates used in establishing policy benefits and the long-term nature of the contracts, the reserving process, while based on actuarial techniques, is inherently uncertain.

(j) Redeemable noncontrolling interest

In connection with the acquisitions of Arden, Atrium and Torus, certain subsidiaries have issued shares to a noncontrolling interest. These shares provide certain redemption rights to the holder, which may be settled in the Company's own shares or cash, at the Company's option. The Company classifies redeemable noncontrolling interest with redemption features that are not solely within the control of the Company within temporary equity in its consolidated balance sheets and carries them at the redemption value, which is fair value. The Company recognizes changes in the fair value that exceed the carrying value of redeemable noncontrolling interest through retained earnings as if the balance sheet date were also the redemption date.

(k) Fees and commission income

Fixed fee income is recognized in accordance with the term of the Company's third-party management agreements. Time-based fees are recognized as services are provided. Success-based fees are recognized when all of the contractual requirements specified in the agreement are met. Profit commissions are recorded on an accrual basis, and are earned in line with the annual accounting results of the syndicate managed by Atrium.

(l) Foreign exchange

The reporting currency of the Company is the U.S. dollar. Assets and liabilities of entities whose functional currency is not the U.S. dollar are translated at period end exchange rates. Revenue and expenses of such foreign entities are translated at average exchange rates during the year. The effect of the currency translation adjustments for these foreign entities is included in accumulated other comprehensive income.

Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated at transaction date exchange rates. These exchange gains and losses are included in the determination of net earnings.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(m) Earnings per share

Basic earnings per share is based on the weighted average number of ordinary shares outstanding and excludes any dilutive effects of warrants, options and convertible securities. Diluted earnings per share is based on the weighted average number of ordinary and ordinary share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.

(n) Acquisitions

The Company uses the purchase method in accounting for acquisitions. The difference between the fair value of net assets acquired and purchase price is recorded as goodwill or negative goodwill.

The purchase method of accounting requires that the acquirer record the assets and liabilities acquired at their estimated fair value. The fair values of each of the reinsurance assets and liabilities acquired are derived from probability-weighted ranges of the associated projected cash flows, based on actuarially prepared information and management's run-off strategy. The Company's run-off strategy, as well as that of other run-off market participants, is expected to be different from the sellers as generally sellers are not specialized in running off insurance and reinsurance liabilities whereas the Company and other market participants do specialize in such run-offs.

The key assumptions used by the Company and, it believes, by other run-off market participants in the fair valuation of acquired companies are (i) the projected payout, timing and amount of claims liabilities; (ii) the related projected timing and amount of reinsurance collections; (iii) a risk-free discount rate, which is applied to determine the present value of the future cash flows; (iv) the estimated unallocated loss adjustment expenses to be incurred over the life of the run-off; (v) the impact of any accelerated run-off strategy; and (vi) an appropriate risk margin.

The difference between the original carrying value of reinsurance liabilities and reinsurance assets acquired at the date of acquisition and their fair value is recorded as an intangible asset or other liability, which the Company refers to as the fair value adjustment ("FVA"). The FVA is amortized over the estimated payout period of outstanding losses and loss expenses acquired. To the extent the actual payout experience after the acquisition is materially faster or slower than anticipated at the time of the acquisition, there is an adjustment to the estimated ultimate loss reserves, or there are changes in bad debt provisions or in estimates of future run-off costs following accelerated payouts, then the amortization of the FVA is adjusted to reflect such changes.

(o) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The Company performs an initial valuation of its goodwill assets and assesses goodwill for impairment on an annual basis. If, as a result of the assessment, the Company determines the value of its goodwill asset is impaired, goodwill is written down in the period in which the determination is made.

(p) Intangible Assets

Intangible assets represent the fair value adjustments related to unpaid losses and loss expenses, reinsurance balances recoverable and policy benefits for life and annuity contracts along with the fair values of Lloyd's syndicate capacity, customer relationships, management contract and brand arising from the acquisition of Atrium and the syndicate capacity, U.S. insurance licenses, technology and brand arising from the acquisition of Torus. Definite-lived intangible assets are amortized over their useful lives. The Company recognizes the amortization of all intangible assets in the consolidated statement of earnings. Indefinite-lived intangible assets are not subject to amortization. The carrying values of intangible assets are reviewed for indicators of impairment on at least an annual basis. Impairment is recognized if the carrying values of the intangible assets are not recoverable from their undiscounted cash flows and are measured as the difference between the carrying value and the fair value.

(q) Share-based compensation

The Company primarily uses three types of share-based compensation: restricted shares, cash-settled stock appreciation rights (SARs) and shares issued under the Company's employee share purchase plans. With the exception of SARs and the incentive plan awards in Northshore issued to certain employees of Atrium, the Company's share-based compensation awards qualify for equity classification. The fair value of the compensation cost is measured at the grant date and is expensed over the period for which the employee is required to provide services in exchange for the award. Both the Company's SARs and the Northshore incentive plan awards are classified as liability awards. Liability classified awards are recorded at fair value within accounts payable in the consolidated balance sheet with changes in fair value relating to the vested portion of the award recorded within salaries and benefits in the consolidated statements of earnings.

(r) Income taxes

Certain subsidiaries and branches of the Company operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income, or, in certain cases, to accumulated other comprehensive income, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the financial statements and those used in the various jurisdictional tax returns. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount allowed to be recognized in the financial statements under U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

(s) Derivative instruments

The Company recognizes all derivatives as either assets or liabilities in the consolidated balance sheets and carries them at the fair value of the instrument. The Company uses derivative instruments for purposes of its overall foreign currency risk management strategy. Changes in fair value and realized gains or losses on derivative instruments are recorded in net foreign exchange gains and losses.

New Accounting Standards Adopted in 2014

Accounting Standards Update ("ASU") 2014-17, Pushdown Accounting

In November 2014, the FASB issued ASU No. 2014-17, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The amendments in this ASU apply to the separate financial statements of an acquired entity and its subsidiaries that are a business (either public or non-public) upon the occurrence of an event in which an acquirer (an individual or an entity) obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information in the current reporting period that enables users of financial statements to evaluate the effect of pushdown accounting. This ASU applies to all pushdown elections occurring after November 18, 2014 and its adoption did not have an impact on the Company's consolidated financial statements.

ASU 2013-12, Definition of a Public Business Entity

In December 2013, the FASB issued ASU No. 2013-12, which defines the term "public business entity." The definition of a public business entity will be used in considering the scope of new financial guidance and will identify whether the guidance does or does not apply to public business entities. The amendment in this ASU provides a single definition of public business entity for use in future financial accounting and reporting guidance. The amendment did not affect existing requirements and did not have an effective date. Its adoption by the Company during the year did not have an impact on the Company's consolidated financial statements.

ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued ASU No. 2013-11, with the objective of improving the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 seeks to reduce the diversity in practice by providing guidance on the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The Company adopted this guidance effective January 1, 2014 and its adoption did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

ASU 2014-16, Determining whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued ASU No. 2014-16, which is based on the final consensus reached by the Emerging Issues Task Force on Issue 13-G. The ASU is intended to reduce the diversity in practice related to how entities determine the nature of the host contract of a hybrid instrument issued in the form of a share (e.g., convertible preferred stock) as part of the analysis for determining whether the hybrid instrument contains any embedded derivatives that must be bifurcated under ASC 815-15. Currently, reporting entities use one of two acceptable methods (as long as the accounting policy is applied consistently) for determining the nature of a host contract: the chameleon approach and the whole-instrument approach. Under the ASU, entities with instruments within the scope of the ASU would be required to apply the whole-instrument approach when determining the nature of the host contract in a hybrid financial instrument issued in the form of a share. The chameleon approach would no longer be permitted. ASU 2014-16 is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The Company is currently evaluating the impact of this guidance, however, it is not expected to have a material impact on the Company's consolidated financial statements.

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The ASU applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC including ASC 944 — *Insurance*. However, while contracts within the scope of ASC 944 are excluded from the scope of the ASU, certain insurance-related contracts should be accounted for under the ASU, for example contracts under which service providers charge their customers fixed fees in exchange for an agreement to provide services for an uncertain future event. Certain of the ASU's provisions also apply to transfers of non-financial assets, including in-substance non-financial assets that are not an output of an entity's ordinary activities (e.g., sales of (1) property, plant, and equipment; (2) real estate; or (3) intangible assets). Such provisions include guidance on recognition (including determining the existence of a contract and control principles) and measurement. The ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016, for public entities and early application is not permitted. The Company is currently evaluating the impact of this guidance, however, it is not expected to have a material impact on the Company's consolidated financial statements.

3. ACQUISITIONS

2015

Nationale Suisse Assurance S.A.

On February 5, 2015, the Company's wholly-owned subsidiary, Harper Holdings SARL, entered into a definitive agreement with Nationale Suisse to acquire its Belgian subsidiary, Nationale Suisse Assurance S.A. ("NSA"). NSA is a Belgium-based insurance company writing non-life insurance (which the Company expects to operate in run-off as part of its non-life run-off segment) and life insurance (which the Company expects to operate in run-off as part of its life and annuities segment).

The total consideration for the transaction will be €33.7 million (approximately $38.5 million) (subject to certain possible closing adjustments). The Company expects to finance the purchase price from cash on hand. Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. The transaction is expected to close during the second quarter of 2015.

Companion Property and Casualty Insurance Company

On January 27, 2015, the Company and Sussex Holdings, Inc. ("Sussex"), an indirect, wholly-owned subsidiary of the Company, completed the previously announced acquisition of Companion Property and Casualty Insurance Company ("Companion") from Blue Cross and Blue Shield of South Carolina, an independent licensee of the Blue Cross Blue Shield Association. Companion is a South Carolina-based insurance group writing property, casualty, specialty and workers compensation business, and has also provided fronting and third party administrative services.

The total consideration for the transaction was $218.0 million, which was financed 50% through borrowings under a bank loan facility provided by National Australia Bank Limited (“NAB”) and Barclays Bank PLC (“Barclays”) and 50% from cash on hand.

2014

Torus Insurance Holdings Limited

On April 1, 2014, Kenmare Holdings Ltd. (“Kenmare”), a wholly-owned subsidiary of the Company, together with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P., which are managed by Stone Point Capital LLC (collectively, “Trident”), completed the acquisition of Torus Insurance Holdings Limited (“Torus”). Torus is an A- rated global specialty insurer with six wholly-owned insurance vehicles, including Lloyd’s Syndicate 1301. At closing, Torus became directly owned by Bayshore Holdings Ltd. (“Bayshore”), which was 60% owned by Kenmare and 40% owned by Trident.

The purchase price for Torus was established in the amended and restated amalgamation agreement as $646.0 million, to be paid partly in cash and partly in the Company’s stock. The number of Company shares to be issued was fixed at the signing of the amalgamation agreement on July 8, 2013 and was determined by reference to an agreed-upon value per share of $132.448, which was the average closing price of the Company’s voting ordinary shares, par value $1.00 per share (the “Voting Ordinary Shares”), over the 20 trading days prior to such signing date. On the day before closing of the amalgamation, the Voting Ordinary Shares had a closing price of $136.31 per share. At closing, the Company contributed cash of $41.6 million towards the purchase price and $3.6 million towards related transaction expenses, as well as 1,898,326 Voting Ordinary Shares and 714,015 shares of Series B Convertible Participating Non-Voting Perpetual Preferred Stock of the Company (the “Non-Voting Preferred Shares”). Based on a price of $136.31 per share, the Company’s contribution of cash and shares to the purchase price totaled $397.7 million in the aggregate. Trident contributed cash of $258.4 million towards the purchase price and $2.4 million towards related transaction expenses. Based on a price of $136.31 per share, the aggregate purchase price paid by the Company and Trident was $656.1 million.

FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII A Parallel Vehicle L.P. and FR Torus Co-Investment, L.P. (collectively, “First Reserve”) received 1,501,211 Voting Ordinary Shares, 714,015 Non-Voting Preferred Shares and cash consideration in the transaction. Following the approval of the Company’s shareholders of an amendment to its bye-laws on June 10, 2014, First Reserve’s Non-Voting Preferred Shares converted on a share-for-share basis into 714,015 shares of newly created Series E Non-Voting Convertible Common Shares (the “Series E Non-Voting Ordinary Shares”). Corsair Specialty Investors, L.P. (“Corsair”) received 397,115 Voting Ordinary Shares and cash consideration in the transaction. The remaining Torus shareholders received all cash. As a result of the amalgamation, First Reserve now owns approximately 9.5% and 11.5%, respectively, of the Company’s Voting Ordinary Shares and outstanding share capital.

Upon the closing of the Torus acquisition, Bayshore, Kenmare and Trident entered into a Shareholders’ Agreement (the “Bayshore Shareholders’ Agreement”), which was subsequently amended, as described in “Dowling Co-investments in Bayshore and Northshore” below.

Purchase price	$656,088
Net assets acquired at fair value	$643,088
Excess of purchase price over fair value of net assets acquired	$ 13,000

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The purchase price was allocated to the acquired assets and liabilities of Torus based on estimated fair values at the acquisition date. The Company recognized goodwill of $13.0 million, all of which was recorded within the Torus segment and is attributable primarily to Torus' assembled workforce. The Company also recognized indefinite lived intangible assets of $23.9 million and other definite lived intangible assets of $20.0 million.

Prior to acquisition, Torus ceased underwriting certain lines of business in order to focus on core property, casualty and specialty lines. The results of the discontinued lines of business that were placed into run-off are included within the Company's non-life run-off segment.

The following table summarizes the fair values of the assets acquired and liabilities assumed in the Torus transaction at the acquisition date, allocated by segment.

	Torus Segment	Non-life Run-off Segment	Total
ASSETS			
Short-term investments, trading, at fair value	$ 73,425	$ 25,888	$ 99,313
Fixed maturities, trading, at fair value	736,765	329,235	1,066,000
Other investments	2,068	—	2,068
Total investments	812,258	355,123	1,167,381
Cash and cash equivalents	211,718	127,890	339,608
Restricted cash and cash equivalents	22,779	—	22,779
Premiums receivable	321,350	—	321,350
Reinsurance balances recoverable — reserves	210,742	152,057	362,799
Reinsurance balances recoverable — paids	21,122	20,100	41,222
Prepaid reinsurance premiums	144,221	25,221	169,442
Intangible assets	43,900	—	43,900
Other assets	37,621	—	37,621
TOTAL ASSETS	1,825,711	680,391	2,506,102
LIABILITIES			
Losses and loss adjustment expenses	675,424	588,822	1,264,246
Insurance and reinsurance balances payable	140,997	42,447	183,444
Unearned premium	343,840	49,122	392,962
Other liabilities	22,362	—	22,362
TOTAL LIABILITIES	1,182,623	680,391	1,863,014
NET ASSETS ACQUIRED AT FAIR VALUE	643,088	—	643,088
Goodwill	13,000	—	13,000
ACQUISITION DATE FAIR VALUE	$ 656,088	$ —	$ 656,088

The following table summarizes the intangible assets recorded in connection with the acquisition:

	Amount	Economic Useful Life
Syndicate capacity	$ 4,000	Indefinite
U.S. insurance licences	19,900	Indefinite
Technology	15,000	4 Years
Brand	5,000	6 years
Intangible assets as of the acquisition date	$ 43,900	

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair value of the Lloyd's syndicate capacity was estimated using the multi-period excess-earnings method, a form of the income approach. Lloyd's syndicate capacity represents Torus's authorized premium income limit to write insurance business in the Lloyd's market. The capacity is renewed annually at no cost to the Company but may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite, with the premium income limit being set annually by the Company, subject to Lloyd's approval.

U.S. insurance licenses represent the intangible asset related to Torus' licenses and have been valued based on recent market transactions.

Technology represents the intangible asset related to Torus' capitalized software and has been valued on a replacement cost basis.

Brand represents the intangible asset related to the Torus name and was valued using the income approach.

From April 1, 2014, the date of acquisition, to December 31, 2014, the Company earned premiums of $373.6 million, recorded net increase in ultimate losses and loss adjustment expense liabilities of $218.4 million on those earned premiums, and recorded $10.6 million in net loss (after noncontrolling interest) in its consolidated statement of earnings related to the active underwriting portion of the Torus segment.

From the date of acquisition to December 31, 2014, the Company earned premiums of $28.6 million, recorded net increase in ultimate losses and loss adjustment expense liabilities of $20.6 million on those earned premiums, and recorded $0.1 million in net earnings attributable to Enstar Group Limited in its consolidated statement of earnings related to Torus' non-life run-off business.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Supplemental Pro Forma Financial Information (Unaudited)

The operating results for Torus have been included in the consolidated financial statements from the date of acquisition. The following pro forma condensed combined statement of earnings for the years ended December 31, 2014 and 2013 combines the historical consolidated statements of earnings of the Company with those historical consolidated statements of earnings of Torus, giving effect to the business combinations and related transactions as if they had occurred on January 1, 2013 and 2014, as applicable. The unaudited pro forma financial information presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition of Torus had taken place at the beginning of each period presented, nor is it indicative of future results.

		Unaudited		
2014	Enstar Group Limited	Torus	Proforma Adjustments	Enstar Group Limited - Proforma
Total income	$ 859,517	$ 147,193	$ (1,846)	$ 1,004,864
Total expenses	(632,281)	(145,479)	3,670	(774,090)
Total noncontrolling interest	(13,487)	—	(1,451)	(14,938)
Net earnings	$ 213,749	$ 1,714	$ 373	$ 215,836

Summary of the Pro Forma Adjustments to the Pro Forma Condensed Consolidated Statement of Earnings for the Twelve Months Ended December 31, 2014 (Unaudited):

Income:	
(a) Adjustment to recognize amortization of fair value adjustments related to unearned premium	(1,846)
Expenses:	
(a) Adjustment to recognize amortization of definite-lived intangible assets	(1,146)
(b) Adjustment to recognize amortization of fair value adjustments related to acquired losses and loss adjustment expense liabilities and reinsurance balances recoverable	4,816
	3,670
(c) Adjustment to noncontrolling interest for pro forma condensed consolidated statement of earnings	(1,451)

		Unaudited		
2013	Enstar Group Limited	Torus	Proforma Adjustments	Enstar Group Limited - Proforma
Total income	$ 416,570	$ 633,700	$ (7,384)	$ 1,042,886
Total expenses	(192,748)	(707,700)	14,678	(885,770)
Total noncontrolling interest	(15,218)	—	27,363	12,145
Net earnings	$ 208,604	$ (74,000)	$ 34,657	$ 169,261

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summary of the Pro Forma Adjustments to the Pro Forma Condensed Consolidated Statement of Earnings for the Twelve Months Ended December 31, 2013 (Unaudited):

Income:	
(a) Adjustment to recognize amortization of fair value adjustments related to unearned premium	(7,384)
Expenses:	
(a) Adjustment to recognize amortization of definite-lived intangible assets	(4,583)
(b) Adjustment to recognize amortization of fair value adjustments related to acquired losses and loss adjustment expense liabilities and reinsurance balances recoverable	19,261
	14,678
(c) Adjustment to noncontrolling interest for pro forma condensed consolidated statement of earnings	27,363

Changes in Ownership Interests relating to Holding Companies for our Active Underwriting Businesses

Dowling Co-investments in Bayshore and Northshore

On May 8, 2014, Dowling Capital Partners I, L.P. ("Dowling") purchased common shares of both Bayshore and Northshore from Kenmare and Trident (on a pro rata basis in accordance with their respective interests) for an aggregate amount of $15.4 million.

Prior to the sale of shares to Dowling, Kenmare and Trident owned 60% and 40% of Bayshore and Northshore, respectively. Following the sale Kenmare, Trident and Dowling owned 59.0%, 39.3% and 1.7%, of Bayshore and Northshore, respectively.

In connection with the sale of Bayshore shares, the Bayshore Shareholders' Agreement was amended and restated. The Amended and Restated Bayshore Shareholders' Agreement, among other things, provides that Kenmare has the right to appoint three members to the Bayshore board of directors and Trident has the right to appoint two members. The Amended and Restated Bayshore Shareholders' Agreement includes a five-year period (the "Restricted Period") during which no shareholder can transfer its ownership interest in Bayshore to a third party unless approved by a super-majority of the shareholders. Following the Restricted Period: (i) each shareholder must offer Kenmare and Trident the right to buy its shares before the shares are offered to a third party; (ii) Kenmare can require each other shareholder to participate in a sale of Bayshore to a third party as long as Kenmare owns 55% of the aggregate number of outstanding shares of Bayshore held by Kenmare and Trident; (iii) each shareholder has the right to be included on a pro rata basis in any sales made by another shareholder; and (iv) each of Kenmare, Trident and Dowling has the right to buy its pro rata share of any new securities issued by Bayshore.

The Amended and Restated Bayshore Shareholders' Agreement also provides that during the 90-day period following the fifth anniversary of the Torus closing, and at any time following the seventh anniversary of such closing, Kenmare would have the right to purchase the Bayshore shares owned by all other shareholders of Bayshore at their then fair market value, which would be payable in cash. Following the seventh anniversary of the Torus closing, Trident would have the right to require Kenmare to purchase all of Trident's shares in Bayshore for their then current fair market value and Dowling would have the right to participate in such transaction by requiring Kenmare to purchase all of its shares in Bayshore on the same terms. Kenmare would have the option to pay for such shares either in cash or by delivering the Company's Voting Ordinary Shares.

In connection with the sale of Northshore shares, the Northshore Shareholders' Agreement was amended and restated. The Amended and Restated Northshore Shareholders' Agreement provides for substantially the same rights and obligations as the Amended and Restated Bayshore Shareholders' Agreement, except that the fifth and seventh anniversaries refer to the Arden closing (which occurred on September 9, 2013).

2013

Atrium

On November 25, 2013, Kenmare and Trident completed the acquisition of Atrium.

The purchase price for Atrium was $158.0 million. Kenmare's portion of the purchase price was $94.8 million, and was financed by borrowings under the Company's revolving credit facility.

The purchase price and net assets acquired at fair value are as follows:

Purchase price	$158,000
Net assets acquired at fair value	$119,152
Excess of purchase price over fair value of net assets acquired	$ 38,848

The purchase price was allocated to the acquired assets and liabilities of Atrium based on estimated fair values at the acquisition date. The Company recognized goodwill of $38.8 million, all of which was recorded within the Atrium segment and is attributable primarily to Atrium's assembled workforce. The Company also recognized indefinite-lived intangible assets of $63.0 million and other definite lived intangible assets of $27.0 million.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date.

ASSETS	
Short-term investments, available-for-sale, at fair value	$ 33,535
Short-term investments, trading, at fair value	12,526
Fixed maturities, available-for-sale, at fair value	156,142
Fixed maturities, trading, at fair value	10,751
Total investments	212,954
Cash and cash equivalents	44,842
Restricted cash and cash equivalents	12,305
Premiums receivable	41,855
Reinsurance balances recoverable	32,375
Deferred premium	26,224
Funds withheld	19,579
Intangibles	90,000
Other assets	7,977
TOTAL ASSETS	488,111
LIABILITIES	
Losses and loss adjustment expenses	216,319
Insurance and reinsurance balances payable	20,834
Unearned premium	42,738
Deferred taxes	39,740
Other liabilities	49,328
TOTAL LIABILITIES	368,959
NET ASSETS ACQUIRED AT FAIR VALUE	119,152
Goodwill	38,848
ACQUISITION DATE FAIR VALUE	$158,000

The net unearned premiums acquired included a decrease of $16.7 million to adjust net unearned premiums to fair value. This fair value adjustment is included within unearned premiums on the consolidated balance sheet. As at December 31, 2014, $16.0 million has been amortized to acquisition costs in the consolidated statements of earnings and comprehensive income. As at December 31, 2014, the remaining balance of the fair value adjustment was $0.7 million, which will be amortized to acquisition costs in 2015.

The following table summarizes the intangible assets recorded in connection with the acquisition:

	Amount	Economic Useful Life
Syndicate capacity	$32,900	Indefinite
Management contract	30,100	Indefinite
Distribution channel	20,000	15 Years
Brand	7,000	10 years
Intangible assets as of the acquisition date	$90,000	

The fair value of the Lloyd's syndicate capacity was estimated using the multi-period excess-earnings method. Lloyd's syndicate capacity represents Atrium's authorized premium income limit to write insurance business in the Lloyd's market. Atrium's proportionate share of Syndicate 609 (the syndicate through which it conducts its Lloyd's operations) is approximately 25%. The capacity is renewed annually at no cost to the Company but may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite with the premium income limit being set annually by the Company, subject to Lloyd's approval.

Atrium provides underwriting, actuarial and support services to Syndicate 609 pursuant to a management contract. The fair value of the management contract was estimated using the income approach.

Distribution channels represent broker relationships and the network of insurance companies through which Atrium conducts its operations. The fair value of Atrium's distribution channel was estimated using the income approach. Critical inputs into the valuation model for customer relationships and broker relationships include estimates of expected premium and attrition rates, and discounting at a weighted average cost of capital. Brand represents the intangible asset related to the Atrium name and was valued using the income approach.

Arden

On September 9, 2013, Kenmare and Trident, completed the acquisition of Arden through Northshore.

The purchase price for Arden was $79.6 million. Kenmare's portion of the purchase price was $47.8 million, and was financed by borrowings under the Company's revolving credit facility.

Purchase price	$79,600
Net assets acquired at fair value	$79,600

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition, allocated by segment:

	Atrium Segment	Non-life Run-off Segment	Total
ASSETS			
Short-term investments, trading, at fair value	$ 16,340	$ 12,512	$ 28,852
Fixed maturities, trading, at fair value	9,351	46,077	55,428
Other investments	—	2,867	2,867
Total investments	25,691	61,456	87,147
Cash and cash equivalents	—	23,037	23,037
Restricted cash and cash equivalents	10,213	21,599	31,812
Premiums receivable	74,452	49,769	124,221
Reinsurance balances recoverable	—	354,810	354,810
Other assets	—	12,016	12,016
TOTAL ASSETS	110,356	522,687	633,043
LIABILITIES			
Losses and loss adjustment expenses	56,160	427,567	483,727
Insurance and reinsurance balances payable	—	59,304	59,304
Unearned premium	—	10,412	10,412
TOTAL LIABILITIES	56,160	497,283	553,443
NET ASSETS ACQUIRED AT FAIR VALUE	$ 54,196	$ 25,404	$ 79,600

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pavonia

On March 31, 2013, the Company and its wholly-owned subsidiary, Pavonia Holdings (US), Inc., completed the acquisition of all of the shares of Household Life Insurance Company of Delaware ("HLIC DE") and HSBC Insurance Company of Delaware ("HSBC DE") from Household Insurance Group Holding Company, a subsidiary of HSBC Holdings plc. HLIC DE and HSBC DE are both Delaware-domiciled insurers in run-off. HLIC DE owns three other insurers domiciled in Michigan, New York, and Arizona, which are also in run-off (collectively with HLIC DE and HSBC DE, the "Pavonia companies"). The aggregate cash purchase price was $155.6 million and was financed in part by a drawing of $55.7 million under the Company's revolving credit facility. The Pavonia companies wrote various U.S. and Canadian life insurance, including credit life and disability insurance, term life insurance, assumed life reinsurance and annuities.

The purchase price and fair value of the assets acquired in the Pavonia acquisition were as follows:

Purchase price	$155,564
Net assets acquired at fair value	$155,564

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

ASSETS	
Short-term investments, trading, at fair value	$ 40,404
Short-term investments, held-to-maturity, at fair value	10,268
Fixed maturities, trading, at fair value	329,985
Fixed maturities, held-to-maturity, at fair value	876,474
Total investments	1,257,131
Cash and cash equivalents	81,849
Accrued interest receivable	15,183
Funds held by reinsured companies	47,761
Other assets	59,002
TOTAL ASSETS	1,460,926
LIABILITIES	
Policyholder benefits for life and annuity contracts	1,255,632
Reinsurance balances payable	39,477
Unearned premium	5,618
Other liabilities	4,635
TOTAL LIABILITIES	1,305,362
NET ASSETS ACQUIRED AT FAIR VALUE	$ 155,564

As of March 31, 2013, the date of acquisition of the Pavonia companies, all of the companies were either in run-off or, immediately following the acquisition, were placed into run-off, and accordingly are no longer writing any new policies. The Pavonia companies continue to collect premiums in relation to the unexpired policies assumed on acquisition.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SeaBright

On February 7, 2013, the Company completed its acquisition of SeaBright Holdings Inc. ("SeaBright"), through the merger of its indirect, wholly-owned subsidiary, AML Acquisition, Corp. with and into SeaBright (the "Merger"), with SeaBright surviving the Merger as the Company's indirect, wholly-owned subsidiary. SeaBright owns SeaBright Insurance Company, an Illinois-domiciled insurer that is commercially domiciled in California, which wrote direct workers' compensation business. The aggregate cash purchase price paid by the Company for all equity securities of SeaBright was approximately $252.1 million, which was funded in part with $111.0 million borrowed under a four-year term loan facility provided by NAB and Barclays.

Immediately following the acquisition, SeaBright was placed into run-off, and accordingly is no longer writing new insurance policies. Since its acquisition, SeaBright had renewed expiring insurance policies when it was obligated to do so by regulators, but has received approvals from all states relieving it of this obligation to renew any further policies.

The purchase price and fair value of the assets acquired in the SeaBright acquisition were as follows:

Purchase price	$252,091
Net assets acquired at fair value	$252,091

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed as of the date of acquisition:

ASSETS	
Short-term investments, trading, at fair value	$ 25,171
Fixed maturities, trading, at fair value	683,780
Total investments	708,951
Cash and cash equivalents	41,846
Accrued interest receivable	6,344
Premiums receivable	112,510
Reinsurance balances recoverable	117,462
Other assets	4,515
TOTAL ASSETS	991,628
LIABILITIES	
Losses and loss adjustment expenses	592,774
Unearned premium	93,897
Loans payable	12,000
Insurance balances payable	3,243
Other liabilities	37,623
TOTAL LIABILITIES	739,537
NET ASSETS ACQUIRED AT FAIR VALUE	$252,091

The net unearned premiums acquired included a decrease of $14.4 million to adjust net unearned premiums to fair value. This fair value adjustment was included within unearned premiums on the

December 31, 2013 consolidated balance sheet. This amount was amortized to acquisition costs in the consolidated statements of earnings during 2013. The amortization approximated the amount of SeaBright's deferred acquisition costs that would have been recognized as acquisition costs had they not been fair valued under acquisition accounting. As at December 31, 2013, this fair value adjustment was fully amortized.

4. SIGNIFICANT NEW BUSINESS

2015

Reciprocal of America

On January 15, 2015, the Company's wholly-owned subsidiary, Providence Washington Insurance Company, completed the loss portfolio transfer reinsurance transaction with Reciprocal of America (in Receivership) and its Deputy Receiver relating to a portfolio of workers compensation business in run-off. The total net insurance reserves assumed were approximately $162.1 million, with an equivalent amount of cash and/or investments being received as consideration.

Shelbourne RITC Transaction

Effective January 1, 2015, Lloyd's Syndicate 2008, which is managed by the Company's wholly-owned subsidiary and Lloyd's managing agent, Shelbourne Syndicate Services Limited, entered into a reinsurance to close contract ("RITC") of the 2012 and prior underwriting years of account of another Lloyd's syndicate, under which Syndicate 2008 assumed total net insurance reserves of approximately £17.2 million (approximately $26.9 million) for cash consideration of an equal amount.

2014

Shelbourne RITC Transactions

Effective January 1, 2014, Syndicate 2008 entered into an RITC of the 2011 and prior underwriting years of account of another Lloyd's syndicate, under which Syndicate 2008 assumed total net insurance reserves of approximately £17.0 million (approximately $28.1 million) for cash consideration of an equal amount.

2013

Shelbourne RITC Transactions

Effective January 1, 2013, Syndicate 2008 entered into an RITC of the 2009 underwriting year of account of another Lloyd's syndicate and a 100% quota share reinsurance agreement with a further Lloyd's syndicate in respect of its 2010 underwriting year of account, under which Syndicate 2008 assumed total gross insurance reserves of approximately £33.8 million (approximately $51.4 million) for cash consideration of an equal amount.

American Physicians

On April 26, 2013, the Company, through its wholly-owned subsidiary, Providence Washington Insurance Company ("PWIC"), completed the assignment and assumption of a portfolio of workers' compensation business from American Physicians Assurance Corporation and APSpecialty Insurance Company (collectively "APS"). Total assets and liabilities assumed were approximately $35.3 million.

2012

Claremont

On August 6 and December 17, 2012, the Company, through Fitzwilliam, entered into novation agreements with Claremont and two of Claremont's reinsurers with respect to their existing quota share contracts. Under the novation agreements, Fitzwilliam replaced the reinsurers on the quota share contracts in exchange for total assets and liabilities of approximately $38.0 million.

Zurich Danish Portfolio

On June 30, 2012, the Company, through the Danish branch of its wholly-owned subsidiary, Marlon Insurance Company Limited ("Marlon"), acquired, by way of loss portfolio transfer under Danish law, a portfolio of reinsurance and professional disability business from the Danish branch of Zurich Insurance Company ("Zurich"). Marlon received total assets and assumed liabilities of approximately $60.0 million.

Shelbourne RITC Transactions

On January 1, 2012, Syndicate 2008 transferred the assets and liabilities relating to its 2009 and prior underwriting years of account into its 2010 underwriting year of account by means of an RITC transaction. Following the transfer, the existing noncontrolling interest held by its other investors ceased, resulting in the Company now providing 100% of the underwriting capacity for Syndicate 2008.

Effective December 31, 2012, Syndicate 2008 entered into a 100% quota share reinsurance agreement with another Lloyd's syndicate in respect of its 2009 and prior years of account (the "2009 liabilities"), under which Syndicate 2008 assumed total gross insurance reserves of approximately £193.0 million (approximately $313.3 million) for consideration of an equal amount. Effective January 1, 2014, the 2012 Lloyd's underwriting year of account of Syndicate 2008 entered into a partial RITC transaction with respect to the 2009 liabilities.

5. INVESTMENTS

The Company holds: (i) trading portfolios of fixed maturity investments, short-term investments, equities and other investments; (ii) a held-to-maturity portfolio of fixed maturity investments; and (iii) available-for-sale portfolios of fixed maturity and short-term investments. The Company's trading and available-for-sale portfolios are recorded at fair value. The Company's held-to-maturity portfolio is recorded at amortized cost.

In the normal course of the Company's investing activities, it actively manages allocations to non-controlling tranches of structured securities issued by variable interest entities ("VIEs"). These structured securities include residential mortgage-backed, commercial mortgage-backed and asset-backed securities and are included in the tables below.

The Company's other investments are comprised of private equity funds, fixed income funds, fixed income hedge funds, equity and real estate debt funds. The Company also holds both direct and indirect investments in collateralized loan obligation ("CLO") equity-tranched securities, which are all variable interests issued by VIEs. The indirect investments are in the form of CLO equity funds. For these variable interests, the Company does not have the power to direct the activities that are most significant to the economic performance of the VIEs and, accordingly, it is not the primary beneficiary for any of these VIEs. The Company's maximum exposure to loss on these interests is limited to the amount of its investment. The Company has not provided financial or other support with respect to these structured securities other than its original investment.

Trading

The estimated fair values of the Company's investments in fixed maturity investments, short-term investments and equities classified as trading securities were as follows:

	December 31, 2014	December 31, 2013
U.S. government and agency	$ 744,660	$ 439,946
Non-U.S. government	368,945	476,224
Corporate	1,986,873	2,123,675
Municipal	25,607	41,034
Residential mortgage-backed	308,621	218,457
Commercial mortgage-backed	139,907	114,637
Asset-backed	388,194	248,748
Total fixed maturity and short-term investments	3,962,807	3,662,721
Equities — U.S.	106,895	115,285
Equities — International	43,235	66,748
	$ 4,112,937	$ 3,844,754

Included within residential and commercial mortgage-backed securities as at December 31, 2014 were securities issued by U.S. governmental agencies with a fair value of $263.4 million (as at December 31, 2013: $177.9 million).

The increase in the Company's investments classified as trading securities of $268.2 million was due primarily to additional fixed maturity investments acquired in the Torus acquisition.

The contractual maturities of the Company's short-term and fixed maturity investments classified as trading are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at December 31, 2014	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 837,557	$ 829,644	20.9%
More than one year through two years	787,810	780,979	19.7%
More than two years through five years	1,161,708	1,159,917	29.3%
More than five years through ten years	289,359	289,911	7.3%
More than ten years	66,793	65,634	1.7%
	3,143,227	3,126,085	78.9%
Residential mortgage-backed	307,847	308,621	7.8%
Commercial mortgage-backed	139,984	139,907	3.5%
Asset-backed	389,529	388,194	9.8%
	$3,980,587	$3,962,807	100.0%

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As at December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 800,815	$ 808,707	22.1%
More than one year through two years	1,191,586	1,195,752	32.6%
More than two years through five years	682,735	688,963	18.8%
More than five years through ten years	357,925	351,422	9.6%
More than ten years	38,270	36,035	1.0%
	3,071,331	3,080,879	84.1%
Residential mortgage-backed	219,461	218,457	6.0%
Commercial mortgage-backed	115,351	114,637	3.1%
Asset-backed	247,596	248,748	6.8%
	$3,653,739	$3,662,721	100.0%

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity and short-term investments classified as trading:

As at December 31, 2014	Fair Value	% of Total Fair Value
AAA	$ 527,466	13.3%
AA	1,747,389	44.1%
A	1,164,604	29.4%
BBB	391,107	9.9%
Non-Investment Grade	111,777	2.8%
Not Rated	20,464	0.5%
	$3,962,807	100.0%

As at December 31, 2013	Fair Value	% of Total Fair Value
AAA	$ 502,057	13.7%
AA	1,430,107	39.1%
A	1,191,142	32.5%
BBB	408,466	11.1%
Non-Investment Grade	53,148	1.5%
Not Rated	77,801	2.1%
	$3,662,721	100.0%

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Held-to-maturity

The Company holds a portfolio of held-to-maturity securities to support the annuity business acquired with Pavonia. The amortized cost and estimated fair values of the Company's fixed maturity investments classified as held-to-maturity were as follows:

As at December 31, 2014	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	$ 20,257	$ 322	$ (20)	$ 20,559
Non-U.S. government	38,613	325	(249)	38,689
Corporate	754,363	16,182	(3,421)	767,124
	$813,233	$ 16,829	$ (3,690)	$826,372

As at December 31, 2013	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	$ 19,992	$ 6	$ (1,866)	$ 18,132
Non-U.S. government	23,592	19	(1,284)	22,327
Corporate	815,803	105	(56,808)	759,100
	$859,387	$ 130	$ (59,958)	$799,559

As at December 31, 2014 and December 31, 2013, none of these securities were considered to be other than temporarily impaired.

The contractual maturities of the Company's fixed maturity investments classified as held-to-maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at December 31, 2014	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 10,369	$ 10,350	1.2%
More than one year through two years	19,939	19,957	2.4%
More than two years through five years	68,945	69,031	8.4%
More than five years through ten years	99,171	98,922	12.0%
More than ten years	614,809	628,112	76.0%
	$813,233	$826,372	100.0%

As at December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 17,541	$ 17,579	2.2%
More than one year through two years	76,825	75,742	9.5%
More than two years through five years	10,873	10,869	1.3%
More than five years through ten years	133,102	126,541	15.8%
More than ten years	621,046	568,828	71.2%
	$859,387	$799,559	100.0%

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity investments classified as held-to-maturity:

As at December 31, 2014	Amortized Cost	Fair Value	% of Total Fair Value
AAA	$ 53,893	$ 54,895	6.6%
AA	245,460	246,764	29.9%
A	466,317	476,642	57.7%
BBB	42,107	42,748	5.2%
Non-Investment Grade	5,456	5,323	0.6%
	$813,233	$826,372	100.0%

As at December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value
AAA	$ 47,949	$ 44,552	5.6%
AA	259,163	239,188	29.9%
A	496,986	463,001	57.9%
BBB	49,281	47,157	5.9%
Non-Investment Grade	5,478	5,125	0.6%
Not Rated	530	536	0.1%
	$859,387	$799,559	100.0%

Available-for-sale

The amortized cost and estimated fair values of the Company's fixed maturity and short-term investments classified as available-for-sale were as follows:

As at December 31, 2014	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	$ 24,167	$ 182	$ (7)	$ 24,342
Non-U.S. government	72,913	386	(2,805)	70,494
Corporate	101,745	964	(1,653)	101,056
Residential mortgage-backed	3,305	76	(138)	3,243
Asset-backed	41,980	15	(19)	41,976
	$244,110	$ 1,623	$ (4,622)	$241,111

As at December 31, 2013	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	$ 28,050	$ 303	$ (10)	$ 28,343
Non-U.S. government	84,443	1,871	(22)	86,292
Corporate	76,942	1,221	(259)	77,904
Residential mortgage-backed	17,523	102	(118)	17,507
Asset-backed	36,344	4	(30)	36,318
	$243,302	$ 3,501	$ (439)	$246,364

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Included within residential mortgage-backed securities as at December 31, 2014 were securities issued by U.S. governmental agencies with a fair value of $1.1 million (as at December 31, 2013: $12.5 million).

The following tables summarize the Company's fixed maturity and short-term investments classified as available-for-sale in an unrealized loss position as well as the aggregate fair value and gross unrealized loss by length of time the securities have continuously been in an unrealized loss position:

	12 Months or Greater		Less Than 12 Months		Total	
As at December 31, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency	$ 528	$ —	$ 3,678	$ (6)	$ 4,206	$ (6)
Non-U.S. government	17,051	(1,534)	20,300	(1,271)	37,351	(2,805)
Corporate	39,964	(1,003)	40,072	(651)	80,036	(1,654)
Residential mortgage-backed	2,073	(138)	—	—	2,073	(138)
Asset-backed	11,215	(12)	14,720	(7)	25,935	(19)
	$70,831	$ (2,687)	$78,770	$ (1,935)	$149,601	$ (4,622)

	12 Months or Greater		Less Than 12 Months		Total	
As at December 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S government and agency	$ —	$ —	$ 11,416	$ (10)	$ 11,416	$ (10)
Non-U.S. government	—	—	20,406	(22)	20,406	(22)
Corporate	—	—	51,478	(259)	51,478	(259)
Residential mortgage-backed	—	—	13,632	(118)	13,632	(118)
Asset-backed	—	—	24,898	(30)	24,898	(30)
	$ —	$ —	$121,830	$ (439)	$121,830	$ (439)

As at December 31, 2014 and December 31, 2013, the number of securities classified as available-for-sale in an unrealized loss position was 212 and 135, respectively, with a fair value of $149.6 million and $121.8 million, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 120 and nil, respectively. As of December 31, 2014, none of these securities were considered to be other than temporarily impaired.

The contractual maturities of the Company's fixed maturity and short-term investments classified as available-for-sale are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at December 31, 2014	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 54,491	$ 53,496	22.2%
More than one year through two years	53,936	52,343	21.7%
More than two years through five years	86,157	84,970	35.2%
More than five years through ten years	1,890	1,858	0.8%
More than ten years	2,351	3,225	1.3%
	198,825	195,892	81.2%
Residential mortgage-backed	3,305	3,243	1.4%
Asset-backed	41,980	41,976	17.4%
	$244,110	$241,111	100.0%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As at December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value
One year or less	$ 45,295	$ 45,596	18.5%
More than one year through two years	73,763	74,101	30.1%
Due after two years through three years	67,637	69,344	28.1%
More than five years through ten years	69	70	0.1%
More than ten years	2,671	3,428	1.4%
	189,435	192,539	78.2%
Residential mortgage-backed	17,523	17,507	7.1%
Asset-backed	36,344	36,318	14.7%
	$243,302	$246,364	100.0%

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity and short-term investments classified as available-for-sale:

As at December 31, 2014	Amortized Cost	Fair Value	% of Total Fair Value
AAA	$117,866	$115,691	48.0%
AA	62,707	61,970	25.7%
A	49,039	49,063	20.3%
BBB	14,498	14,387	6.0%
	$244,110	$241,111	100.0%

As at December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value
AAA	$125,729	$127,433	51.7%
AA	74,692	75,181	30.5%
A	33,834	34,607	14.1%
BBB	8,957	8,963	3.6%
Not Rated	90	180	0.1%
	$243,302	$246,364	100.0%

Other-Than-Temporary Impairment Process

The Company assesses whether declines in the fair value of its fixed maturity investments classified as available-for-sale and held-to-maturity represent impairment losses that are other-than-temporary and whether a credit loss exists in accordance with its accounting policies. In assessing whether it is more likely than not that the Company will be required to sell a fixed maturity investment before its anticipated recovery, the Company considers various factors including its future cash flow requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short-term investments and fixed maturity investments available-for-sale in an unrealized gain position, and other relevant factors. For the year ended December 31, 2014, the Company did not recognize any other-than-temporary impairment losses due to required sales. The Company determined that, as at December 31, 2014, no credit losses existed.

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Other Investments

The estimated fair values of the Company's other investments were as follows:

	December 31, 2014	December 31, 2013
Private equity funds	$ 197,269	$ 161,229
Fixed income funds	335,026	194,375
Fixed income hedge funds	59,627	68,157
Equity funds	150,053	109,355
Real estate debt fund	33,902	32,113
CLO equities	41,271	—
CLO equity funds	16,022	—
Other	3,698	4,064
	$ 836,868	$ 569,293

Private equity funds

This class comprises several private equity funds that invest primarily in the financial services industry. All of the Company's investments in private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents and limit the Company's ability to liquidate those investments. These restrictions have been in place since the dates the initial investments were made by the Company.

As of December 31, 2014 and December 31, 2013, the Company had $197.3 million and $161.2 million, respectively, of other investments recorded in private equity funds, which represented 2.6% and 2.5% of total investments, cash and cash equivalents and restricted cash and cash equivalents at December 31, 2014 and December 31, 2013, respectively. Due to a lag in the valuations reported by the managers, the Company records changes in the investment value with up to a three-month lag. Management regularly reviews and discusses fund performance with the Company's 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.

Fixed income funds

This class comprises 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. The funds have liquidity terms that vary from daily up to quarterly.

Fixed income hedge funds

This class comprises hedge funds that invest in a diversified portfolio of debt securities. The hedge funds have imposed lock-up periods of three years from the time of the Company's initial investment. Once eligible, redemptions will be permitted quarterly with 90 days' notice.

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Equity funds

This class comprises equity funds that invest in a diversified portfolio of international publicly-traded equity securities.

Real estate debt fund

This class comprises a real estate debt fund that invests primarily in U.S. commercial real estate loans and securities. A redemption request for this fund can be made 10 days after the date of any monthly valuation; the fund states that it will make commercially reasonable efforts to redeem the investment within the next monthly period.

CLO equities

This class comprises investments in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans. CLO equities denote direct investments by the Company in these securities.

CLO equity funds

This class comprises two funds that invest primarily in the equity tranches of term-financed securitizations of diversified pools of corporate bank loans.

Other

This class primarily comprises a fund that provides loans to educational institutions throughout the U.S. and its territories. Through these investments, the Company participates in the performance of the underlying loan pools. This investment matures when the loans are paid down and cannot be redeemed before maturity. Also included within this class is a catastrophe bond acquired as part of the Company's acquisition of Torus.

Redemption restrictions on other investments

Certain funds included in other investments are subject to a lock-up period. A lock-up period refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem the investment. Funds that do provide for periodic redemptions may, depending on the funds' governing documents, have the ability to deny or delay a redemption request, which is called a "gate." The fund may restrict redemptions because the aggregate amount of redemption requests as of a particular date exceeds a specified level. The gate is a method for executing an orderly redemption process that allows for redemption requests to be executed in a timely manner to reduce the possibility of adversely affecting the remaining investors in the fund. Typically, the imposition of a gate delays a portion of the requested redemption, with the remaining portion to be settled in cash sometime after the redemption date.

Certain funds included in other investments may be allowed to invest a portion of their assets in illiquid securities, such as private equity or convertible debt. In such cases, a common mechanism used is a "side-pocket," whereby the illiquid security is assigned to a separate memorandum capital account or designated account. Typically, the investor loses its redemption rights in the designated account. Only when the illiquid security is sold, or is otherwise deemed liquid by the fund, may investors redeem their interest in the side-pocket.

At December 31, 2014, the Company had $2.0 million of investments subject to side-pockets ($3.2 million as of December 31, 2013). As of December 31, 2014, management has not made any adjustments to the fair value estimate reported by the fund managers for the side-pocketed investments.

The following tables present the fair value, unfunded commitments and redemption frequency for the funds included within other investments. These investments are all valued at net asset value as at December 31, 2014 and 2013:

December 31, 2014	Total Fair Value	Gated/Side Pocket Investments	Investments without Gates or Side Pockets	Unfunded Commitments	Redemption Frequency
Private equity funds	$197,269	$ —	$ 197,269	$ 99,885	Not eligible
Fixed income funds	335,026	—	335,026	—	Daily, monthly and quarterly
Fixed income hedge funds	59,627	1,958	57,669	—	Quarterly after lock-up periods expire
Equity funds	150,053	—	150,053	—	Bi-monthly
Real estate debt fund	33,902	—	33,902	—	Monthly
CLO equity funds	16,022	—	16,022	—	Not eligible
Other	1,363	—	1,363	—	Not eligible
	$793,262	$ 1,958	$ 791,304	$ 99,885	

December 31, 2013	Total Fair Value	Gated/Side Pocket Investments	Investments without Gates or Side Pockets	Unfunded Commitments	Redemption Frequency
Private equity funds	$161,229	$ —	$ 161,229	$ 113,585	Not eligible
Fixed income funds	194,375	—	194,375	—	Daily to monthly
Fixed income hedge funds	68,157	3,150	65,007	—	Quarterly after lock-up periods expire
Equity funds	109,355	—	109,355	—	Bi-monthly
Real estate debt fund	32,113	—	32,113	—	Monthly
Other	4,064	—	4,064	655	Not eligible
	$569,293	$ 3,150	$ 566,143	$ 114,240	

Fair Value of Financial Instruments

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. The Company uses 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 the Company has 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 inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Company’s own judgment about assumptions that market participants might use.

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

Fixed Maturity Investments

The Company's fixed maturity investments portfolio is managed by the Company's Chief Investment Officer and outside investment advisors with oversight from the Company's Investment Committee. Fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment custodians, investment accounting service providers and investment managers, each of which utilize internationally recognized independent pricing services. Interactive Data Corporation is, however, the main pricing service utilized to estimate the fair value measurements for the Company's fixed maturity investments. The Company records the unadjusted price provided by the investment custodians, investment accounting service providers or the investment managers and validates 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 the Company's knowledge of the current investment market. The Company's 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 custodians, investment accounting service providers and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. 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 the Company's fixed maturity investments by asset class.

- 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. 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 within Level 2.
- 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 within Level 2.

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- 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 within Level 2. Where pricing is unavailable from pricing services, the Company obtains 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. In this event, securities are classified within Level 3. As at December 31, 2014, the Company had one corporate security classified 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 within Level 2.
- Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. 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, broker-dealer quotes, prepayment speeds and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.
- Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. 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, broker-dealer quotes, prepayment speeds and default rates. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2. Where pricing is unavailable from pricing services, the Company obtains 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. In this event, securities are classified within Level 3. As at December 31, 2014, the Company had no residential or commercial mortgage-backed securities classified as Level 3.

Equities

The Company's equities are predominantly traded on the major exchanges and are primarily managed by two external advisors. The Company uses Interactive Data Corporation, an internationally recognized pricing service, to estimate the fair value for all of its equities. The Company's equities are widely diversified and there is no significant concentration in any specific industry.

The Company has categorized all of its investments in equities other than preferred stock as Level 1 investments because the fair values of these investments are based on quoted prices in active markets for identical assets or liabilities. The fair value estimates of the Company's preferred stock is based on observable market data and, as a result, has been categorized as Level 2, with the exception of one investment in preferred stock that has been categorized as Level 3.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other investments

The Company has ongoing due diligence processes with respect to funds in which it invests and their managers. These processes are designed to assist the Company 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, the Company obtains the audited financial statements for funds annually, and regularly reviews and discusses the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate net asset value is a permitted practical expedient. While reported net asset value is the primary input to the review, when the net asset value is deemed not to be indicative of fair value, the Company may incorporate adjustments to the reported net asset value (and not use the permitted practical expedient) on an investment by investment basis. These adjustments may involve significant management judgment. As at December 31, 2014, there were no material adjustments made to the reported net asset value.

For its investments in private equity funds, the Company measures fair value by obtaining the most recently provided capital statement from the external fund manager or third-party administrator. The funds calculate net asset value on a fair value basis. For all publicly-traded companies within these funds, the Company adjusts the reported net asset value based on the latest share price as of the Company's reporting date. The Company has classified its investments in private equity funds as Level 3.

The fixed income funds and equity funds in which the Company invests have been classified as Level 2 investments because their fair value is estimated using the published net asset value and because the fixed income funds and equity funds are highly liquid.

For its investments in fixed income hedge funds, the Company measures fair value by obtaining the most recently published net asset value as advised by the external fund manager or third-party administrator. The investments in the funds are classified as Level 3.

The real estate debt fund in which the Company invests has been valued based on the most recent published net asset value. This investment has been classified as Level 3.

The Company measures the fair value of its direct investment in CLO equities based on valuations provided by the Company's external CLO equity manager. If the investment does not involve an external CLO equity manager, the fair value of the investment is valued based on valuations provided by the broker or lead underwriter of the investment (the "broker"). The Company's 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 the Company's 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 judgmental 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 the Company's CLO equities. In general, these inputs have no significant interrelationship with each other or with default and loss severity rates.

On a quarterly basis, the Company receives the valuation from the external CLO manager and brokers and then reviews the underlying cash flows and key assumptions used by the manager/broker. The Company reviews and updates the significant unobservable inputs based on information obtained from secondary markets. These inputs are the responsibility of the Company and the Company assesses the reasonableness of the inputs (and if necessary, updates the inputs) through communicating with industry participants, monitoring of the transactions in which the Company participates (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 were not available, the Company would 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 its investments in the CLO equity funds, the Company measures fair value by obtaining the most recently published net asset value as advised by the external fund manager. The Company uses an income approach to corroborate the reasonableness of reported net asset value. The CLO equity funds have been classified as Level 3 due to a lack of observable and relevant trades in secondary markets.

The Company's remaining other investments have been valued based on the latest available capital statements, and have all been classified as Level 3.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Measurements

In accordance with the provisions of the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification 820, the Company has categorized its investments that are recorded at fair value among levels as follows:

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. government and agency	$ —	$ 769,002	$ —	$ 769,002
Non-U.S. government	—	439,439	—	439,439
Corporate	—	2,087,329	600	2,087,929
Municipal	—	25,607	—	25,607
Residential mortgage-backed	—	311,864	—	311,864
Commercial mortgage-backed	—	139,907	—	139,907
Asset-backed	—	430,170	—	430,170
Equities — U.S.	96,842	5,203	4,850	106,895
Equities — International	24,365	18,870	—	43,235
Other investments	—	487,078	349,790	836,868
Total investments	$ 121,207	$ 4,714,469	$ 355,240	$5,190,916

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. government and agency	$ —	$ 468,289	$ —	$ 468,289
Non-U.S. government	—	562,516	—	562,516
Corporate	—	2,200,970	609	2,201,579
Municipal	—	41,034	—	41,034
Residential mortgage-backed	—	235,964	—	235,964
Commercial mortgage-backed	—	114,637	—	114,637
Asset-backed	—	285,066	—	285,066
Equities — U.S.	97,470	13,090	4,725	115,285
Equities — International	35,677	31,071	—	66,748
Other investments	—	303,724	265,569	569,293
Total investments	$ 133,147	$ 4,256,361	$ 270,903	$4,660,411

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables present the Company's fair value hierarchy for those assets classified as held-to-maturity in the consolidated balance sheet but for which disclosure of the fair value is required as of December 31, 2014 and December 31, 2013:

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. government and agency	$ —	$ 20,559	$ —	$ 20,559
Non-U.S. government	—	38,689	—	38,689
Corporate	—	767,124	—	767,124
Total investments	$ —	$ 826,372	$ —	$826,372

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. government and agency	$ —	$ 18,132	$ —	$ 18,132
Non-U.S. government	—	22,327	—	22,327
Corporate	—	759,100	—	759,100
Total investments	$ —	$ 799,559	$ —	$799,559

During 2014 and 2013, the Company had no transfers between Levels 1 and 2.

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the twelve months ended December 31, 2014:

	Fixed Maturity Investments	Other Investments	Equity Securities	Total
Level 3 investments as of January 1, 2014	$ 609	$ 265,569	$ 4,725	$ 270,903
Purchases	—	158,927	—	158,927
Sales	—	(104,684)	—	(104,684)
Total realized and unrealized gains through earnings	(9)	29,978	125	30,094
Net transfers into and/or (out of) Level 3	—	—	—	—
Level 3 investments as of December 31, 2014	$ 600	$ 349,790	$ 4,850	$ 355,240

The amount of net gains (losses) for the twelve months ended December 31, 2014 included in earnings attributable to the fair value of changes in assets still held at December 31, 2014 was $30.1 million. All of this amount was included in net realized and unrealized gains.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents a reconciliation of the beginning and ending balances for all investments measured at fair value on a recurring basis using Level 3 inputs during the twelve months ended December 31, 2013:

	Fixed Maturity Investments	Other Investments	Equity Securities	Total
Level 3 investments as of January 1, 2013	$ 540	$ 202,730	$ 3,401	$206,671
Purchases	—	44,032	—	44,032
Sales	—	(28,568)	—	(28,568)
Total realized and unrealized gains through earnings	69	47,375	1,324	48,768
Net transfers into and/or (out of) Level 3	—	—	—	—
Level 3 investments as of December 31, 2013	$ 609	$ 265,569	$ 4,725	$270,903

The amount of net (losses) gains for the twelve months ended December 31, 2013 included in earnings attributable to the fair value of changes in assets still held at December 31, 2013 was $48.8 million. All of this amount was included in net realized and unrealized gains.

Net Realized and Unrealized Gains

Components of net realized and unrealized gains (losses) for the years ended December 31, 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Gross realized gains on available-for-sale securities	$ 196	$ 705	$ 5,850
Gross realized (losses) on available-for-sale securities	(138)	(214)	(727)
Net realized gains on trading securities	23,881	13,488	13,569
Net unrealized gains (losses) on trading securities	8,712	(13,791)	23,541
Net realized and unrealized gains on other investments	29,968	70,463	31,379
Net realized and unrealized gains	$ 62,619	$ 70,651	$ 73,612
Proceeds from sales and maturities of available-for-sale securities	$110,180	$196,507	$353,913

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net Investment Income

Major categories of net investment income for the years ended December 31, 2014, 2013 and 2012 are summarized as follows:

	2014	2013	2012
Interest from fixed maturity investments	$150,890	$123,555	$ 78,767
Interest from cash and cash equivalents and short-term investments	6,682	13,705	14,924
Net amortization of bond premiums and discounts	(54,979)	(51,505)	(28,758)
Dividends from equities	5,854	4,923	2,961
Other investments	1,335	652	661
Interest on other receivables	728	2,001	6,887
Other income	14,042	2,999	5,229
Interest on deposits held with clients	1,969	3,650	1,368
Policy loan interest	1,192	—	—
Investment expenses	(10,344)	(6,685)	(4,279)
	$117,369	$ 93,295	$ 77,760

Restricted Assets

The Company is required to maintain investments and cash and cash equivalents on deposit with various regulatory authorities to support its insurance and reinsurance operations. The investments and cash and cash equivalents on deposit are available to settle insurance and reinsurance liabilities. The Company also utilizes trust accounts to collateralize business with its insurance and reinsurance counterparties. These trust accounts generally take the place of letter of credit requirements. The assets in trusts as collateral are primarily highly rated fixed maturity securities. The carrying value of the Company's restricted assets, including restricted cash of $535.0 million and $397.7 million, as of December 31, 2014 and December 31, 2013 was as follows:

	December 31, 2014	December 31, 2013
Collateral in trust for third party agreements	$ 2,630,259	$ 2,002,374
Assets on deposit with regulatory authorities	653,192	608,940
Collateral for secured letter of credit facilities	300,468	310,938
	$ 3,583,919	$ 2,922,252

The increase in restricted assets of $661.7 million since December 31, 2013 is primarily as a result of the acquisition of Torus.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. DERIVATIVE INSTRUMENTS

From time to time, the Company uses foreign currency forward contracts as part of its overall foreign currency risk management strategy or to obtain exposure to a particular financial market, as well as for yield enhancement. These derivatives are not designated as hedging investments.

For the year ended December 31, 2014, the Company did not enter into any new derivative instruments. The following table sets forth the estimated fair value of derivative instruments recorded within other assets on the condensed consolidated balance sheet as at December 31, 2014 and 2013, and realized gains (losses) on derivative instruments recorded in net earnings for the years ended December 31, 2014, 2013 and 2012:

Foreign Exchange Forward Contract	Contract Date	Settlement Date	Contract Amount	Settlement Amount	Fair Value as at December 31,	Net Foreign Exchange (Losses) Gains
2014						
Australian dollar	November 26, 2013	January 3, 2014	AU$45,000	$41,036	$ —	$ (130)
U.S Dollar	July 1, 2013	January 3, 2014	$40,887	AU$45,000	—	130
					$ —	$ —
2013						
Australian dollar	November 26, 2013	January 3, 2014	AU$45,000	$41,036	$ 779	$ 779
U.S Dollar	July 1, 2013	January 3, 2014	$40,887	AU$45,000	(630)	(630)
Australian dollar	February 8, 2012	May 10, 2013	AU$45,000	$36,099	—	303
British pound	March 6, 2012	March 6, 2013	UKP17,000	$26,611	—	1,023
					$ 149	$ 1,475
2012						
Australian dollar	February 8, 2012	May 10, 2013	AU$35,000	$36,099	$ (238)	$ (238)
British pound	March 6, 2012	March 6, 2013	UKP17,000	$26,611	(1,023)	(1,023)
Australian dollar	February 8, 2012	December 19, 2012	AU$25,000	$26,165	—	—
					$ (1,261)	$ (1,261)

7. REINSURANCE BALANCES RECOVERABLE

The following table provides the total reinsurance balances recoverable as at December 31, 2014 and, 2013:

	2014					2013			
	Non-life Run-off	Atrium	Torus	Life and Annuities	Total	Non-life Run-off	Atrium	Life and Annuities	Total
Recoverable from reinsurers on:									
Outstanding losses	$568,386	$ 9,582	$181,067	$ 25,125	$ 784,160	$ 788,705	$10,777	$ 28,556	$ 828,038
Losses incurred but not reported	278,696	14,565	154,850	467	448,578	402,675	9,887	782	413,344
Fair value adjustments	(46,373)	4,131	(10,708)	—	(52,950)	(69,847)	4,391	—	(65,456)
Total reinsurance reserves recoverable	800,709	28,278	325,209	25,592	1,179,788	1,121,533	25,055	29,338	1,175,926
Paid losses recoverable	129,750	1,289	19,845	883	151,767	177,459	7,845	2,589	187,893
	$930,459	$29,567	$345,054	$ 26,475	$1,331,555	$1,298,992	$32,900	$ 31,927	$1,363,819

The Company's acquired insurance and reinsurance run-off subsidiaries, prior to acquisition, used retrocessional agreements to reduce their exposure to the risk of insurance and reinsurance assumed. The Company's insurance and reinsurance subsidiaries remain liable to the extent that retrocessionaires do not meet their obligations under these agreements, and therefore, the Company evaluates and monitors concentration of credit risk among its reinsurers. Provisions are made for amounts considered potentially uncollectible.

On an annual basis, both Torus and Atrium purchase a tailored outwards reinsurance program designed to manage their risk profiles. The majority of Atrium's total third party reinsurance cover is with Lloyd's Syndicates or other highly rated reinsurers. The majority of Torus' total third party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit.

The fair value adjustments, determined on acquisition of insurance and reinsurance subsidiaries, are based on the estimated timing of loss and loss adjustment expense recoveries and an assumed interest rate equivalent to a risk free rate for securities with similar duration to the reinsurance recoverables acquired plus a spread to reflect credit risk, and are amortized over the estimated recovery period, as adjusted for accelerations in timing of payments as a result of commutation settlements.

As of December 31, 2014 and 2013, the Company had, excluding reinsurance recoverables related to its life and annuities segment, reinsurance balances recoverable of $1.30 billion and $1.33 billion, respectively. The decrease of $26.8 million in reinsurance balances recoverable was primarily a result of commutations and cash collections made during the year ended December 31, 2014 in the Company's non-life run-off segment partially offset by balances associated with the Torus acquisition.

As of December 31, 2014 and 2013, the provision for uncollectible reinsurance recoverable relating to reinsurance balances recoverable was $289.9 million and $338.6 million, respectively. To estimate the provision for uncollectible reinsurance recoverable, the balances are first allocated to applicable reinsurers using management judgment. As part of this process, ceded IBNR reserves are allocated by reinsurer. The ratio of the provision for uncollectible reinsurance recoverable to total non-life reinsurance balances recoverable (excluding provision for uncollectible reinsurance recoverable) as of December 31, 2014 decreased to 17.9% as compared to 19.9% as of December 31, 2013, primarily as a result of reinsurance balances recoverable of Torus acquired during the year that required minimal provisions for uncollectible reinsurance recoverable, offset by commutations and cash collections from reinsurers with minimal bad debt provisions.

Life and Annuities

As at December 31, 2014 and 2013, the reinsurance balances recoverable associated with the Company's life and annuities business amounting to $26.5 million and $31.9 million, respectively, consisted of term life business ceded by Pavonia to reinsurers under various quota share arrangements. All of the reinsurers as at December 31, 2014 and 2013 were rated A- and above by a major rating agency.

Top Ten Reinsurers

At December 31, 2014 and 2013, the top ten reinsurers of the Company's business accounted for 64.9% and 68.3%, respectively, of total reinsurance balances recoverable (which includes total reinsurance reserves and paid losses recoverable) and included $310.9 million and $290.1 million, respectively, of IBNR reserves recoverable. With the exception of one non-rated reinsurer from which $175.2 million was recoverable (December 31, 2013: $256.2 million recoverable from one non-rated reinsurer and $41.4 million recoverable from one BBB+ rated reinsurer), the other top ten reinsurers, as at December 31, 2014 and 2013, were all rated A- or better. Reinsurance balances recoverable by reinsurer were as follows:

	2014		2013	
	Reinsurance Recoverables	% of Total	Reinsurance Recoverables	% of Total
Top 10 reinsurers	$ 864,166	64.9%	$ 930,943	68.3%
Other reinsurers' balances > $1 million	453,734	34.1%	423,013	31.0%
Other reinsurers' balances < $1 million	13,655	1.0%	9,863	0.7%
Total	$ 1,331,555	100.0%	$ 1,363,819	100.0%

As at December 31, 2014 and 2013, reinsurance balances recoverable with a carrying value of $314.5 million and $256.2 million, respectively, were associated with two and one reinsurers, respectively, which represented 10% or more of total non-life run-off reinsurance balances recoverable. One of those reinsurers (accounting for $139.3 million of the $314.5 million as at December 31, 2014) was rated A+, while the remaining $175.2 million of the $314.5 million as at December 31, 2014 was secured by trust funds held for the benefit of the Company's insurance and reinsurance subsidiaries.

Provisions for Uncollectible Reinsurance Recoverables

Included within total reinsurance balances recoverable of $1,331.6 million are: (i) reinsurance balances recoverable from A- and above rated reinsurers amounting to $1,045.9 million, net of provisions for uncollectible reinsurance recoverable of $81.0 million; (ii) reinsurance balances recoverable from less than A- rated reinsurers amounting to $204.5 million, against which there are no provisions for uncollectible reinsurance recoverable, because the balances are secured by collateral such as trust funds or letters of credit; and (iii) reinsurance balances recoverable from less than A-rated reinsurers amounting to $81.2 million, net of provisions for uncollectible reinsurance recoverable of $208.9 million, which are unsecured.

8. LOSSES AND LOSS ADJUSTMENT EXPENSES

The following table provides the total losses and loss adjustment expense liabilities as at December 31, 2014 and 2013:

	2014				2013		
	Non-life Run-off	Atrium	Torus	Total	Non-life Run-off	Atrium	Total
Outstanding	$2,202,187	$ 73,803	$387,171	$2,663,161	$2,541,934	$ 79,826	$ 2,621,760
Incurred but not reported	1,406,420	113,149	477,264	1,996,833	1,717,870	98,583	1,816,453
Fair value adjustment	(173,597)	25,659	(2,635)	(150,573)	(255,291)	36,983	(218,308)
Total	$3,435,010	$212,611	$861,800	$4,509,421	$4,004,513	$215,392	$ 4,219,905

The liability for losses and loss adjustment expenses includes an amount determined from reported claims and an amount based on historical loss experience and industry statistics for losses

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

incurred but not reported using a variety of actuarial methods. The Company's loss reserves cover multiple lines of business, which include workers compensation, general casualty, asbestos and environmental, marine, aviation and transit, construction defects and other non-life lines of business.

The reserves for unpaid reported losses and loss adjustment expenses are established by management based on reports from brokers, ceding companies and insureds and represents the estimated ultimate cost of events or conditions that have been reported to, or specifically identified by the Company. The reserve for IBNR losses and loss expenses is established by management based on actuarially determined estimates of ultimate losses and loss expenses. Inherent in the estimate of ultimate losses and loss expenses are expected trends in claim severity and frequency and other factors which may vary significantly as claims are settled. Accordingly, ultimate losses and loss expenses may differ materially from the amounts recorded in the consolidated financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, will be recorded in earnings in the period in which they become known. Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves established in previous calendar years.

In establishing the reserves for losses and loss adjustment expenses related to asbestos and environmental claims, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, reserves have been established to cover additional exposures on both known and unreported claims. Estimates of the reserves are reviewed and updated continually. Developed case law and adequate claim history do not exist for such claims, especially because significant uncertainty exists about the outcome of coverage litigation and whether past claim experience will be representative of future claim experience. In view of the changes in the legal and tort environment that affect the development of such claims, the uncertainties inherent in valuing asbestos and environmental claims are not likely to be resolved in the near future. Ultimate values for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the amount of the Company's potential losses for these claims. There can be no assurance that the reserves established by the Company will be adequate or will not be adversely affected by the development of other latent exposures. The Company's liability for unpaid losses and loss adjustment expenses as of December 31, 2014 and 2013 included $389.1 million and $480.9 million, respectively that represented an estimate of its net ultimate liability for asbestos and environmental claims. The gross liability for such claims as at December 31, 2014 and 2013 was $439.5 million and $539.5 million, respectively.

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The total net (reduction) increase in ultimate losses and loss adjustment expense liabilities in the Company's non-life run-off, Atrium and Torus segments for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Years Ended December 31,							
	2014				2013			2012
	Non-life Run-off	Atrium	Torus	Total	Non-life Run-off	Atrium	Total	Non-life Run-off (Total)
Net losses paid	$ 411,302	$ 57,611	$129,804	$ 598,717	$ 370,870	$30,626	$ 401,496	$ 314,528
Net change in case and LAE reserves	(310,414)	(2,684)	37,604	(275,494)	(280,933)	(9,621)	(290,554)	(265,222)
Net change in IBNR reserves	(301,784)	11,557	58,870	(231,357)	(231,278)	(1,653)	(232,931)	(267,422)
(Reduction) increase in estimates of net ultimate losses	(200,896)	66,484	226,278	91,866	(141,341)	19,352	(121,989)	(218,116)
Paid loss recoveries on provisions for bad debt	(11,206)	—	—	(11,206)	—	—	—	—
(Reduction) increase in provisions for bad debt	(7,700)	—	—	(7,700)	1,999	—	1,999	(3,111)
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(48,891)	9	(5,088)	(53,970)	(49,580)	(49)	(49,629)	(39,298)
Amortization of fair value adjustments	3,982	(11,065)	(2,761)	(9,844)	5,947	—	5,947	22,572
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	$(264,711)	$ 55,428	$218,429	$ 9,146	$(182,975)	$19,303	$(163,672)	$(237,953)

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Non-Life Run-off Segment

The tables below provides a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the years ended December 31, 2014, 2013 and 2012 of the non-life run-off segment (losses incurred and paid are reflected net of reinsurance recoverables):

	Non-Life Run-off		
	Years Ended December 31,		
	2014	2013	2012
Balance as at January 1	$ 4,004,513	$ 3,650,127	$ 4,272,082
Less: total reinsurance reserves recoverable	1,121,533	876,220	1,383,003
	2,882,980	2,773,907	2,889,079
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:			
Current period	24,235	74,139	—
Prior periods	(288,946)	(257,114)	(237,953)
Total net reduction in ultimate losses and loss adjustment expense liabilities	(264,711)	(182,975)	(237,953)
Net losses paid:			
Current period	(87,681)	(10,656)	—
Prior periods	(312,415)	(360,214)	(314,528)
Total net losses paid	(400,096)	(370,870)	(314,528)
Effect of exchange rate movement	(49,267)	4,936	14,833
Acquired on purchase of subsidiaries	436,765	557,476	—
Assumed business	28,630	100,506	422,476
Net balance as at December 31	2,634,301	2,882,980	2,773,907
Plus: total reinsurance reserves recoverable	800,709	1,121,533	876,220
Balance as at December 31	$ 3,435,010	$ 4,004,513	$ 3,650,127

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities in the non-life run-off segment for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Non-Life Run-off						
	Years Ended December 31,						
	2014			2013			2012
	Prior Period	Current Period	Total	Prior Period	Current Period	Total	Prior Period (Total)(1)
Net losses paid	$ 323,621	$ 87,681	$ 411,302	$ 360,214	$10,656	$ 370,870	$ 314,528
Net change in case and LAE reserves	(285,814)	(24,600)	(310,414)	(310,488)	29,555	(280,933)	(265,222)
Net change in IBNR reserves	(262,384)	(39,400)	(301,784)	(265,206)	33,928	(231,278)	(267,422)
(Reduction) increase in estimates of net ultimate losses	(224,577)	23,681	(200,896)	(215,480)	74,139	(141,341)	(218,116)
Paid loss recoveries on provisions for bad debt	(11,206)	—	(11,206)	—	—	—	—
(Reduction) increase in provisions for bad debt	(7,700)	—	(7,700)	1,999	—	1,999	(3,111)
Reduction in provisions for unallocated loss adjustment expense liabilities	(49,445)	554	(48,891)	(49,580)	—	(49,580)	(39,298)
Amortization of fair value adjustments	3,982	—	3,982	5,947	—	5,947	22,572
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	$(288,946)	$ 24,235	$(264,711)	$(257,114)	$74,139	$(182,975)	$(237,953)

(1) For the year ended December 31, 2012, the Company had no premium income and therefore no current period activity.

Net change in case and loss adjustment expense reserves ("LAE reserves") comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to the Company by its policyholders and attorneys, less changes in case reserves recoverable advised by the Company to its reinsurers as a result of the settlement or movement of assumed claims. Net change in IBNR represents the change in the Company's actuarial estimates of losses incurred but not reported.

Year Ended December 31, 2014

The net reduction in ultimate losses and loss adjustment expense liabilities for the year ended December 31, 2014 of $264.7 million included current period incurred losses and loss adjustment expenses of $24.2 million related to current period net earned premium of $31.2 million (primarily for the portion of the run-off business acquired with Torus). Excluding current period net ultimate losses and loss adjustment expense liabilities of $24.2 million, net ultimate losses and loss adjustment expense liabilities relating to prior periods were reduced by $288.9 million, which was attributable to a reduction in estimates of net ultimate losses of $224.6 million, paid loss recoveries on provisions for bad debt of $11.2 million, reduction in provisions for bad debt of $7.7 million and a reduction in provisions for unallocated loss adjustment expense liabilities of $49.5 million, relating to 2014 run-off activity, partially offset by amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $4.0 million.

The reduction in estimates of net ultimate losses relating to prior periods of $224.6 million comprised reductions in IBNR reserves of $262.4 million partially offset by net incurred loss development of $37.8 million. The decrease in the aggregate estimate of net IBNR reserves of $262.4 million (compared to $265.2 million during the year ended December 31, 2013), was comprised of $59.4 million relating to asbestos liabilities (compared to $69.8 million in 2013), $6.2 million relating to environmental liabilities (compared to $4.9 million in 2013), $62.5 million relating to general casualty liabilities (compared to $42.6 million in 2013), $63.6 million relating to workers compensation liabilities (compared to $42.1 million in 2013) and $70.7 million relating to all other remaining liabilities (compared to $105.8 million in 2013).

The aggregate reduction in net IBNR reserves of $262.4 million relating to prior periods was a result of the application, on a basis consistent with the assumptions applied in the prior period, of the Company's actuarial methodologies to revised historical loss development data, following 98 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and loss adjustment expenses relating to non-commuted exposures. The prior period estimate of aggregate net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2014, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $285.8 million for net paid losses of $323.6 million, related to the settlement of non-commuted losses in the year and 98 commutations and policy buy-backs of assumed and ceded exposures (including the partial commutation of two of the Company's top ten assumed exposures and two of the Company's top ten ceded recoverables as at January 1, 2014). Net advised case and LAE reserves settled by way of commutation and policy buyback during the year ended December 31, 2014 amounted to $29.1 million (comprising $99.5 million of assumed case reserves and LAE reserves partially offset by $70.4 million of ceded incurred reinsurance recoverable case reserves).

The reduction in aggregate provisions for bad debt of $7.7 million was a result of the collection of certain reinsurance recoverables against which bad debt provisions had been provided in earlier periods.

Year Ended December 31, 2013

The net reduction in ultimate losses and loss adjustment expense liabilities for the year ended December 31, 2013 of $183.0 million included current period incurred losses of $74.1 million related to SeaBright. Excluding SeaBright's current period incurred losses of $74.1 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by $257.1 million, which was attributable to a reduction in estimates of net ultimate losses of $215.5 million and a reduction in provisions for unallocated loss adjustment expense liabilities of $49.6 million, relating to 2013 run-off activity, partially offset by an increase in provisions for bad debt of $2.0 million and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $5.9 million.

The reduction in estimates of net ultimate losses relating to prior periods of $215.5 million comprised reductions in IBNR reserves of $265.2 million partially offset by net incurred loss development of $49.7 million. The decrease in the aggregate estimate of net IBNR reserves of $265.2 million (compared to $267.4 million during the year ended December 31, 2012), was comprised of $69.8 million relating to asbestos liabilities (compared to $36.4 million in 2012), $4.9 million relating to environmental liabilities (compared to $2.6 million in 2012), $42.6 million relating to general casualty liabilities (compared to $96.3 million in 2012), $42.1 million relating to workers compensation liabilities (compared to $52.7 million in 2012) and $105.8 million relating to all other remaining liabilities (compared to $79.4 million in 2012).

The aggregate reduction in net IBNR reserves of $265.2 million relating to prior periods was a result of the application, on a basis consistent with the assumptions applied in the prior period, of our actuarial methodologies to revised historical loss development data, following 108 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and loss adjustment expenses relating to non-commuted exposures. The prior period estimate of aggregate net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2013, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $310.5 million for net paid losses of $360.2 million, related to the settlement of non-commuted losses in the year and 108 commutations and policy buy-backs of assumed and ceded exposures (including the commutation of one of our top ten assumed exposures and one of our top ten ceded recoverables as at January 1, 2013). Net advised case and LAE reserves settled by way of commutation and policy buy-back during the year ended December 31, 2013 amounted to $29.8 million (comprising $97.3 million of assumed case reserves and LAE reserves partially offset by $67.5 million of ceded incurred reinsurance recoverable case reserves).

The increase in aggregate provisions for bad debt of $2.0 million was a result of additional provisions being allowed in the quarter for contractual disputes with reinsurers, offset by cash collections and commutations on certain reinsurance receivables against which bad debt provisions had been provided in earlier periods.

Year Ended December 31, 2012

The net reduction in ultimate losses and loss adjustment expense liabilities for the year ended December 31, 2012 of $238.0 million was attributable to a reduction in estimates of net ultimate losses of $218.1 million, a reduction in aggregate provisions for bad debt of $3.1 million and a reduction in estimates of unallocated loss adjustment expense liabilities of $39.3 million, relating to 2012 run-off activity, partially offset by the amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $22.6 million.

The reduction in estimates of net ultimate losses of $218.1 million comprised net incurred loss development of $49.3 million and reductions in net IBNR reserves of $267.4 million. During the three months ended December 31, 2012, one of the Company’s insurance entities, following an exposure-based review of all advised claims, allocated $52.4 million of net IBNR reserves to specific net case and LAE reserves. Excluding this allocation, net incurred loss development for the year ended December 31, 2012 was a favorable $3.1 million and reductions in net IBNR reserves amounted to $215.0 million. The decrease in the aggregate estimate of net IBNR reserves of $215.0 million, excluding the allocation of $52.4 million from net IBNR reserves to specific net case and LAE reserves (compared to $224.8 million during the year ended December 31, 2011), was comprised of $36.4 million relating to asbestos liabilities (compared to $57.9 million in 2011), $2.6 million relating to environmental liabilities (compared to $2.8 million in 2011), $96.3 million relating to general casualty liabilities (compared to $91.6 million in 2011), and $79.7 million relating to all other remaining liabilities (compared to $72.5 million in 2011).

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The aggregate reduction in net IBNR reserves of $215.0 million was a result of the application, on a basis consistent with the assumptions applied in the prior period, of the Company's actuarial methodologies to revised historical loss development data, following 101 commutations, to estimate loss reserves required to cover liabilities for unpaid losses and loss adjustment expenses relating to non-commuted exposures. The prior period estimate of aggregate net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2012, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred favorable loss development, excluding the allocation by one of the Company's insurance entities of $52.4 million from net IBNR reserves to specific net case and LAE reserves, of $3.1 million, resulting from settlement of net advised case and LAE reserves of $317.6 million for net paid losses of $314.5 million, related to the settlement of non-commuted losses in the year and 101 commutations of assumed and ceded exposures. Net incurred liabilities settled by way of commutation during the year ended December 31, 2012 amounted to $26.6 million (comprising $163.1 million of assumed incurred liabilities partially offset by $136.5 million of ceded incurred reinsurance recoverables) compared to the net aggregate reduction in advised case reserves during the same period of $317.6 million (excluding the allocation of $52.4 million from net IBNR reserves to specific net case and LAE reserves).

The reduction in aggregate provisions for bad debt of $3.1 million was a result of the collection of certain reinsurance recoverables against which bad debt provisions had been provided in earlier periods.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Atrium and Torus Segments

The Company began reporting with respect to its Atrium segment in the fourth quarter of 2013 following the acquisition of Atrium and began reporting with respect to its Torus segment in the second quarter of 2014 following the acquisition of Torus. The Company did not have an active underwriting business for the year ended December 31, 2012.

The tables below provide a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the years ended December 31, 2014 and 2013 (losses incurred and paid are reflected net of reinsurance recoverables):

	Atrium		Torus
	Years Ended December 31,		
	2014	2013	2014
Balance as at January 1	$215,392	$ —	$ —
Less: total reinsurance reserves recoverable	25,055	—	—
	190,337	—	—
Acquired on purchase of subsidiaries	—	200,374	464,682
Effect of exchange rate movement	(3,821)	1,286	(16,716)
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:			
Current period	74,094	19,303	229,488
Prior periods	(18,666)	—	(11,059)
Total net increase in ultimate losses and loss adjustment expense liabilities	55,428	19,303	218,429
Net losses paid:			
Current period	(29,626)	(30,626)	(49,489)
Prior periods	(27,985)	—	(80,315)
Total net losses paid	(57,611)	(30,626)	(129,804)
Net balance as at December 31	184,333	190,337	536,591
Plus: total reinsurance reserves recoverable	28,278	25,055	325,209
Balance as at December 31	$212,611	$215,392	$ 861,800

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities for the Company's Atrium and Torus segments for the year ended December 31, 2014 and the Company's Atrium segment for December 31, 2013 was as follows:

	Years Ended December 31,								
	2014						2013		
	Atrium			Torus			Atrium		
	Prior Period	Current Period	Total	Prior Period	Current Period	Total	Prior Period	Current Period	Total
Net losses paid	$ 27,985	$29,626	$ 57,611	$ 80,315	$ 49,489	$129,804	$ —	$30,626	$30,626
Net change in case and LAE reserves	(16,986)	14,302	(2,684)	24,208	13,396	37,604	—	(9,621)	(9,621)
Net change in IBNR reserves	(18,114)	29,671	11,557	(105,177)	164,047	58,870	—	(1,653)	(1,653)
(Reduction) increase in estimates of net ultimate losses	(7,115)	73,599	66,484	(654)	226,932	226,278	—	19,352	19,352
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(486)	495	9	(7,644)	2,556	(5,088)	—	(49)	(49)
Amortization of fair value adjustments	(11,065)	—	(11,065)	(2,761)	—	(2,761)	—	—	—
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	$(18,666)	$74,094	$ 55,428	$ (11,059)	$229,488	$218,429	$ —	$19,303	$19,303

9. POLICY BENEFITS FOR LIFE AND ANNUITY CONTRACTS

The Company has entered into long duration contracts that subject the Company to mortality, longevity and morbidity risks and which are accounted for as life and annuity premiums earned. Life and annuity benefit reserves are established using assumptions for investment yields, mortality, morbidity, lapse and expenses, including a provision for adverse deviation. The Company establishes and reviews its life and annuity reserves regularly based upon cash flow projections. The Company establishes and maintains its life and annuity reinsurance reserves at a level that the Company estimates 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. Refer to Note 2(i) — Significant Accounting Policies — Policy Benefits for Life and Annuity Contracts" for a description of the assumptions used and the process for establishing the Company's assumptions and estimates.

Policy benefits for life and annuity contracts as at December 31, 2014 and 2013 were as follows:

	December 31,	
	2014	2013
Life	$ 344,215	$ 380,874
Annuities	938,121	963,323
	1,282,336	1,344,197
Fair value adjustments	(61,472)	(71,097)
	$1,220,864	$1,273,100

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10. PREMIUMS WRITTEN AND EARNED

The following tables provide a summary of net premiums written and earned in our non-life run-off, Atrium, Torus and life and annuities segments for the years ended December 31, 2014, 2013 and 2012:

	Years Ended December 31,					
	2014		2013		2012	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
Non-life run-off						
Gross	$ 12,818	$ 45,684	$ 14,166	$124,262	$ —	$ —
Ceded	(2,546)	(14,516)	(4,933)	(11,651)	—	—
Net	$ 10,272	$ 31,168	$ 9,233	$112,611	$ —	$ —
Atrium						
Gross	$ 154,248	$ 153,816	$ 35,524	$ 37,726	$ —	$ —
Ceded	(17,973)	(17,871)	(5,420)	(5,514)	—	—
Net	$ 136,275	$ 135,945	$ 30,104	$ 32,212	$ —	$ —
Torus						
Gross	$ 512,219	$ 528,135	$ —	$ —	$ —	$ —
Ceded	(113,045)	(154,502)	—	—	—	—
Net	$ 399,174	$ 373,633	$ —	$ —	$ —	$ —
Life and annuities						
Life	$ 104,233	$ 105,704	$ 63,856	$ 94,984	$ 3,511	$ 3,511
Total	$ 649,954	$ 646,450	$103,193	$239,807	$ 3,511	$ 3,511

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. GOODWILL AND INTANGIBLE ASSETS

The following table shows the Company's goodwill and intangible assets as at December 31, 2014 and 2013:

2014	Goodwill	Intangible assets with a definite life-Other	Intangible assets with an indefinite life	Total	Intangible assets with a definite life-FVA
Balance as at January 1, 2014	$60,071	$ 27,000	$ 63,000	$150,071	$ 223,947
Acquired during the year	13,000	20,000	24,031	57,031	(65,000)
Intangible assets amortization	—	(5,952)	—	(5,952)	148
Balance as at December 31, 2014	$73,071	$ 41,048	$ 87,031	$201,150	$ 159,095

2013	Goodwill	Intangible assets with a definite life-Other	Intangible assets with an indefinite life	Total	Intangible assets with a definite life-FVA
Balance as at January 1, 2013	$21,222	$ —	$ —	$ 21,222	$ 211,507
Acquired during the year	38,849	27,000	63,000	128,849	33,623
Intangible assets amortization	—	—	—	—	(21,183)
Balance as at December 31, 2013	$60,071	$ 27,000	$ 63,000	$150,071	$ 223,947

Intangible assets with a definite life include:

(i) Fair value adjustments ("FVA") related to outstanding losses and loss adjustment expenses, policy benefits for life and annuity contracts, unearned premiums and reinsurance recoverables. These are included as a component of each balance sheet item. FVA are amortized in proportion to future premiums for policy benefits for life and annuity contracts, over the estimated payout or recovery period for outstanding losses and loss adjustment expenses and reinsurance recoverables and as the unearned premiums expire for business in-force as of the acquisition date; and

(ii) Other intangible assets include the distribution channel, Lloyd's capacity, technology and brand related to the Company's acquisitions of Atrium and Torus. These assets are amortized on a straight-line basis over a period ranging from four to fifteen years.

Intangible asset amortization for the years ended December 31, 2014, 2013 and 2012 was $5.8 million, $21.2 million and $22.6 million, respectively.

Intangible assets with an indefinite life include assets associated with the Lloyd's syndicate capacity for Torus and Atrium, Torus' U.S. insurance licenses, and Atrium's management contract with Syndicate 609 in relation to underwriting, actuarial and support services it provides.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The gross carrying value, accumulated amortization and net carrying value of intangible assets by type at December 31, 2014 and 2013 were as follows:

	2014			2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets with a definite life:						
Fair value adjustments:						
Losses and loss adjustment expense liabilities	$ 449,986	$ (299,413)	$150,573	$ 500,485	$ (282,178)	$218,307
Reinsurance balances recoverable	(193,617)	140,667	(52,950)	(179,116)	113,659	(65,457)
Policy benefits for life and annuity contracts	86,332	(24,860)	61,472	86,332	(15,235)	71,097
Total	$ 342,701	$ (183,606)	$159,095	$ 407,701	$ (183,754)	$223,947
Other:						
Distribution channel	$ 20,000	$ (1,444)	$ 18,556	$ 20,000	$ —	$ 20,000
Technology	15,000	(3,125)	11,875	—	—	—
Brand	12,000	(1,383)	10,617	7,000	—	7,000
Total	$ 47,000	$ (5,952)	$ 41,048	$ 27,000	$ —	$ 27,000
Intangible assets with an indefinite life:						
Lloyd's syndicate capacity	$ 37,031	$ —	$ 37,031	$ 32,900	$ —	$ 32,900
Licenses	19,900	—	19,900	—	—	—
Management contract	30,100	—	30,100	30,100	—	30,100
Total	$ 87,031	$ —	$ 87,031	$ 63,000	$ —	$ 63,000

At December 31, 2014, the allocation of the goodwill to the Company's non-life run-off, Atrium and Torus segments was $21.2 million, $38.9 million and $13.0 million, respectively, as compared to $21.2 million, $38.9 million and $nil as at December 31, 2013. For the year ended December 31, 2014, the Company completed its assessment for impairment of goodwill and concluded that there had been no impairment of its carried goodwill amount.

The estimated amortization expense for each of the five succeeding fiscal years related to the Company's intangible assets with a definite life is as follows:

Year	Non-life Run-off	Atrium	Torus	Life and Annuities	Total
2015	$ 3,202	$(5,038)	$2,864	$ 8,664	$ 9,692
2016	4,641	(3,135)	2,807	7,676	11,989
2017	7,514	(1,110)	3,155	7,144	16,703
2018	7,574	57	790	6,384	14,805
2019	7,686	754	191	6,156	14,787
Total	$30,617	$(8,472)	$9,807	$36,024	$67,976

12. LOANS PAYABLE

The Company's long-term debt consists of loan facilities used to partially finance certain of the Company's acquisitions or significant new business transactions and its Revolving Credit Facility (the "EGL Revolving Credit Facility"), which can be used for permitted acquisitions and general corporate purposes. The EGL Revolving Credit Facility replaced the Company's prior revolving credit facility on September 16, 2014.

The Company had a term facility related to the 2011 acquisition of Clarendon National Insurance Company (the "Clarendon Facility"), and a term facility related to the 2013 acquisition of SeaBright (the "SeaBright Facility"), which have been fully repaid as discussed below. The Company has a term facility related to the 2015 acquisition of Companion (the "Companion Facility").

For the years ended December 31, 2014, 2013 and 2012, the Company incurred interest expense of $12.9 million, $12.4 million and $8.4 million, respectively, on its loan facilities. All of the Company's currently outstanding loan facilities are floating rate loans, and the fair values of these loans approximate their book values.

Amounts of loans payable outstanding, and accrued interest, as of December 31, 2014 and 2013 total $320.0 million and $452.4 million, respectively, and comprise:

Facility	Date of Facility	Facility Term	December 31, 2014	December 31, 2013
EGL Revolving Credit Facility	September 16, 2014	5 Years	$ 319,550	$ —
Prior EGL Revolving Credit Facility	July 8, 2013	5 Years	—	258,800
Companion Facility	December 24, 2014	4 Years	—	—
SeaBright Facility	December 21, 2012	3 Years	—	111,000
Clarendon Facility	July 12, 2011	4 Years	—	78,995
Total long-term bank debt			319,550	448,795
Accrued interest			491	3,651
Total loans payable			$ 320,041	$ 452,446

Companion Facility

On December 24, 2014, Sussex, an indirect, wholly-owned subsidiary of the Company, as borrower and guarantor, entered into the Companion Facility with NAB and Barclays (the "Lenders"). The Companion Facility provides for a four-year term loan facility pursuant to which Sussex was permitted to borrow up to an aggregate of $109.0 million to fund 50% of the consideration payable for the acquisition of Companion. Sussex fully drew down on the Companion Facility and completed the acquisition of Companion on January 27, 2015.

The Companion Facility is secured by a first priority security interest in all of the assets of Sussex, including the capital stock of Companion, and by a first priority security interest in the stock of Sussex. Interest is payable at the end of each interest period chosen by Sussex, or, at the latest, each six months. The interest rate is LIBOR plus 2.75%.

The Companion Facility imposes various financial and business covenants on Sussex including limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to dispositions of stock and assets (except for certain permitted dispositions), restrictions on dividends, and limitations on liens.

During the existence of any event of default (as specified in the Companion Facility), the lenders may declare all or a portion of outstanding amounts immediately due and payable, declare all or a portion of borrowed amounts payable upon demand, or proceed against the security. During the existence of any payment default, the interest rate would be increased by 1.0%. The Companion Facility terminates and all amounts borrowed must be repaid on December 24, 2018.

EGL Revolving Credit Facility

On September 16, 2014, the Company and certain of its subsidiaries, as borrowers and as guarantors, entered into the EGL Revolving Credit Facility Agreement with NAB, Barclays and Royal Bank of Canada ("RBC"), as mandated lead arrangers and original lenders, and NAB as agent (the "Credit Agreement").

The Credit Agreement provides for an unsecured five-year revolving credit facility (expiring in September 2019) pursuant to which the Company is permitted to borrow up to an aggregate of $500 million, which is available to fund permitted acquisitions and for general corporate purposes. The Credit Agreement replaces and refinances the Company's Prior Credit Agreement (as defined below). The Company's ability to draw on the EGL Revolving Credit Facility is subject to customary conditions.

Interest is payable at the end of each interest period chosen by the Company or, at the latest, each six months. The interest rate is LIBOR plus a margin factor initially set at 2.75%. The margin factor is subject to variation (ranging from 2.50% to 3.25%) in the event of a change to the Company's long term senior unsecured debt rating assigned by Standard & Poor's Ratings Services or Fitch Ratings Ltd. Any unused portion of the EGL Revolving Credit Facility will be subject to a commitment fee of 35% of the applicable margin factor. The EGL Revolving Credit Facility imposes various financial and business covenants on the Company and its subsidiaries, including certain limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to dispositions of stock and assets, and limitations on liens.

During the existence of any event of default (as specified in the Credit Agreement), the agent may cancel the commitments of the lenders, declare all or a portion of outstanding amounts immediately due and payable or declare all or a portion of outstanding amounts payable upon demand. During the existence of any payment default, the interest rate would be increased by 1.0%. The EGL Revolving Credit Facility terminates and all amounts borrowed must be repaid on the fifth anniversary of the date of the Credit Agreement.

The Credit Agreement refinances and replaces, in its entirety, the Company's Revolving Credit Facility Agreement, originally dated June 14, 2011, as amended from time to time, and as amended and restated pursuant to the Restatement Agreement, dated July 8, 2013, among the Company and certain of its subsidiaries, NAB and Barclays, as mandated lead arrangers, NAB, Barclays and RBC, as original lenders, and NAB as agent (the "Prior Credit Agreement"). The Prior Credit Agreement had permitted the Company to borrow up to an aggregate of $375 million on a secured basis over a five-year term (the "Prior EGL Revolving Credit Facility"). Effective September 16, 2014 and concurrent with its entry into the Credit Agreement, the Company terminated the Prior Credit Agreement. Outstanding borrowings under the Prior EGL Revolving Credit Facility totaled $319.6 million and were refinanced on September 16, 2014 with borrowings pursuant to the EGL Revolving Credit Facility.

The Company was in compliance with all covenants under the Prior Credit Agreement and no material early termination fees were incurred in connection with the termination.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Prior EGL Revolving Credit Facility had been secured by a first priority lien on the stock of certain of the Company's subsidiaries and certain bank accounts held with Barclays in the name of the Company and into which amounts received in respect of any capital release from certain of the Company's subsidiaries were required to be paid. In connection with the termination of the Prior Credit Agreement, all security pursuant to the Prior EGL Revolving Credit Facility was released, effective September 16, 2014.

As of December 31, 2014, the unused portion of the EGL Revolving Credit Facility was approximately $180.5 million. As of December 31, 2014, all of the covenants relating to the EGL Revolving Credit Facility were met.

Restated EGL Revolving Credit Facility

On February 27, 2015, the Credit Agreement was amended and restated (the "Restated EGL Revolving Credit Facility") in order to: (i) increase the amount the Company is permitted to borrow to $665.0 million, (ii) add Lloyd's Bank plc as a Lender, and (iii) reallocate the capacity provided among the four Lenders into equal shares.

Clarendon Facility

On September 30, 2014, the Company fully repaid the remaining $66.0 million of outstanding principal and accrued interest on the Clarendon Facility out of the proceeds of distributions from Clarendon. The Company had previously repaid $13.0 million of the outstanding principal on the Clarendon Facility on March 17, 2014. All security pursuant to the Clarendon Facility was released in connection with the full repayment of the facility.

SeaBright Facility

On June 25, 2014, the Company fully repaid the remaining $89.0 million of outstanding principal and accrued interest on the SeaBright Facility out of the proceeds of distributions from SeaBright. The Company had previously repaid $22.0 million of the outstanding principal on the SeaBright Facility on March 31, 2014. All security pursuant to the SeaBright Facility was released in connection with the full repayment of the facility.

13. REDEEMABLE NONCONTROLLING INTEREST

Redeemable noncontrolling interest ("RNCI") comprises the ownership interest held by Trident in both Bayshore and Northshore. As of December 31, 2014, Trident's RNCI was as follows:

	As at December 31, 2014	
	Bayshore	Northshore
Trident	39.32%	39.32%

Northshore owns 100% of Atrium and Arden and Bayshore owns 100% of Torus. The RNCI is classified outside of permanent shareholders' equity on the Company's consolidated balance sheets due to the redemption rights held. The Company recognizes changes in the redemption value of the RNCI in Bayshore's and Northshore's earnings as if the balance sheet date were also the redemption date. As at December 31, 2014 and 2013, there were no adjustments recorded through retained earnings as the redemption value of Trident's interests approximated their carrying values.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On March 30, 2014, Trident contributed $260.8 million to Bayshore in relation to its 40% share of both the purchase price of Torus and the transaction costs related to the acquisition. On May 8, 2014, Dowling purchased common shares of both Northshore and Bayshore from Kenmare and Trident (on a pro rata basis in accordance with their respective interests) for an aggregate amount of $15.4 million. The impact on Trident of the Dowling transaction was to reduce its RNCI in both Bayshore and Northshore from 40% to 39.32%.

During the second quarter of 2014, a Fitzwilliam Insurance Limited (“Fitzwilliam”) segregated cell, of which Kenmare owned 60% and Trident owned 40%, entered into a 100% quota share reinsurance of Torus’ non-life run-off reserves with effect from January 1, 2014. On September 30, 2014, Kenmare and Trident transferred their interests in the Fitzwilliam cell to Bayshore, with Trident’s $18.1 million portion of the total capital contribution to Bayshore increasing its RNCI in Bayshore.

A reconciliation of the beginning and ending carrying amount of the equity attributable to the RNCI is as follows:

Redeemable noncontrolling interest	2014	2013
Balance at beginning of year	$100,859	$ —
Capital contributions	272,722	96,689
Net earnings attributable to RNCI	4,059	4,170
Accumulated other comprehensive income attributable to RNCI	(1,993)	—
Transfer of net loss from noncontrolling interest	(1,028)	—
Balance at end of year	$374,619	$100,859

14. SHARE CAPITAL

As at December 31, 2014 and 2013, the authorized share capital was 111,000,000 ordinary shares (“Voting Ordinary Shares”) and non-voting convertible ordinary shares (“Non-Voting Ordinary Shares”), each par value $1.00 per share, and 45,000,000 preference shares of par value $1.00 per share. Each Voting Ordinary Share entitles the holder thereof to one vote. In accordance with the Company’s bye-laws, however, any U.S. shareholder or direct foreign shareholder group whose shares constitute 9.5% or more of the voting power of the Voting Ordinary Shares would be entitled to less than one vote for each Voting Ordinary Share held by them.

Issued and fully paid Voting Ordinary Shares of par value $1.00 each:

	2014	2013
Balance, beginning of year	$13,803	$13,752
Issue of shares	1,915	6
Share awards granted/vested	43	45
Balance, end of year	$15,761	$13,803

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Issued and fully paid non-voting convertible ordinary shares of par value $1.00 each:

	2014	2013
Series A—Balance, beginning and end of year	$2,973	$2,973

	2014	2013
Series C—Balance, beginning and end of year	$2,726	$2,726

	2014	2013
Series E:		
Balance, beginning of year	$ —	$ —
Issue of shares	714	—
Balance, end of year	$ 714	$ —

As of December 31, 2014, the Series A Non-Voting Ordinary Shares were held in treasury and the Series C and E shares were issued and outstanding. The Series C shares were issued to affiliates of Goldman, Sachs & Co. ("Goldman Sachs") during 2011. In the Goldman Sachs transaction, the Company created Series B and Series D Non-Voting Ordinary Shares, but no shares in these series are issued and outstanding.

In connection with the agreement to acquire Torus, on July 8, 2013, the Company's Board of Directors created 4,000,000 shares of Series B Convertible Participating Non-Voting Perpetual Preferred Stock, par value $1.00 per share (the "Non-Voting Preferred Shares"), from the authorized and unissued preference shares. On completion of the Torus acquisition on April 1, 2014, the Company issued in total 1,501,211 Voting Ordinary Shares and 714,015 Non-Voting Preferred Shares to First Reserve and 397,115 Voting Ordinary Shares to Corsair.

At the Company's annual general meeting on June 10, 2014, the Company's shareholders approved the amendment to its bye-laws to create the Series E Non-Voting Ordinary Shares, an additional series of Non-Voting Ordinary Shares. Pursuant to the terms of the Non-Voting Preferred Shares, the Non-Voting Preferred Shares held by First Reserve converted on a share-for share basis into Series E Non-Voting Ordinary Shares immediately following the annual general meeting.

Additionally, the amended bye-laws approved by the Company's shareholders provide that all other Non-Voting Ordinary Shares authorized under the Company's bye-laws but not classified as Series A, B, C or D Non-Voting Ordinary Shares will be classified as Series E Non-Voting Ordinary Shares.

The Series E Non-Voting Ordinary Shares:

- have all of the economic rights (including dividend rights) attaching to Voting Ordinary Shares but are non-voting except in certain limited circumstances;
- will automatically convert at a one-for-one exchange ratio (subject to adjustment for share splits, dividends, recapitalizations, consolidations or similar transactions) into Voting Ordinary Shares if the registered holder transfers them in a widely dispersed offering;

- may only vote on matters as required under Bermuda law, and if required to vote under Bermuda law in connection with any merger, consolidation or amalgamation of the Company, would have aggregate voting power not to exceed 0.01% of the aggregate voting power of the Company's issued share capital; and
- require the registered holders' written consent in order to vary the rights of the shares in a significant and adverse manner.

15. EARNINGS PER SHARE

The following table sets forth the comparison of basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
Basic earnings per ordinary share:			
Net earnings attributable to Enstar Group Limited	$ 213,749	$ 208,604	$ 168,017
Weighted average ordinary shares outstanding — basic	18,409,069	16,523,369	16,441,461
Net earnings per ordinary share attributable to Enstar Group Limited — basic	$ 11.61	$ 12.62	$ 10.22
Diluted earnings per ordinary share:			
Net earnings attributable to Enstar Group Limited	$ 213,749	$ 208,604	$ 168,017
Weighted average ordinary shares outstanding — basic	18,409,069	16,523,369	16,441,461
Share equivalents:			
Unvested shares	57,184	117,850	162,454
Restricted share units	15,986	18,056	19,478
Warrants	58,957	44,167	—
Preferred shares	136,934	—	—
Options	—	—	14,628
Weighted average ordinary shares outstanding — diluted	18,678,130	16,703,442	16,638,021
Net earnings per ordinary share attributable to Enstar Group Limited — diluted	$ 11.44	$ 12.49	$ 10.10

16. EMPLOYEE BENEFITS

Summary

Components of salaries and benefits are summarized as follows:

	2014	2013	2012
Salaries and benefits	$154,638	$ 83,563	$ 63,689
Defined contribution pension plan expense	9,217	6,023	4,240
2006 equity incentive plan	10,885	2,923	2,894
2011-2015 annual incentive compensation program	36,482	32,107	29,650
Total salaries and benefits	$211,222	$124,616	$100,473

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2006 Equity Incentive Plan

The employee share awards for the years ended December 31, 2014, 2013 and 2012 are summarized as follows:

	2014		2013		2012	
	Number of Shares	Weighted Average Fair Value of the Award	Number of Shares	Weighted Average Fair Value of the Award	Number of Shares	Weighted Average Fair Value of the Award
Nonvested — January 1	115,159	$ 15,997	160,644	$ 17,989	203,930	$ 20,026
Granted	34,606	4,646	4,959	557	5,633	472
Vested	(48,584)	6,462	(50,444)	5,855	(48,919)	4,736
Nonvested — December 31	101,181	$ 15,470	115,159	$ 15,997	160,644	$ 17,989

The total unrecognized compensation cost related to the Company's non-vested share awards under the 2006 Equity Incentive Plan (the "Equity Plan") as at December 31, 2014, 2013 and 2012 was $4.6 million, $4.7 million and $7.6 million, respectively. This cost is expected to be recognized over the next 1.6 years, which is the weighted average contractual life of the awards. Compensation costs of $3.9 million, $2.9 million and $2.8 million relating to these share awards were recognized in the Company's statement of earnings for the years ended December 31, 2014, 2013 and 2012, respectively.

For the years ended December 31, 2014, 2013 and 2012, 28,575, nil and 191 shares, respectively, were awarded to non-executive officer employees under the Equity Plan.

Cash-Settled Stock Appreciation Rights

During the year ended December 31, 2014, the Company granted cash-settled stock appreciation right awards ("SARs") under the Equity Plan. SARs give the holder the right, upon exercise, to receive in cash the difference between the market price per share of the Company's ordinary shares at the time of exercise and the exercise price of the SARs. The exercise price of the SAR is equal to the market price of the Company's ordinary shares on the date of the grant. Vested SARs are exercisable for periods not to exceed either 4 or 10 years from the date of grant.

The Company has recorded compensation expense for the SARs based on the estimated fair value on the date of grant using the Black-Scholes valuation model, which requires the use of subjective assumptions related to the expected stock price volatility, expected term, expected dividend yield and risk-free interest rate. SARs are liability-classified awards for which compensation expense and the liability are re-measured using the then-current Black Scholes assumptions at each interim reporting date based upon the portion of the requisite service period rendered.

As at December 31, 2014, the Company has 1,068,001 SARs outstanding to certain employees pursuant to the terms of the Equity Plan and has recorded in salaries and benefits, for the year ended December 31, 2014, compensation expense of $7.0 million in respect of the awards. The Company did not grant any SARs during the years ended December 31, 2013 or 2012.

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The following table sets forth the assumptions used to estimate the fair value of the SARs using the Black-Scholes option valuation model as at December 31, 2014:

	As at December 31, 2014
Weighted average fair value per SAR	$ 37.63
Weighted average volatility	21.24
Weighted average risk-free interest rate	0.81%
Dividend yield	0

The following table summarizes the SARs activity:

	2014			
	Number of SARs	Weighted Average Exercise Price of SARs	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value(1)
Balance, beginning of year	—			
Granted	1,104,401			
Forfeited	(36,400)			
Balance, end of year	1,068,001	$ 140.53	2.39	$ 13,199

(1) The aggregate intrinsic value is calculated as the pre-tax difference between the exercise price of the underlying share awards and the closing price per share of the Company's ordinary shares of $152.89 on December 31, 2014.

2011-2015 Annual Incentive Compensation Program

The accrued expense relating to the Enstar Group Limited 2011-2015 Annual Incentive Compensation Program for the years ended December 31, 2014, 2013 and 2012 was $36.5 million, $32.1 million and $29.6 million, respectively.

Enstar Group Limited Employee Share Purchase Plan

For the years ended December 31, 2014, 2013 and 2012, compensation costs for each year of $0.1 million relating to the shares issued under the Amended and Restated Enstar Group Limited Employee Share Purchase Plan ("Share Plan") were recognized in the Company's statement of earnings. For the years ended December 31, 2014, 2013 and 2012, 6,031, 4,959 and 5,442 shares, respectively, have been issued to employees under the Share Plan.

Northshore Incentive Plans

During 2014, Northshore implemented long-term incentive plans that awarded time-based restricted shares of Northshore to certain Atrium employees. Shares generally vest over two to three years, although certain awards began vesting in 2014. These share awards have been classified by the Company as liability awards.

For the year ended December 31, 2014, compensation costs of $5.2 million relating to the long-term incentive plans were recorded as part of salaries and benefits within the Company's consolidated statement of earnings.

Deferred Compensation and Ordinary Share Plan for Non-Employee Directors

For the years ended December 31, 2014, 2013 and 2012, 3,716, 3,566 and 3,029 restricted share units, respectively, were credited to the accounts of non-employee directors under the Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors (the “Deferred Compensation Plan”). The Company recorded expenses related to the restricted share units for the years ended December 31, 2014, 2013 and 2012 of $0.5 million, $0.5 million and $0.3 million, respectively.

Following the decisions not to stand for relection of Whit Armstrong and Charles T. Akre, Jr. from the Board of Directors, 11,749 restricted share units previously credited to their accounts under the Deferred Compensation Plan were converted into the same number of the Company’s ordinary shares on July 1, 2014, with fractional shares paid in cash. Also on July 1, 2014, 14,922 restricted stock units previously credited to Mr. Armstrong’s account under a deferred compensation plan assumed in the Company’s merger with Enstar USA, Inc., now a wholly-owned subsidiary of the Company, were converted into the same number of the Company’s ordinary shares.

In addition, with the resignation of Kenneth J. LeStrange from the Board of Directors, 1,560 restricted share units previously credited to his account under the Deferred Compensation Plan were converted into the same number of the Company’s ordinary shares on January 2, 2015, with fractional shares paid in cash.

Pension Plan

The Company provides pension benefits to eligible employees through various plans sponsored by the Company. All pension plans, except for the noncontributory defined benefit pension plan acquired in the Providence Washington transaction in 2010 (the “PWAC Plan”), are structured as defined contribution plans.

Pension expense for the years ended December 31, 2014, 2013 and 2012 were $9.2 million, $6.0 million and $4.5 million, respectively. The increase for 2014 over the same periods in 2013 and 2012 was attributable to the increase in employee headcount (and associated additional defined contribution plan expense) as a result of the April 2014 acquisition of Torus and the November 2013 acquisition of Atrium.

The Company recorded pension expense relating to the PWAC Plan of $0.5 million, $0.7 million and $0.8 million for the years ended December 31, 2014, 2013 and 2012, respectively. During 2014, an actuarial review was performed on the PWAC plan, which determined that the PWAC Plan’s unfunded liability, as at December 31, 2014, was $12.6 million as compared to $7.8 million as at December 31, 2013. As at December 31, 2014, PW Acquisition Company had an accrued liability of $12.6 million for the unfunded PWAC Plan liability.

17. TAXATION

Earnings before income taxes includes the following components:

	2014	2013	2012
Domestic (Bermuda)	$154,453	$193,063	$ 30,839
Foreign	83,925	66,378	204,970
Total	$238,378	$259,441	$235,809

Tax expense for income taxes is comprised of:

	2014	2013	2012
Current:			
Domestic (Bermuda)	$ —	$ —	$ —
Foreign	39,455	30,787	34,704
	39,455	30,787	34,704
Deferred:			
Domestic (Bermuda)	—	—	—
Foreign	(28,313)	4,832	9,586
	(28,313)	4,832	9,586
Total tax expense	$ 11,142	$35,619	$44,290

Under current Bermuda law, the Company and its Bermuda subsidiaries are exempted from paying any taxes in Bermuda on their income or capital gains until March 2035.

The Company has operating subsidiaries and branch operations in the United Kingdom, Australia, the United States and Europe and is subject to federal, foreign, state and local taxes in those jurisdictions. In addition, certain distributions from some foreign sources may be subject to withholding taxes.

The expected income tax provision for the foreign operations computed on pre-tax income at the weighted-average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate.

The actual income tax rate differed from the amount computed by applying the effective rate of 0% under Bermuda law to earnings before income taxes as shown in the following reconciliation:

	2014	2013	2012
Earnings before income tax	$238,378	$259,441	$235,809
Expected tax rate	0.0%	0.0%	0.0%
Foreign taxes at local expected rates	12.3%	5.1%	20.8%
Change in uncertain tax positions	(0.9)%	(1.0)%	0.1%
Benefit of loss carryovers	(1.2)%	—%	—%
Change in valuation allowance	(12.6)%	7.2%	(3.0)%
Investment write-off	2.3%	—%	—%
Foreign currency translation	0.8%	(0.3)%	(1.5)%
Other	4.0%	2.7%	2.7%
Effective tax rate	4.7%	13.7%	18.8%

Deferred income taxes arise from the recognition of temporary differences between income determined for financial reporting purposes and income tax purposes. The temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented in the table below:

	As of December 31,	
	2014	2013
Deferred tax assets		
Benefit of losses, deductions, and other carryforwards	$ 261,514	$ 187,377
Claims reserves, principally due to discounting for tax	167,338	217,283
Unrecognized income	19,194	—
Allowance for doubtful accounts receivable	22,102	22,303
Other	25,855	—
	496,003	426,963
Deferred tax liabilities		
Investments	(63,060)	(31,932)
Unrecognized income	—	(21,740)
Intangible assets from acquisition	(18,000)	(18,000)
Other	—	(5,424)
Net deferred tax asset before valuation allowance	414,943	349,867
Valuation allowance	(408,394)	(366,650)
Net deferred tax asset (liability)	$ 6,549	$ (16,783)

As of December 31, 2014 and 2013, U.K. insurance subsidiaries and branch operations had tax loss carryforwards, which do not expire, and deductions available for tax purposes of approximately $284.2 million and $357.4 million, respectively. Certain of the Company's U.K. insurance and reinsurance subsidiaries have tax loss carryforwards that arose prior to acquisition. Under U.K. tax law, these tax loss carryforwards are available to offset future taxable income generated by the acquired company without time limit.

As of December 31, 2014 and 2013, U.S. subsidiaries had deductible losses for tax purposes of approximately $370.7 million and $315.0 million, respectively. Under U.S. tax law, these tax losses can be carried forward and could be available to offset future taxable income of the companies that experienced the losses.

The Company has estimated future taxable income of its foreign subsidiaries and has provided a valuation allowance in respect of those loss carryforwards where it does not expect to realize a benefit. The Company has considered all available evidence using a "more likely than not" standard in determining the amount of the valuation allowance.

The Company had unrecognized tax benefits of $nil, $2.2 million and $5.8 million relating to uncertain tax positions as of December 31, 2014, 2013 and 2012, respectively.

During the years ended December 31, 2014, 2013 and 2012, there were certain reductions to unrecognized tax benefits due to the expiration of statutes of limitations of $2.2 million, $0.3 million and $nil, respectively, which were included in net earnings.

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A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2014	2013	2012
Balance, beginning of year	$ 2,249	$ 5,821	$5,621
Gross increases — tax positions related to prior years	—	114	221
Gross decreases — tax positions related to prior years	—	(3,346)	(12)
Lapse of statute of limitations	(2,249)	(340)	(9)
Balance, end of year	$ —	$ 2,249	$5,821

Included in the balances at December 31, 2014, 2013 and 2012 were $nil, $1.5 million and $4.4 million, respectively, of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a part of income tax expense. During the years ended December 31, 2014, 2013 and 2012, the Company recognized a benefit for the reversal of interest and penalties related to unrecognized tax benefits due to the expiration of the statute of limitations in the amount of $nil, $0.2 million and $nil, respectively. The Company had approximately $nil, $0.7 million and $1.5 million accrued for the payment of interest and penalties related to unrecognized tax benefits at December 31, 2014, 2013 and 2012, respectively.

The Company's operating subsidiaries in specific countries may be subject to audit by various tax authorities and may have different statutes of limitations expiration dates. With limited exceptions, the Company's major subsidiaries that operate in the United States, United Kingdom and Australia are no longer subject to tax examinations for years before 2011, 2011 and 2008, respectively.

Because the Company operates in many jurisdictions, its 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 it operates. The Company cannot predict what, if any, legislation will actually be proposed or enacted, or what the effect of any such legislation might be on the Company's financial condition and results of operations.

18. RELATED PARTY TRANSACTIONS

Stone Point Capital LLC

Following several private transactions occurring from May 2012 to July 2012, Trident acquired 1,350,000 of the Company's Voting Ordinary Shares (which now constitutes approximately 8.5% of the Company's outstanding Voting Ordinary Shares). On November 6, 2013, the Company appointed James D. Carey to its 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 Capital LLC, the manager of the Trident funds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, the Company has entered into certain agreements with Trident with respect to Trident's co-investments in Atrium, Arden, and Torus. These include investors' agreements and shareholders' agreements, which provide for, among other things: (i) the Company's right to redeem Trident's equity interest in the Atrium/Arden and Torus transactions in cash at fair market value within the 90 days following the fifth anniversary of the Arden and Torus closings, respectively, and at any time following the seventh anniversary of the Arden and Torus closings, respectively; and (ii) Trident's right to have its equity co-investment interests in the Atrium/Arden and Torus transactions redeemed by the Company at fair market value (which the Company may satisfy in either cash or its ordinary shares) following the seventh anniversaries of the Arden closing and Torus closing, respectively. As of December 31, 2014, the Company has included $374.6 million as redeemable non-controlling interest on its balance sheet relating to these Trident co-investment transactions. Pursuant to the terms of the shareholders' agreements, Mr. Carey serves as a Trident representative on the boards of Torus and the holding companies established in connection with the Atrium/Arden and Torus co-investment transactions.

As at December 31, 2014, the Company has investments in four funds (carried within other investments) and a registered investment company affiliated with entities owned by Trident or otherwise affiliated with Stone Point Capital LLC. The fair value of the investments in the four funds was $202.6 million as of December 31, 2014 (December 31, 2013: two funds with a fair value $87.7 million), while the fair value of the Company's investment in the registered investment company was $25.6 million and $nil as at December 31, 2014 and 2013, respectively. Subsequent to December 31, 2014, the Company made a commitment to invest up to an additional $40.0 million in one of these funds. For the year ended December 31, 2014 and 2013, the Company recognized $(0.7) million and $3.8 million respectively, in net realized and unrealized losses and gains in respect of these investments.

The Company also has separate accounts managed by Eagle Point Credit Management, which is an affiliate of entities owned by Trident, with respect to which the Company incurred approximately $0.1 million and $0.3 million in management fees for the year ended December 31, 2014 and 2013, respectively.

In addition, the Company has invested in two funds managed by Sound Point Capital, an entity in which Mr. Carey has an indirect minority ownership interest and serves as director. The fair value of the Company's investments in Sound Point Capital funds was $39.9 million as of December 31, 2014 (December 31, 2013: one fund with a fair value of $21.6 million). For the twelve months ended December 31, 2014 and 2013, the Company has recognized $0.8 million and $1.2 million, respectively, in net realized and unrealized gains in respect of Sound Point Capital investments.

Goldman Sachs & Co.

Affiliates of Goldman Sachs own approximately 4.2% of the Company's Voting Ordinary Shares and 100% of the Company's Series C Non-Voting Ordinary Shares. Sumit Rajpal, a managing director of Goldman Sachs, was appointed to the Board of Directors in connection with Goldman Sachs' investment in the Company. As of December 31, 2014, the Company had investments in two funds (carried within other investments) affiliated with entities owned by Goldman Sachs, which had a fair value of $36.3 million (December 31, 2013: one fund with a value of $3.2 million). During the twelve months ended December 31, 2014, the Company invested £12.5 million (approximately $20.7 million) in indirect non-voting interests of two companies affiliated with Hastings Insurance Group Limited. The investment had a fair value of $25.1 million as at December 31, 2014. The Company's interests are held in accounts managed by affiliates of Goldman Sachs, with respect to which the Company incurred approximately $0.3 million in management fees for the year ended December 31, 2014. Goldman Sachs affiliates have an approximately 50% interest in the Hastings companies, and Mr. Rajpal serves as a director of the entities in which the Company has invested. For the year ended December 31, 2014 and 2013, the Company recognized $7.0 million and $0.3 million, respectively, in net realized and unrealized gains in respect of the Goldman Sachs-affiliated investments.

During 2015, a Goldman Sachs affiliate began providing investment management services to one of the Company's subsidiaries pursuant to an arms-length agreement reflecting customary terms and conditions.

Affiliates of Goldman Sachs own approximately 22% of Global Atlantic Financial Group ("GAFG"), which owns entities that provide reinsurance to Arden. As at December 31, 2014 and 2013, the Company's total reinsurance recoverable from GAFG entities amounted to $230.5 million and $340.8 million, respectively. As at December 31, 2014 and 2013, reinsurance balances recoverable from a particular non-rated GAFG entity with a carrying value of $175.2 million and $256.1 million, respectively, represented 10% or more of the Company's total non-life run-off reinsurance balances recoverable. The $175.2 million and $256.1 million recoverable from that GAFG entity at December 31, 2014 and 2013, respectively, was secured by a trust fund. The balance of $55.3 million and $84.7 million as at December 31, 2014 and 2013, respectively, was recoverable from GAFG entities rated A- and higher.

19. DIVIDEND RESTRICTIONS AND STATUTORY REQUIREMENTS

Restrictions on the Payment of Dividends

The Company's ability to pay dividends to its shareholders is dependent upon the ability of its insurance and reinsurance subsidiaries to distribute capital and pay dividends to it. The Company's insurance and reinsurance subsidiaries are subject to certain regulatory restrictions on the distribution of capital and payment of dividends in the jurisdictions in which they operate as more fully described below. The restrictions are generally based on net income or levels of capital and surplus as determined in accordance with the relevant statutory accounting practices. Failure of these subsidiaries to meet their applicable regulatory requirements could result in restrictions on any distributions of capital or retained earnings and/or stricter regulatory oversight of the subsidiaries. In addition, the Company's ability to pay dividends and make other forms of distributions is further limited by repayment obligations in the Company's outstanding loan facility agreements.

As at December 31, 2014, the amount of consolidated retained earnings of the Company that was free of restrictions and therefore potentially available to be distributed to the Company's ordinary shareholders was $1,395.2 million (2013: $1,181.5 million). This amount is held primarily within our insurance and reinsurance subsidiaries and represents retained earnings held in those companies in excess of their minimum regulatory requirements. Although these amounts are in excess of statutory minimums, regulators may nonetheless further restrict distributions, and therefore actual amounts available for distribution to shareholders are likely to be significantly less. In addition, the Company does not intend to pay dividends on its ordinary shares, as it intends instead to reinvest any distributions from its subsidiaries back into the Company, primarily as a means to fund future acquisitions.

Statutory Requirements

The Company's insurance and reinsurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable local regulatory authority. The statutory financial statements may vary materially from statements prepared in accordance with U.S. GAAP.

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The statutory capital and surplus amounts for the years ended December 31, 2014 and 2013 and statutory net income (loss) amounts for the years ended December 31, 2014, 2013 and 2012 for the Company's insurance and reinsurance subsidiaries based in Bermuda, the United Kingdom, Australia, the United States and Europe were as follows:

	Statutory Capital and Surplus				Statutory Income (Loss)		
	Minimum Required		Actual				
	2014	2013	2014	2013	2014	2013	2012
Bermuda	$315,870	$109,010	$1,509,433	$833,263	$ 41,750	$103,852	$ 98,247
U.K.	$ 76,475	$ 83,410	$ 519,227	$592,992	$107,030	$ 76,685	$ 64,015
Australia	$ 63,174	$ 65,894	$ 68,840	$ 99,174	$ 6,271	$ 19,131	$ 4,651
U.S.	$154,732	$138,331	$ 822,336	$879,947	$ 91,576	$ 4,725	$(42,109)
Europe	$ 29,946	$ 12,965	$ 182,573	$142,216	$ 11,959	$ 11,035	$ 7,578

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate, including Bermuda, the United Kingdom, Australia, the United States and Europe. Certain material aspects of these laws and regulations as they relate to solvency, dividends and capital and surplus are summarized below.

Bermuda

The Company's Bermuda-based insurance and reinsurance subsidiaries are registered under the Insurance Act 1978 of Bermuda and related regulations, as amended (the "Insurance Act"). The Insurance Act requires that the Company's Bermuda-based insurance and reinsurance subsidiaries maintain certain solvency and liquidity standards. The minimum liquidity ratio requires that the value of relevant assets must not be less than 75% of the amount of relevant liabilities. The minimum solvency margin, which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and loss adjustment expenses or premiums or pursuant to a risk-based capital measure. The Company's Bermuda subsidiary, Torus Insurance (Bermuda) Limited ("TIBL"), is required to maintain a minimum statutory capital and surplus (its Enhanced Capital Requirement or "ECR") equal to the greater of a minimum solvency margin and its Bermuda Solvency Capital Requirement ("BSCR"). TIBL's BSCR is calculated based on a standard risk-based capital model developed by the Bermuda Monetary Authority. As at December 31, 2014, TIBL's minimum solvency margin was greater than its BSCR.

Each of the Company's regulated Bermuda insurance and reinsurance subsidiaries would be prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin (which is a function of outstanding losses) or liquidity ratio (which is a function of relevant assets) or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, each of the Company's regulated Bermuda insurance and reinsurance subsidiaries is prohibited, without the prior approval of the Bermuda regulator, from reducing by 15% or more its total statutory capital as set out in its previous year's statutory financial statements. The Company's Bermuda insurance companies that are in run-off are required to seek regulatory approval for any dividends or distributions.

As of December 31, 2014 and 2013, each of the Company's Bermuda-based insurance and reinsurance subsidiaries exceeded their respective minimum solvency and liquidity requirements. The Bermuda insurance and reinsurance subsidiaries in aggregate exceeded minimum solvency requirements by $1.19 billion as of December 31, 2014 (2013: $724.3 million) and exceeded minimum liquidity requirements by $928.5 million as of December 31, 2014 (2013: $459.1 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

United Kingdom

The Company's U.K. based insurance subsidiaries are regulated by the U.K. Prudential Regulatory Authority (the "PRA") and the Financial Conduct Authority (the "FCA"), which together replaced the Financial Services Authority effective April 1, 2013 (the PRA and FCA collectively, the "U.K. Regulator").

The Company's U.K.-based insurance subsidiaries are required to maintain adequate financial resources in accordance with the requirements of the U.K. Regulator. The calculation of the minimum capital resources requirements in any particular case depends on, among other things, the type and amount of insurance business written and claims paid by the insurance company. As at December 31, 2014 and 2013, all of the Company's U.K. insurance subsidiaries maintained capital in excess of the minimum capital resources requirements (or received a waiver from the U.K. Regulator from the requirement to remedy any shortfall) and complied with the relevant U.K. Regulator requirements. The U.K.-based insurance subsidiaries, in aggregate, maintained capital in excess of the minimum capital resources requirements by $442.8 million and $509.6 million as of December 31, 2014 and 2013, respectively.

In addition, the U.K. Regulator's Individual Capital Adequacy Standards framework ("ICAS framework"), requires insurance companies to carry out various capital modeling and risk management exercises in order to calculate a company-specific Individual Capital Assessment amount ("ICA amount"), which is the company's internal calculation of its capital requirements under the ICAS framework. For companies in run-off, the U.K. Regulator typically requires specific loadings to be applied to a company's ICA (as stipulated by the U.K. Regulator) in order to calculate a company's Individual Capital Guidance (ICG), which represents the amount of capital a company is required to hold. This is intended to ensure a company holds sufficient capital such that there is no material risk that its liabilities cannot be met as they fall due. In 2009, the European Parliament approved the Solvency II framework directive. Solvency II is expected to take effect in January 2016 although our U.K. subsidiaries have been preparing for compliance in advance of that date. Solvency II will set out new, strengthened EU-wide requirements on capital adequacy and risk management for insurers with the aim of increasing policyholder protection, instilling greater risk awareness and improving the international competitiveness of EU insurers.

The U.K. Regulator's rules require the Company's U.K. insurance subsidiaries to obtain regulatory approval for any proposed or actual payment of a dividend. The U.K. Regulator uses the ICG and the estimated capital requirement for Solvency II purposes when assessing requests to make distributions and therefore dividends approved by the U.K. Regulator will often significantly differ from any surplus capital above the entity's minimum capital resources requirements.

Lloyd's

As of December 31, 2014, the Company participated in the Lloyd's market through its interests in: (i) Atrium Underwriting Group, which manages Syndicate 609 and provides approximately one quarter of the syndicate's capital; (ii) Shelbourne, which consists of an approved Lloyd's managing agent, a corporate member and Syndicate 2008, a wholly aligned syndicate that has permission to underwrite RITC and other legacy or discontinued business type transactions with other Lloyd's syndicates; and (iii) Torus' Syndicate 1301 and Torus Underwriting Management Limited (the Lloyd's managing agent for this syndicate). The Lloyd's market is currently in the Solvency II internal model application process under Lloyd's supervision. The Company's Lloyd's operations will therefore be required to meet Solvency II standards when they come into effect.

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The underwriting capacity of a member of Lloyd's must be supported by providing a deposit (referred to as "Funds at Lloyd's") in the form of cash, securities or letters of credit in an amount determined under the ICA. The amount of the Funds at Lloyd's is assessed annually and is determined by Lloyd's in accordance with the capital adequacy rules established by the U.K. Regulator. In order to achieve finality and to release their capital, Lloyd's members are usually required to have transferred their liabilities through an approved RITC, such as offered by Syndicate 2008. RITC is generally put in place after the third year of operations of a syndicate year of account. On successful conclusion of RITC, any profit from the syndicate's operations for that year of account can be remitted by the managing agent to the syndicate's members.

As at December 31, 2014, the Company's total capital commitment to its Lloyd's Syndicates was £250.7 million (approximately $390.6 million). The capital commitment was financed from available cash on hand of $310.6 million and a letter of credit facility of $80.0 million.

Australia

The Company's Australian insurance subsidiary is regulated and subject to prudential supervision by the Australian Prudential Regulation Authority ("APRA"). APRA is the primary regulatory body responsible for regulating compliance with the Insurance Act 1973. APRA's prudential standards require that all insurers maintain and meet prescribed capital adequacy requirements to enable their insurance obligations to be met under a wide range of circumstances.

An insurer must obtain APRA's written consent prior to making any capital releases, including any payment of dividends. The Company's insurance subsidiary must provide APRA a valuation prepared by an appointed actuary that demonstrates that the tangible assets of the insurer, after the proposed capital reduction, are sufficient to cover its insurance liabilities to a 99.5% level of sufficiency of capital before APRA will consent to a capital release or dividend. As of December 31, 2014 and 2013, the Company's Australian-based insurance subsidiary exceeded the required 99.5% level of sufficiency by $5.7 million and $33.3 million, respectively.

United States

The Company's U.S. non-life run-off and active underwriting insurance and reinsurance subsidiaries are subject to the insurance laws and regulations of the states in which they are domiciled, licensed and/or eligible to conduct business. These laws restrict the amount of dividends the subsidiaries can pay to the Company. The restrictions are generally based on statutory net income and/or certain levels of statutory surplus as determined in accordance with the relevant statutory accounting requirements of the individual domiciliary states or states in which any of the insurance or reinsurance subsidiaries are domiciled. Generally, prior regulatory approval must be obtained before an insurer may pay a dividend or make a distribution above a specified level.

The U.S. subsidiaries are required to file annual statements with insurance regulatory authorities prepared on a statutory basis prescribed or permitted by such authorities. Statutory accounting principles differ from U.S. GAAP in the treatment of various items, including treatment of deferred acquisition costs, deferred income taxes, required investment reserves, reserve calculation assumptions and surplus notes. For all of the Company's U.S. insurance and reinsurance subsidiaries, with the exception of one subsidiary which has a permitted accounting practice to treat an adverse development cover reinsurance agreement as prospective reinsurance, there are no prescribed or permitted statutory accounting practices that differ significantly from the statutory accounting principles established by the National Association of Insurance Commissioners ("NAIC"). The U.S. insurance and reinsurance subsidiaries are also required to maintain minimum levels of solvency and liquidity as determined by law, and to comply with risk-based capital requirements and licensing rules.

As of December 31, 2014, all of the Company's U.S. non-life insurance and reinsurance subsidiaries exceeded their required levels of risk-based capital, with the exception of one subsidiary that was acquired while under supervision. On an aggregate basis, the Company's U.S. non-life insurance and reinsurance subsidiaries (excluding the subsidiary under supervision) exceeded their minimum levels of risk-based capital as of December 31, 2014 by $549.1 million (December 31, 2013: $642.7 million). The subsidiary under regulatory supervision was below its minimum required risk-based capital level by approximately $5.6 million as of December 31, 2013 but, as of December 31, 2014, exceeds its minimum level by approximately $10.8 million.

Europe

The Company's Swiss insurance subsidiary, Harper Insurance Limited, is regulated by the Swiss Financial Market Supervisory Authority ("FINMA") pursuant to the Insurance Supervisory Act 2004. This subsidiary is obligated to maintain a minimum solvency margin based on the Solvency I and Swiss Solvency Test regulations ("SST") as stipulated by the Insurance Supervisory Act. As of December 31, 2014 and 2013, this subsidiary exceeded the Solvency I requirements by $119.2 million (2013: $118.1 million) and exceeded the SST requirements by $85.3 million (2013: $67.4 million). The amount of dividends that this subsidiary is permitted to distribute is restricted to freely distributable reserves, which consist of retained earnings, the current year profit and legal reserves. Any dividend exceeding the current year profit requires FINMA's approval. The solvency and capital requirements must continue to be met following any distribution.

The Company's Liechtenstein insurance subsidiary (Torus Insurance (Europe) AG) is regulated by the Liechtenstein Financial Market Authority ("FMA") pursuant to the Insurance Supervisory Act 1999. This subsidiary is obligated to maintain a minimum solvency margin based on the Solvency I regulations, as stipulated by the Insurance Supervisory Act. As of December 31, 2014, this subsidiary exceeded the Solvency I requirements by $20.0 million. The amount of dividends that this subsidiary is permitted to distribute is restricted to freely distributable reserves, which consist of retained earnings, the current year profit and legal reserves. Any dividend exceeding the current year profit requires the FMA's approval. The solvency and capital requirements must continue to be met following any distribution.

Life and Annuities — United States/Canada

The Company's life and annuities subsidiaries file financial statements with state insurance regulatory authorities and the NAIC in the United States and the Office of Superintendent of Financial Institutions ("OSFI") in Canada (as a result of one of the Company's subsidiaries having a Canadian branch operation). Such statements are prepared in accordance with Statutory Accounting Principles ("SAP") prescribed or permitted by such authorities which may vary materially from U.S. GAAP. SAP includes the Accounting Practices and Procedures Manual of the NAIC as well as other laws, regulations and administrative rules promulgated by the state insurance departments. SAP encompasses all accounting practices not so prescribed. The principal differences between statutory financial statements and financial statements prepared in accordance with U.S. GAAP are that

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

statutory financial statements do not reflect deferred acquisition costs, some bond portfolios may be carried at amortized cost, assets and liabilities are presented net of reinsurance, contract holder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the U.S. GAAP basis financial statements for comparable items.

The Company's life and annuity companies are subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC and OSFI. RBC is used to evaluate the adequacy of capital and surplus maintained by the Company's life and annuities companies in relation to risks associated with: (i) asset risk; (ii) insurance risk; (iii) interest rate risk and (iv) business risk.

As of December 31, 2014 and 2013, the Company's life and annuities subsidiaries exceeded their minimum RBC requirements by $107.6 million (2013: $104.5 million). These subsidiaries are restricted by state laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders, depositors or investors. Any dividends in excess of limits are deemed "extraordinary" and require approval. As of December 31, 2014 and 2013, the maximum dividend payout which may be made without prior approval is $11.9 million (2013: $nil).

Life and Annuities — Europe

One of the Company's life insurance subsidiaries files its audited financial statements with the Companies Registration Office in Ireland. The financial statements are prepared in accordance with the provisions of the Companies Act, 1963 to 2013, and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

The financial statements of this subsidiary are prepared in accordance with applicable accounting standards under the historical cost convention, as modified by the revaluation of investments, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland.

In addition, this subsidiary files audited regulatory returns with the Central Bank of Ireland. The returns are prepared in accordance with the European Communities (Life Assurance) Framework Regulations, 1994. The Company has exceeded the minimum required solvency margin as at December 31, 2014 and 2013 by $13.3 million and $11.0 million, respectively. The subsidiary cannot make any distributions without the prior approval of the Central Bank of Ireland, and any such payments must be paid within six months of the most recent actuarial investigation, the purpose of which is to ensure that the subsidiary's insurance policyholders are not negatively affected.

Restricted net assets of consolidated subsidiaries

As at December 31, 2014, the total amount of net assets of the Company's consolidated subsidiaries that were restricted was $1.23 billion (2013: $732.5 million).

20. COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

The Company's portfolio of cash and fixed maturities is managed pursuant to guidelines that follow what it believes are prudent standards of diversification. The guidelines limit the allowable holdings of a single issue and issuers, and as a result the Company does not believe that there are any significant concentrations of credit risk associated with its portfolio of cash and fixed maturities.

The Company's portfolio of other investments is managed pursuant to guidelines that emphasize diversification and liquidity. Pursuant to these guidelines, the Company manages and monitors risk across a variety of investment funds and vehicles, markets and counterparties. The Company believes that there are no significant concentrations of credit risk associated with its other investments.

As of December 31, 2014, the Company's investments were held by 31 different custodians. These custodians are all large financial institutions that are highly regulated. These institutions have controls over their investment processes that are certified annually. The largest concentration of fixed maturities investments, by fair value, at a single custodian was $3.6 billion and $2.8 billion as of December 31, 2014 and 2013, respectively.

Leases

The Company leases office space under operating leases expiring in various years through 2019. The leases are renewable at the option of the lessee under certain circumstances. The following is a schedule of future minimum rental payments on non-cancellable leases as of December 31, 2014:

2015	$11,124
2016	9,697
2017	6,930
2018	6,217
2019	3,711
2020 and beyond	5,723
	$43,402

Rent expense for the years ended December 31, 2014, 2013 and 2012 was $10.2 million, $5.5 million and $3.9 million, respectively.

Investments

The following table provides a summary of the Company's outstanding unfunded investment commitments for the years ended December 31, 2014 and 2013:

December 31, 2014			December 31, 2013		
Original Commitments	Commitments		Original Commitments	Commitments	
	Funded	Unfunded		Funded	Unfunded
$311,000	$211,115	$99,885	$291,000	$176,760	$114,240

Guarantees

As at December 31, 2014 and 2013, the Company had, in total, parental guarantees supporting a subsidiary's insurance obligations in the amount of $238.6 million and $228.5 million, respectively.

Acquisitions and Significant New Business

As of December 31, 2014, the Company had entered into definitive agreements with respect to the purchase of Companion, which closed on January 27, 2015, and the Reciprocal of America loss portfolio transfer, which closed on January 15, 2015. On February 5, 2015, the Company entered into a definitive agreement with respect to the purchase of NSA, which is expected to close during the second quarter of 2015. The Companion and NSA acquisition agreements are described in Note 3 —"Acquisitions," and the Reciprocal of America agreement is described in Note 4 — "Significant New Business."

Legal Proceedings

The Company is, from time to time, involved in various legal proceedings in the ordinary course of business, including litigation and arbitration regarding claims. In addition to claims litigation, the Company 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. The Company does not believe that the resolution of any currently pending legal proceedings, either individually or taken as a whole, will have a material effect on its business, results of operations or financial condition. The Company anticipates that, similar to the rest of the insurance and reinsurance industry, it 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.

21. SEGMENT INFORMATION

The Company monitors and reports its results of operations in four segments: non-life run-off, Atrium, Torus and life and annuities. These segments are described in Note 1 — "Description of Business."

Atrium and Torus are reported as separate segments because they are managed and operated in separate and distinct manners. Atrium's senior management runs its day-to-day operations with limited involvement of the Company's senior management, whereas the Company's senior management and employees are involved in Torus' day-to-day operations. Atrium employees are not involved in the management or strategy of Torus, nor are Torus employees involved in the management or strategy of Atrium. Atrium and Torus are monitored and reported upon separately and distinctly and their strategies and business plans are determined independently of each other.

Invested assets are managed on a subsidiary by subsidiary basis, and investment income and realized and unrealized gains on investments are recognized in each segment as earned.

The Company's total assets by segment were as follows (the elimination items include the elimination of intersegment assets, revenues and expenses):

	December 31, 2014	December 31, 2013
Total assets:		
Non-life run-off	$ 5,936,187	$ 6,619,992
Atrium	598,037	585,176
Torus	2,876,734	—
Life and annuities	1,344,593	1,414,987
Less:		
Eliminations	(818,666)	—
	$ 9,936,885	$ 8,620,155

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ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables set forth selected and consolidated statement of earnings results by segment for the years ended December 31, 2014, 2013, 2012:

	December 31, 2014					
	Non-life run-off	Atrium	Torus	Life and annuities	Eliminations	Consolidated
INCOME						
Net premiums earned	$ 31,168	$135,945	$373,633	$105,704	$ —	$ 646,450
Fees and commission income	19,342	26,176	—	32	(12,471)	33,079
Net investment income	71,209	1,971	5,937	39,470	(1,218)	117,369
Net realized and unrealized gains (losses)	48,030	41	2,136	12,412	—	62,619
	169,749	164,133	381,706	157,618	(13,689)	859,517
EXPENSES						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(264,711)	55,428	218,429	—	—	9,146
Life and annuity policy benefits	—	—	—	108,046	—	108,046
Acquisition costs	8,393	43,417	65,734	15,029	—	132,573
Salaries and benefits	127,776	20,142	55,846	7,458	—	211,222
General and administrative expenses	70,287	14,779	57,498	11,177	(12,471)	141,270
Interest expense	7,493	5,429	—	1,218	(1,218)	12,922
Net foreign exchange losses (gains)	8,015	(1,559)	945	(1,441)	—	5,960
	(42,747)	137,636	398,452	141,487	(13,689)	621,139
EARNINGS BEFORE INCOME TAXES	212,496	26,497	(16,746)	16,131	—	238,378
INCOME TAXES	622	(5,092)	(1,130)	(5,542)	—	(11,142)
NET EARNINGS	213,118	21,405	(17,876)	10,589	—	227,236
Less: Net earnings attributable to noncontrolling interest	(9,836)	(10,974)	7,323	—	—	(13,487)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 203,282	$ 10,431	$ (10,553)	$ 10,589	$ —	$ 213,749

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 31, 2013					
	Non-life run-off	Atrium	Torus	Life and annuities	Eliminations	Consolidated
INCOME						
Net premiums earned	$ 112,611	$32,212	$ —	$ 94,984	$ —	$ 239,807
Fees and commission income	12,785	2,708	—	—	(2,676)	12,817
Net investment income	64,048	521	—	30,182	(1,456)	93,295
Net realized and unrealized gains (losses)	79,368	542	—	(9,259)	—	70,651
	268,812	35,983	—	115,907	(4,132)	416,570
EXPENSES						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(182,975)	19,303	—	—	—	(163,672)
Life and annuity policy benefits	—	—	—	78,354	—	78,354
Acquisition costs	14,379	—	—	8,820	—	23,199
Salaries and benefits	117,141	2,676	—	4,799	—	124,616
General and administrative expenses	67,979	2,716	2,554	16,039	(2,676)	86,612
Interest expense	12,057	332	—	1,456	(1,456)	12,389
Net foreign exchange (gains) losses	(5,909)	1,364	18	158	—	(4,369)
	22,672	26,391	2,572	109,626	(4,132)	157,129
EARNINGS BEFORE INCOME TAXES	246,140	9,592	(2,572)	6,281	—	259,441
INCOME TAXES	(34,191)	(185)	—	(1,243)	—	(35,619)
NET EARNINGS	211,949	9,407	(2,572)	5,038	—	223,822
Less: Net earnings attributable to noncontrolling interest	(12,076)	(4,170)	1,028	—	—	(15,218)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 199,873	$ 5,237	$(1,544)	$ 5,038	$ —	$ 208,604

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 31, 2012			
	Non-life run-off	Life and annuities	Eliminations	Consolidated
INCOME				
Net premiums earned	$ —	$ 3,511	$ —	$ 3,511
Fees and commission income	9,283	—	(713)	8,570
Net investment income	76,813	947	—	77,760
Net realized and unrealized gains	71,730	1,882	—	73,612
	157,826	6,340	(713)	163,453
EXPENSES				
Net reduction in ultimate losses and loss adjustment expense liabilities	(237,953)	—	—	(237,953)
Life and annuity policy benefits	—	(300)	—	(300)
Salaries and benefits	99,342	1,131	—	100,473
General and administrative expenses	55,731	1,574	(713)	56,592
Interest expense	8,426	—	—	8,426
Net foreign exchange losses (gains)	644	(238)	—	406
	(73,810)	2,167	(713)	(72,356)
EARNINGS BEFORE INCOME TAXES	231,636	4,173	—	235,809
INCOME TAXES	(44,266)	(24)	—	(44,290)
NET EARNINGS	187,370	4,149	—	191,519
Less: Net earnings attributable to noncontrolling interest	(23,502)	—	—	(23,502)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$ 163,868	$ 4,149	$ —	$ 168,017

ENSTAR GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

22. UNAUDITED CONDENSED QUARTERLY FINANCIAL DATA

	December 31,		September 30,		June 30,		March 31,	
	2014	2013	2014	2013	2014	2013	2014	2013
INCOME								
Net premiums earned	$171,889	$ 73,876	$195,987	$ 58,674	$216,916	$ 75,596	$ 61,658	$31,661
Fees and commission income	11,771	5,012	6,801	2,398	7,509	2,960	6,998	2,447
Net investment income	31,388	23,071	27,984	25,009	33,649	27,252	24,348	17,963
Net realized and unrealized gains (losses)	7,971	31,440	(18,336)	37,010	38,411	(27,919)	34,573	30,120
	223,019	133,399	212,436	123,091	296,485	77,889	127,577	82,191
EXPENSES								
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(56,085)	(125,056)	17,533	(20,388)	59,749	(27,422)	(12,051)	9,161
Life and annuity policy benefits	4,309	20,970	26,549	31,095	50,379	25,562	26,809	741
Acquisition costs	55,419	5,050	36,261	6,149	27,732	9,632	13,161	2,387
Salaries and benefits	69,624	45,603	54,525	29,716	55,683	25,687	31,390	23,610
General and administrative expenses	40,804	19,538	41,039	29,126	37,177	20,002	22,250	17,946
Interest expense	2,352	3,593	3,307	3,270	3,529	3,091	3,734	2,435
Net foreign exchange (gains) losses	(1,476)	(375)	6,365	(673)	(525)	(8,403)	1,596	5,082
	114,947	(30,677)	185,579	78,295	233,724	48,149	86,889	61,362
EARNINGS BEFORE INCOME TAXES	108,072	164,076	26,857	44,796	62,761	29,740	40,688	20,829
INCOME TAXES	10,246	(21,893)	(5,660)	(1,340)	(8,452)	(4,542)	(7,276)	(7,844)
NET EARNINGS	118,318	142,183	21,197	43,456	54,309	25,198	33,412	12,985
Less: Net (earnings) loss attributable to noncontrolling interest	(12,378)	(4,722)	5,232	(3,469)	(2,516)	(6,001)	(3,825)	(1,026)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$105,940	$ 137,461	$ 26,429	$ 39,987	$ 51,793	$ 19,197	$ 29,587	$11,959
EARNINGS PER SHARE —BASIC:								
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	$ 5.66	$ 8.32	$ 1.38	$ 2.42	$ 2.78	$ 1.16	$ 1.79	$ 0.72
EARNINGS PER SHARE — DILUTED:								
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	$ 5.62	$ 8.23	$ 1.37	$ 2.39	$ 2.68	$ 1.15	$ 1.77	$ 0.72

SCHEDULE I

ENSTAR GROUP LIMITED

SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES
AS AT DECEMBER 31, 2014
(Expressed in thousands of U.S. Dollars)

Type of investment	Amortized Cost	Fair Value	Amount at which shown in the balance sheet
Fixed maturity securities and short-term investments — Trading:			
U.S. government and agency	$ 742,800	$ 744,660	$ 744,660
Non-U.S. government	375,748	368,945	368,945
Corporate	1,999,227	1,986,873	1,986,873
Municipal	25,452	25,607	25,607
Residential mortgage-backed	307,847	308,621	308,621
Commercial mortgage-backed	139,984	139,907	139,907
Asset-backed	389,529	388,194	388,194
Total	3,980,587	3,962,807	3,962,807
Fixed maturity securities — Held-to-maturity:			
U.S. government and agency	20,257	20,559	20,257
Non-U.S. government	38,613	38,689	38,613
Corporate	754,363	767,124	754,363
Total	813,233	826,372	813,233
Fixed maturity securities and short-term investments — Available-for-sale			
U.S. government and agency	24,167	24,342	24,342
Non-U.S. government	72,913	70,494	70,494
Corporate	101,745	101,056	101,056
Residential mortgage-backed	3,305	3,243	3,243
Asset-backed	41,980	41,976	41,976
Total	244,110	241,111	241,111
Equities(1)	—	124,497	150,130
Other investments(2)		532,994	836,868
Total		$5,687,781	$6,004,149

(1) The difference in the amount of equities shown at fair value and the equities shown in the Company's consolidated balance sheet relates to the fair value of $25.6 million as of December 31, 2014 for its investment in a registered investment company affiliated with entities owned by Trident. Refer to Note 18 of the notes to the consolidated financial statements.

(2) The difference in the amount of other investments shown at fair value and the other investments shown in the Company's consolidated balance sheet relates to the fair value of $303.9 million as of December 31, 2014 for its other investments in funds or companies owned by or affiliated with certain related parties. Refer to Note 18 of the notes to the consolidated financial statements.

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SCHEDULE II

ENSTAR GROUP LIMITED

Condensed Financial Information of the Registrant
Balance Sheets — Parent Company Only
As of December 31, 2014 and 2013

	2014	2013
	(in thousands of U.S. dollars, except share data)	
ASSETS		
Cash and cash equivalents	$ 21,671	$ 27,989
Balances due from subsidiaries	432,312	363,113
Investments in subsidiaries	2,216,078	1,654,508
Accounts receivable and other assets	320	306
TOTAL ASSETS	$ 2,670,381	$ 2,045,916
LIABILITIES		
Accounts payable and accrued liabilities	$ 5,797	$ 1,761
Loans payable	203,627	143,258
Balances due to subsidiaries	156,107	145,374
TOTAL LIABILITIES	365,531	290,393
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Share capital		
Authorized issued and fully paid, par value $1 each (Authorized 2014: 156,000,000; 2013: 156,000,000)		
Ordinary shares (Issued 2014: 15,761,365; 2013: 13,802,706)	15,761	13,803
Non-voting convertible ordinary shares:		
Series A (issued 2014: 2,972,892; 2013: 2,972,892)	2,973	2,973
Series C (issued and outstanding 2014: 2,725,637 ; 2013: 2,725,637)	2,726	2,726
Series E (issued and outstanding 2014: 714,015; 2013: nil)	714	—
Treasury stock at cost (Series A non-voting convertible ordinary shares 2014: 2,972,892; 2013: 2,972,892)	(421,559)	(421,559)
Additional paid-in capital	1,321,715	962,145
Accumulated other comprehensive income	(12,686)	13,978
Retained earnings	1,395,206	1,181,457
TOTAL SHAREHOLDERS' EQUITY	2,304,850	1,755,523
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,670,381	$ 2,045,916

ENSTAR GROUP LIMITED

Condensed Financial Information of Registrant
Statement of Earnings — Parent Company Only
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(in thousands of U.S. dollars)		
INCOME			
Net investment income	$ 11,865	$ 8,561	$ 8,365
Dividend income from subsidiaries	21,952	27,118	92,450
	33,817	35,679	100,815
EXPENSES			
Salaries and benefits	128	117	1,179
General and administrative expenses	43,113	15,747	3,816
Interest expense	8,201	10,475	11,505
Net foreign exchange losses (gains)	379	(1,696)	942
	51,821	24,643	17,442
(LOSS) EARNINGS BEFORE EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	(18,004)	11,036	83,373
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	231,753	197,568	84,644
NET EARNINGS	$213,749	$208,604	$168,017

ENSTAR GROUP LIMITED

Condensed Financial Information of Registrant
Statements of Cash Flows — Parent Company Only
For the Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(in thousands of U.S. dollars)		
OPERATING ACTIVITIES:			
Net cash flows used in operating activities	$(88,970)	$(174,868)	$ (26,926)
INVESTING ACTIVITIES:			
Return of capital, net	21,902	(72,953)	100,516
FINANCING ACTIVITIES:			
Repayment of loans	(9,250)	—	(64,102)
Receipt of loans	70,000	95,000	—
Net cash flows provided by (used in) financing activities	60,750	95,000	(64,102)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,318)	(152,821)	9,488
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,989	180,810	171,322
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 21,671	$ 27,989	$180,810

SCHEDULE III

ENSTAR GROUP LIMITED
SUPPLEMENTARY INSURANCE INFORMATION
(Expressed in thousands of U.S. Dollars)

	Deferred Acquisition Costs	Reserves for Losses and Loss Adjustment Expenses	Unearned Premiums	Other Benefits Payable	Net Premiums Earned	Net Investment Income	Losses and Loss Expenses and Policy Benefits	Amortization of Deferred Acquisition Costs	Other Operating Expenses	Net Premiums Written
2014										
Non-life run-off	$ —	$3,435,010	$ 197	$ —	$ 31,168	$ 67,432	$(264,711)	$ 8,393	$ 213,571	$ 10,272
Atrium	16,520	212,611	61,030	—	135,945	1,971	55,428	43,417	38,791	136,275
Torus	45,186	861,800	406,706	—	373,633	9,714	218,429	65,734	114,289	399,174
Life and annuities	—	—	693	1,220,864	105,704	39,470	108,046	15,029	18,412	104,233
Eliminations	—	—	—	—	—	(1,218)	—	—	(13,689)	—
Total	$ 61,706	$4,509,421	$ 468,626	$1,220,864	$ 646,450	$ 117,369	$ 117,192	$ 132,573	$ 371,374	$ 649,954
2013										
Non-life run-off	$ —	$4,004,513	$ 1,199	$ —	$ 112,611	$ 64,048	$(182,975)	$ 14,379	$ 191,268	$ 9,233
Atrium	16,744	215,392	65,804	—	32,212	521	19,303	—	9,660	30,104
Life and annuities	—	—	3,694	1,273,100	94,984	30,182	78,354	8,820	22,452	63,856
Eliminations	—	—	—	—	—	(1,456)	—	—	(4,132)	—
Total	$ 16,744	$4,219,905	$ 70,697	$1,273,100	$ 239,807	$ 93,295	$ (85,318)	$ 23,199	$ 219,248	$ 103,193
2012										
Non-life run-off	$ —	$3,650,127	$ —	$ —	$ —	$ 76,813	$(237,953)	$ —	$ 164,143	$ —
Life and annuities	—	—	—	11,027	3,511	947	(300)	—	2,467	3,511
Eliminations	—	—	—	—	—	—	—	—	(713)	—
Total	$ —	$3,650,127	$ —	$ 11,027	$ 3,511	$ 77,760	$(238,253)	$ —	$ 165,897	$ 3,511

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SCHEDULE IV

ENSTAR GROUP LIMITED
REINSURANCE
For the Years Ended December 31, 2014, 2013 and 2012
(Expressed in thousands of U.S. Dollars)

	Gross	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
2014					
Life reinsurance in force	$13,880,064	$3,348,634	$5,392,314	$15,923,744	33.9%
Premiums earned:					
Property and casualty	703,281	(217,383)	54,848	540,746	10.1%
Life and annuities	89,880	(8,921)	24,745	105,704	23.4%
Total premiums earned	$ 793,161	$ (226,304)	$ 79,593	$ 646,450	
2013					
Life reinsurance in force	$15,670,436	$3,824,429	$5,837,708	$17,683,715	33.0%
Premiums earned:					
Property and casualty	134,402	(11,651)	22,072	144,823	15.2%
Life and annuities	87,531	(8,131)	15,584	94,984	16.4%
Total premiums earned	$ 221,933	$ (19,782)	$ 37,656	$ 239,807	
2012					
Life reinsurance in force	$ 1,330,219	$1,191,886	$ —	$ 138,333	0.0%
Premiums earned:					
Property and casualty	—	—	—	—	0.0%
Life and annuities	5,421	(1,910)	—	3,511	0.0%
Total premiums earned	$ 5,421	$ (1,910)	$ —	$ 3,511	

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SCHEDULE VI

ENSTAR GROUP LIMITED
SUPPLEMENTARY INFORMATION CONCERNING PROPERTY/CASUALTY INSURANCE OPERATIONS
As at and for the years ended December 31, 2014, 2013 and 2012
(Expressed in thousands of U.S. Dollars)

Affiliation with Registrant	Deferred Acquisition Costs	Reserves for Unpaid Losses and Loss Adjustment Expenses	Unearned Premiums	Net Premiums Earned	Net Investment Income	Net Losses and Loss Expenses Incurred: Current Year	Net Losses and Loss Expenses Incurred: Prior Year	Net Paid Losses and Loss Expenses	Amortization of Deferred Acquisition Costs	Other Operating Expenses	Net Premiums Written
Consolidated Subsidiaries											
2014	$ 61,706	$4,509,421	$ 467,933	$ 540,746	$ 77,900	$327,817	$(318,671)	$ 598,717	$ 117,544	$ 355,892	$ 545,721
2013	16,744	4,219,905	67,003	144,823	63,113	93,442	(257,114)	401,496	23,199	200,928	39,337
2012	—	3,650,127	—	—	76,813	—	(237,953)	314,528	—	164,143	—

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

Not applicable

ITEM 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

Our management has performed an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of 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 December 31, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Our management has performed an assessment, with the participation of our Chief Executive Officer and our Chief Financial Officer, of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (1992). Based upon that assessment, our management believes that, as of December 31, 2014, our internal control over financial reporting is effective.

In accordance with applicable SEC guidance, our management's evaluation for internal control over financial reporting as of December 31, 2014 did not include an evaluation of the internal control over financial reporting of Torus Insurance Holdings Limited which represented 24.6% of our total assets and 25.0% of our total liabilities as of December 31, 2014. We are in the process of incorporating our controls and procedures into this business.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by our independent registered public accounting firm as stated in its report. This report appears on page 242.

All internal control systems, no matter how well designed, have inherent limitations. As a result, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial reporting and the preparation of financial statements. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

Changes in Internal Control Over Financial Reporting

Our management has performed an evaluation, with the participation of our Chief Executive Officer and our Chief Financial Officer, of changes in our internal control over financial reporting that occurred during the three months ended December 31, 2014. Based upon that evaluation, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

Not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Enstar Group Limited

We have audited Enstar Group Limited's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Enstar Group Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Form 10-K under Item 9A, "Controls and Procedures". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Enstar Group Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded from its assessment of internal control over financial reporting as of December 31, 2014 Torus Insurance Holdings Limited and its subsidiaries, which were acquired on April 1, 2014. We have also excluded these acquired companies from our audit of internal control over financial reporting of Enstar Group Limited which represented 24.6% of the Company's total assets and 25.0% of the Company's total liabilities as of December 31, 2014.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Enstar Group Limited and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedules I, II, III, IV and VI as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014. Our report dated March 2, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Audit Limited

Hamilton, Bermuda
March 2, 2015

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by this item is incorporated by reference from the definitive proxy statement for our 2015 Annual General Meeting of Shareholders that will be filed with the SEC not later than 120 days after the close of the fiscal year ended December 31, 2014 pursuant to Regulation 14A.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this item is incorporated by reference from the definitive proxy statement for our 2015 Annual General Meeting of Shareholders that will be filed with the SEC not later than 120 days after the close of the fiscal year ended December 31, 2014 pursuant to Regulation 14A.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by this item is incorporated by reference from the definitive proxy statement for our 2015 Annual General Meeting of Shareholders that will be filed with the SEC not later than 120 days after the close of the fiscal year ended December 31, 2014 pursuant to Regulation 14A.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by this item is incorporated by reference from the definitive proxy statement for our 2015 Annual General Meeting of Shareholders that will be filed with the SEC not later than 120 days after the close of the fiscal year ended December 31, 2014 pursuant to Regulation 14A.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by this item is incorporated by reference from the definitive proxy statement for our 2015 Annual General Meeting of Shareholders that will be filed with the SEC not later than 120 days after the close of the fiscal year ended December 31, 2014 pursuant to Regulation 14A.

PART IV

ITEM 15. *EXHIBITS, FINANCIAL STATEMENT SCHEDULES*

(a) Financial Statements, Financial Statement Schedules and Exhibits.

1. *Financial Statements*

Included in Part II — See Item 8 of this report.

2. *Financial Statement Schedules*

Included in Part II — See Item 8 of this report.

3. *Exhibits*

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 March 2, 2015.

ENSTAR GROUP LIMITED

By: /S/ DOMINIC F. SILVESTER
Dominic F. Silvester
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 2, 2015.

Signature	Title
/s/ ROBERT J. CAMPBELL Robert J. Campbell	Chairman and Director
/s/ DOMINIC F. SILVESTER Dominic F. Silvester	Chief Executive Officer and Director
/s/ RICHARD J. HARRIS Richard J. Harris	Chief Financial Officer (signing in his capacity as both principal financial officer and principal accounting officer)
/s/ PAUL J. O'SHEA Paul J. O'Shea	Executive Vice President and Director
/s/ JAMES D. CAREY James D. Carey	Director
/s/ KENNETH W. MOORE Kenneth W. Moore	Director
/s/ SUMIT RAJPAL Sumit Rajpal	Director

Exhibit Index

Exhibit No.	Description
2.1⬟	Agreement and Plan of Merger, dated as of May 23, 2006, as amended on November 21, 2006, by and among Castlewood Holdings Limited, CWMS Subsidiary Corp. and The Enstar Group, Inc. (incorporated by reference to Annex A to the proxy statement/prospectus that forms a part of the Company's Form S-4 declared effective December 15, 2006).
2.2⬟	Recapitalization Agreement, dated as of May 23, 2006, among Castlewood Holdings Limited, The Enstar Group, Inc. and the other parties signatory thereto (incorporated by reference to Annex C to the proxy statement/prospectus that forms a part of the Company's Form S-4 declared effective December 15, 2006).
2.3⬟	Agreement and Plan of Merger, dated as of August 27, 2012, among Enstar Group Limited, AML Acquisition, Corp. and SeaBright Holdings, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K filed on August 28, 2012).
2.4⬟	Stock Purchase Agreement, dated September 6, 2012, among Household Insurance Group Holding Company, Pavonia Holdings (US), Inc. and Enstar Group Limited (incorporated by reference to Exhibit 2.2 of the Company's Form 10-Q filed on November 8, 2012).
2.5⬟	Share Purchase Agreement, dated June 5, 2013, by and among Arden Holdings Limited, Alopuc Limited and Kenmare Holdings Ltd. for the sale and purchase of the entire issued share capital of Atrium Underwriting Group Limited (incorporated by reference to Exhibit 2.1 of the Company's Form 10-Q filed on August 9, 2013), as amended by the Deed of Variation, dated October 3, 2013 (incorporated by reference to Exhibit 2.2 of the Company's Form 10-Q filed on November 7, 2013).
2.6	Deed of Variation, dated November 21, 2013, to the Share Purchase Agreement, dated June 5, 2013, by and among Arden Holdings Limited, Alopuc Limited and Kenmare Holdings Ltd. for the sale and purchase of the entire issued share capital of Atrium Underwriting Group Limited.
2.7⬟	Share Purchase Agreement, dated June 5, 2013, by and among Arden Holdings Limited, Northshore Holdings Limited and Kenmare Holdings Ltd. for the sale and purchase of the entire issued share capital of Arden Reinsurance Company Limited (incorporated by reference to Exhibit 2.2 of the Company's Form 10-Q filed on August 9, 2013).
2.8⬟	Amended and Restated Agreement and Plan of Amalgamation, dated March 11, 2014, by and among Enstar Group Limited, Veranda Holdings Ltd., Hudson Securityholders Representative LLC, and Torus Insurance Holdings Limited (incorporated by reference to Exhibit 2.1 to the Company's Form S-3ASR filed on April 29, 2014).
2.9⬟	Stock Purchase Agreement, dated August 26, 2014, by and among Enstar Group Limited, Sussex Holdings, Inc. and Blue Cross and Blue Shield of South Carolina (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on September 2, 2014).
3.1	Memorandum of Association of Enstar Group Limited (incorporated by reference to Exhibit 3.1 to 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 for the Series A Convertible Participating Non-Voting Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on April 21, 2011).
3.4	Certificate of Designations for the Series B Convertible Participating Non-Voting Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on July 9, 2013).

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Exhibit No.	Description
10.1	Registration Rights Agreement, dated as of January 31, 2007, by and among Castlewood Holdings Limited, Trident II, L.P., Marsh & McLennan Capital Professionals Fund, L.P., Marsh & McLennan Employees' Securities Company, L.P., Dominic F. Silvester, J. Christopher Flowers (rights subsequently assigned to Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. in May 2012), and other parties thereto set forth on the Schedule of Shareholders attached thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K12B filed on January 31, 2007) (file no. 001-33289).
10.2+	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form S-3 (No. 333-151461) initially filed on June 5, 2008) (file no. 333-151461).
10.3+	Amended and Restated Employment Agreement, effective May 1, 2007 and amended and restated June 4, 2007, by and between Enstar Group Limited and Dominic F. Silvester, as amended by Letter Agreement (effective January 1, 2011), Letter Agreement (dated April 19, 2012), and Letter Agreement (dated August 11, 2014) (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on November 10, 2014).
10.4+	Employment Agreement, effective May 1, 2007, by and between the Company and Paul J. O'Shea, as amended by Letter Agreement (effective January 1, 2011), Letter Agreement (dated April 25, 2012), and Letter Agreement (dated August 12, 2014) (incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed on November 10, 2014).
10.5+	Employment Agreement, effective May 1, 2007, by and between Enstar Group Limited and Nicholas A. Packer, as amended by Letter Agreement (effective January 1, 2011), Letter Agreement (dated April 25, 2012), and Letter Agreement (dated August 11, 2014) (incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q filed on November 10, 2014).
10.6+	Employment Agreement, effective May 1, 2007, by and between Enstar Group Limited and Richard J. Harris, as amended by Letter Agreement (effective January 1, 2011), Letter Agreement (dated April 19, 2012), and Letter Agreement (dated August 11, 2014) (incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q filed on November 10, 2014).
10.7+	Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to the proxy statement/prospectus that forms a part of the Company's Form S-4 declared effective December 15, 2006) (file no. 333-135699), as amended by the First Amendment to Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 6, 2007) (file no. 001-33289).
10.8+	Form of Award Agreement under the Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 6, 2007) (file no. 001-33289).
10.9+	Form of Stock Appreciation Right Award Agreement pursuant to the 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q filed on August 11, 2014).
10.10+	Form of Restricted Stock Award Agreement pursuant to the 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q filed on August 11, 2014).
10.11+	Enstar Group Limited Amended and Restated Employee Share Purchase Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed on November 10, 2014).

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Exhibit No.	Description
10.12+	Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, effective as of June 5, 2007 (incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K filed on June 11, 2007) (file no. 001-33289).
10.13*+	Amended and Restated Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, effective as of January 1, 2015.
10.14+	Enstar Group Limited 2011-2015 Annual Incentive Compensation Program (incorporated by reference to Exhibit 10.25 to the Company’s Form 10-K filed on March 7, 2011).
10.15	Investment Agreement, dated as of April 20, 2011, by and among Enstar Group Limited, GSCP VI AIV Navi, Ltd., GSCP VI Offshore Navi, Ltd., GSCP VI Parallel AIV Navi, Ltd., GSCP VI Employee Navi, Ltd., and GSCP VI GmbH Navi, L.P. (incorporated by reference to Exhibit 99.1 of the Company’s Form 8-K filed on April 21, 2011).
10.16	Form of Warrant (incorporated by reference to Exhibit 99.2 of the Company’s Form 8-K filed on April 21, 2011).
10.17	Registration Rights Agreement, dated as of April 20, 2011, by and among Enstar Group Limited, GSCP VI AIV Navi, Ltd., GSCP VI Offshore Navi, Ltd., GSCP VI Parallel AIV Navi, Ltd., GSCP VI Employee Navi, Ltd., and GSCP VI GmbH Navi, L.P. (incorporated by reference to Exhibit 99.3 of the Company’s Form 8-K filed on April 21, 2011).
10.18	Northshore Investors Agreement, dated July 3, 2013, by and among Kenmare Holdings Ltd. and Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (incorporated by reference to Exhibit 10.2 of the Company’s Form 10-Q filed on August 9, 2013).
10.19	Subscription Letter Agreement, dated July 3, 2013, from Kenmare Holdings Ltd. to Northshore Holdings Limited (incorporated by reference to Exhibit 10.3 of the Company’s Form 10-Q filed on August 9, 2013).
10.20	Subscription Letter Agreement, dated July 3, 2013, from Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. to Northshore Holdings Limited (incorporated by reference to Exhibit 10.4 of the Company’s Form 10-Q filed on August 9, 2013).
10.21	Northshore Shareholders’ Agreement, dated September 6, 2013, among Northshore Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K filed on September 11, 2013).
10.22	Amended and Restated Northshore Shareholders’ Agreement, dated May 8, 2014, among Northshore Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P., Trident V Professionals Fund, L.P., and Dowling Capital Partners I, L.P. (incorporated by reference to Exhibit 10.4 of the Company’s Form 10-Q filed on August 11, 2014).
10.23	Bayshore Investors Agreement, dated July 8, 2013, by and among Enstar Group Limited, Kenmare Holdings Ltd., and Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (incorporated by reference to Exhibit 10.5 of the Company’s Form 10-Q filed on August 9, 2013).
10.24	Subscription Letter Agreement, dated July 8, 2013, from Kenmare Holdings Ltd. to Bayshore Holdings Limited (incorporated by reference to Exhibit 10.6 of the Company’s Form 10-Q filed on August 9, 2013).
10.25	Subscription Letter Agreement, dated July 8, 2013, from Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. to Bayshore Holdings Limited (incorporated by reference to Exhibit 10.7 of the Company’s Form 10-Q filed on August 9, 2013).

Exhibit No.	Description
10.26	Bayshore Shareholders' Agreement, dated April 1, 2014, among Bayshore Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P. (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on April 4, 2014).
10.27	Amended and Restated Bayshore Shareholders' Agreement, dated May 8, 2014, among Bayshore Holdings Limited, Kenmare Holdings Ltd., Trident V, L.P., Trident V Parallel Fund, L.P., Trident V Professionals Fund, L.P., and Dowling Capital Partners I, L.P. (incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on August 11, 2014).
10.28	Registration Rights Agreement, dated April 1, 2014, among Enstar Group Limited, FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII A Parallel Vehicle L.P., FR Torus Co-Investment, L.P. and Corsair Specialty Investors, L.P. (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 4, 2014).
10.29	Shareholder Rights Agreement, dated April 1, 2014, among Enstar Group Limited, FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII A Parallel Vehicle L.P., FR Torus Co-Investment, L.P. and Corsair Specialty Investors, L.P. (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 4, 2014).
10.30	Revolving Credit Facility Agreement, dated September 16, 2014, among Enstar Group Limited and certain of its subsidiaries, National Australia Bank Limited, Barclays Bank PLC and Royal Bank of Canada as Mandated Lead Arrangers, and National Australia Bank Limited as Agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on September 16, 2014).
10.31*	Term Facility Agreement, dated December 24, 2014, among Sussex Holdings, Inc., National Australia Bank Limited and Barclays Bank PLC as Mandated Lead Arrangers, and National Australia Bank Limited as Agent.
10.32*+	Form of Non-Employee Director Restricted Stock Award Agreement.
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG Audit 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

\+ denotes management contract or compensatory arrangement

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

Exhibit 10.13

AMENDED AND RESTATED
ENSTAR GROUP LIMITED
DEFERRED COMPENSATION AND ORDINARY SHARE PLAN
FOR NON-EMPLOYEE DIRECTORS

WHEREAS, Enstar Group Limited (the “Company”) maintains the Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors (the “Plan”), adopted as of June 5, 2007;

WHEREAS, the Company desires to amend the Plan to provide for the issuance of Share Units with respect to Retainer and Meeting Fees paid by the Company in the form of Ordinary Shares, including Ordinary Shares issued with a deferred vesting date; and

NOW, THEREFORE, the Plan is hereby amended and restated as follows, effective January 1, 2015:

ARTICLE I
PURPOSE

The purposes of the Plan are to enable the Company to attract and retain qualified persons to serve as Non-Employee Directors, to solidify the common interests of its Non-Employee Directors and shareholders by enhancing the equity interests of Non-Employee Directors in the Company, and to encourage the highest level of Non-Employee Director performance by providing such Non-Employee Directors with a proprietary interest in the Company’s performance by permitting Non-Employee Directors to receive all or a portion of their Retainer and Meeting Fees in the form of Ordinary Shares and to defer all or a portion of their Retainer and Meeting Fees in the form of Share Units.

ARTICLE II
EFFECTIVE DATE

The Plan shall be effective as of June 5, 2007.

ARTICLE III
DEFINITIONS

Whenever used in the Plan, the following terms shall have the respective meanings set forth below:

3.1 “Account” means, with respect to each Participant, the Participant’s separate individual bookkeeping account established and maintained by the Company for the exclusive purpose of accounting for the Participant’s Share Units hereunder.

3.2 “Beneficiary” means, with respect to each Participant, the recipient or recipients designated by the Participant who are, upon the Participant’s death, entitled in accordance with the Plan’s terms to receive the benefits to be paid with respect to the Participant.

3.3 “Board” means the Board of Directors of the Company.

3.4 “Change in Control” means, with respect to the Company:

(a) the acquisition by any person, entity or “group” required to file a Schedule 13D or Schedule 14D-1 under the Exchange Act (excluding, for this purpose, the Company, its subsidiaries, any employee benefit plan of the Company or its subsidiaries which acquire ownership of voting securities of the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 50% or more of either the then outstanding Ordinary Shares or the combined voting power of the Company’s then outstanding voting securities entitled to vote generally in the election of directors;

(b) the election or appointment to the Board, or resignation of or removal from the Board, of directors with the result that the individuals who as of the date hereof constituted the Board (the “Incumbent Board”) no longer constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose appointment, election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the Incumbent Board (other than an appointment, election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board; or

(c) approval by the shareholders of the Company of:

(i) a reorganization, merger or consolidation by reason of which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power of the reorganized, merged or consolidated Company’s then outstanding voting securities entitled to vote generally in the election of directors, or

(ii) a liquidation or dissolution of the Company or the sale, transfer, lease or other disposition of all or substantially all of the assets of the Company (whether such assets are held directly or indirectly); and such transaction is consummated.

Notwithstanding the foregoing, an event shall not constitute a Change in Control unless such event constitutes a “change in control event” as defined in final regulation issued by the Internal Revenue Service under Code Section 409A.

3.5 “Code” means the United States Internal Revenue Code of 1986, as amended, including any regulations promulgated by the Internal Revenue Service with respect to the provisions of the Code, and any successor thereto.

3.6 “Committee” means any committee of the Board.

3.7 “Ordinary Shares” means the ordinary shares of the Company, par value $1.00 per share.

3.8 “Company” means Enstar Group Limited (formerly known as Castlewood Holdings Limited), a Bermuda corporation, and any successor thereto.

3.9 “Director” means an individual who is a member of the Board.

3.10 “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

3.11 “Market Value” means the following, arrived at by a good faith determination of the Board:

(a) The closing price of the Ordinary Shares on a registered securities exchange or an over-the-counter market on the applicable date; or

(b) Such other method of determining fair market value that complies with Code Section 409A and that is adopted by the Board.

3.12 “Non-Employee Director” means a Director who is not an officer or employee of the Company or any of its subsidiaries.

3.13 “Participant” means any Non-Employee Director who has made an election to receive all or a portion of such Non-Employee Director’s Retainer and Meeting Fees in the form of Ordinary Shares and/or to defer payment of all or a portion of such Retainer and Meeting Fees in the form of Share Units.

3.14 “Retainer and Meeting Fees” means the retainer and meeting fees payable to Non-Employee Directors for service on the Board and attendance at Board and Committee meetings, as such retainer and meetings fees shall be established from time-to-time by the Board, but excluding any reimbursement received by Non-Employee Directors for expenses incurred in performance of service as a Director.

3.15 “Share Unit” means a measure of value, expressed as Ordinary Shares, credited to a Participant under this Plan who is entitled to receive Ordinary Shares as part of his or her Retainer and Meeting Fees, or who has elected hereunder to receive all or a portion of such

Participant's Retainer and Meeting Fees otherwise payable in cash in the form of Ordinary Shares, and who has elected hereunder to defer receipt of such Ordinary Shares in accordance with the provisions hereof. No certificates shall be issued with respect to such Share Units, but the Company shall maintain an Account in the name of the Participant to which the Share Units shall be credited.

3.16 "Termination" means retirement from the Board or termination of service as a Director for any other reason; provided, however, that no Termination shall be deemed to have occurred unless such retirement or termination from service constitutes a "separation from service" with the meaning of Code Section 409A(a)(2)(A)(i).

ARTICLE IV
ELECTION TO RECEIVE ORDINARY SHARES FOR RETAINER AND MEETING FEES AND TO DEFER RETAINER AND MEETING FEES IN SHARE UNITS

4.1 **Election**. On or before December 31 of any Company fiscal year, (a) a Non-Employee Director may elect to: (i) receive all or a specified portion of his or her Retainer and Meeting Fees otherwise payable in cash for the following fiscal year in the form of Ordinary Shares; and (ii) defer payment with respect to all or a portion of such Retainer and Meeting Fees for the following fiscal year in the form of Share Units which shall be payable only upon the Non-Employee Director's Termination; and (b) a Non-Employee Director may elect to defer payment with respect to all or a specified portion of his or her Retainer and Meeting Fees for the following fiscal year payable in Ordinary Shares in the form of Share Units which shall be payable only upon the Non-Employee Director's Termination. All such elections shall be made upon the form of election prescribed by the Company for such purpose and shall be effective upon receipt by the Company of such election form duly executed by the Participant. To the extent any Retainer and Meeting Fees payable to a Non-Employee Director in the form of Ordinary Shares are subject to a deferred vesting requirement, any Share Units issued in lieu of such Ordinary Shares shall be subject to the same deferred vesting requirement.

4.2 **Revocation or Modification of Election**. An effective election made pursuant to Section 4.1 may not be revoked or modified with respect to the Retainer and Meeting Fees payable for a fiscal year or portion of a fiscal year for which such election is effective. An effective election may be revoked or modified for any subsequent fiscal year by the filing of an election on or before December 31 of the preceding fiscal year for which such revocation or modification is to be effective. No such revocation or modification shall affect the deferral of receipt of Retainer and Meeting Fees previously deferred hereunder.

4.3 **Ordinary Share Election**. When a Participant elects pursuant to Section 4.1 to receive all or a portion of the Participant's Retainer and Meeting Fees in the form of Ordinary Shares, the number of whole shares to be distributed to the Participant, with any fractional shares to be paid in cash, as of the date the Retainer and Meeting Fee would otherwise have been payable to the Participant, shall be equal to the dollar amount of the Retainer and Meeting Fee which otherwise would have been payable to the Participant divided by the Market Value on such date.

4.4 **Deferred Retainer Election; Share Units**. When a Participant elects pursuant to Section 4.1 to defer in the form of Share Units all or a portion of the Participant's Retainer and Meeting Fees otherwise payable in cash, the number of whole and fractional Share Units, computed to three decimal places, to be credited to the Participant's Account, on the date the deferred Retainer and Meeting Fee would otherwise have been payable to the Participant, shall be equal to the dollar amount of the deferred Retainer and Meeting Fee which otherwise would have been payable to the Participant divided by the Market Value on such date. When a Participant elects pursuant to Section 4.1 to defer in the form of Share Units all or a portion of the Participant's Retainer and Meeting Fees otherwise payable in Ordinary Shares, the number of whole and fractional Share Units to be credited to the Participant's Account shall be equal to the number of Ordinary Shares that would have otherwise been issued to the Participant.

ARTICLE V
DIVIDENDS AND ADJUSTMENTS

5.1 **Dividends**. To the extent the Company shall declare and pay any cash dividends on the Ordinary Shares, the Account of a Participant shall be credited with an additional number of whole and fractional Share Units, computed to three decimal places, equal to the product of the dividend per share then payable, multiplied by the number of Share Units then credited to such Account, divided by the Market Value on the dividend payment date.

5.2 **Adjustments**. The number of Share Units credited to a Participant's Account pursuant to Article IV and the number of Ordinary Shares available for issuance hereunder pursuant to Article VI shall be appropriately adjusted for any change in the Ordinary Shares by reason of any merger, reclassification, consolidation, recapitalization, share dividend, share split or any similar change affecting the Ordinary Shares.

ARTICLE VI
ISSUANCE OF ORDINARY SHARES

6.1 **Number Of Shares**. The maximum number of Ordinary Shares available for issuance hereunder shall be 100,000 shares, subject to adjustment as set forth in Article V.

6.2 **Securities Compliance; Restricted Securities**. Any Ordinary Shares issued hereunder shall constitute "restricted securities" under applicable securities laws and shall not be transferable by the recipient thereof except pursuant to a registration statement filed under the Securities Act of 1933, as amended, or in accordance with an exemption from such registration requirements. Certificates evidencing Ordinary Shares issued hereunder shall bear a legend reflecting such transfer restrictions and such other matters as the Board shall deem necessary and appropriate to ensure compliance with applicable securities laws.

ARTICLE VII
PAYMENT OF SHARE UNITS

7.1 **Manner of Payment Upon Termination**. All Share Units held in a Participant's Account shall be paid to the Participant as a lump sum distribution within thirty (30) days after the Participant's Termination. Payment with respect to Share Units shall be effected through the issuance by the Company to the Participant of an equivalent number of whole Ordinary Shares, with any fractional share paid in cash.

7.2 **Manner of Payment Upon Death**. If a Participant dies while Share Units are held in the Participant's Account, such Share Units will be paid to the Beneficiary or the Participant's estate, as the case may be, within ninety (90) days from the date of the Participant's death. Payment with respect to such Share Units shall be effected through the issuance by the Company to the Beneficiary or the Participant's estate, as the case may be, of an equivalent number of whole Ordinary Shares, with any fractional share paid in cash.

7.3 **Payments Upon Change in Control**. Notwithstanding any provision of this Plan to the contrary, if a Change in Control of the Company occurs, all vested and unvested Share Units held in a Participant's Account will be paid in a lump sum distribution within fifteen (15) days after such Change in Control. Payment with respect to such Share Units shall be effected through the issuance by the Company to the Participant of an equivalent number of whole Ordinary Shares, with any fractional share paid in cash. In addition, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution. Notwithstanding any provisions of this Plan to the contrary, the provisions of this Section 7.3 may not be amended by an amendment effected within three years following a Change in Control.

7.4 **No Acceleration of Payment**. Notwithstanding any provision hereof to the contrary, the acceleration of payment of Share Units is prohibited unless expressly permitted under Code Section 409A.

ARTICLE VIII
BENEFICIARY DESIGNATION

Each Participant shall be entitled to designate a Beneficiary or Beneficiaries (which may be an entity other than a natural person) who, following the Participant's death, will be entitled to receive any payments to be made under this Plan. At any time, and from time to time, any designation may be changed or canceled by the Participant without the consent of any Beneficiary. Any designation, change, or cancellation must be by written notice filed with the Company and shall not be effective until received by the Company. Payment shall be made in accordance with the last unrevoked written designation of Beneficiary that has been signed by the Participant and delivered by the Participant to the Company prior to the Participant's death. If the Participant designates more than one Beneficiary, any payments under this Plan to the Beneficiaries shall be made in equal shares unless the Participant has designated otherwise, in which case the payments shall be made in the proportions designated by the Participant. If no Beneficiary has been named by the Participant or if all Beneficiaries predecease the Participant, payment shall be made to the Participant's estate.

ARTICLE IX
TRANSFERABILITY RESTRICTIONS

The Plan shall not in any manner be liable for, or subject to, the debts and liabilities of any Participant or Beneficiary. No payee may assign any payment due such party under the Plan. No benefits at any time payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, attachment, garnishment, levy, execution, or other legal or equitable process, or encumbrance of any kind.

ARTICLE X
FUNDING POLICY

The Company's obligations under the Plan shall be totally unfunded so that the Company is under merely a contractual duty to make payments when due under the Plan. The promise to pay shall not be represented by notes and shall not be secured in any way.

ARTICLE XI
ADMINISTRATION

The Plan shall be administered by the Board. The Board shall have authority to interpret the Plan, and to prescribe, amend and rescind rules and regulations relating to the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all Participants. The Board may employ agents, attorneys, accountants, or other persons and allocate or delegate to them powers, rights, and duties, all as the Board may consider necessary or advisable to properly carry out the administration of the Plan.

ARTICLE XII
AMENDMENT AND TERMINATION

Subject to the limitations on amendments set forth in Section 7.3, the Company, by resolution duly adopted by the Board, shall have the right, authority and power to alter, amend, modify, revoke, or terminate the Plan; provided however, that shareholder approval shall be required for any amendment for which shareholder approval is required under the rules of the exchange or market on which the Ordinary Shares are listed and traded. No alteration, amendment, modification, revocation or termination of the Plan shall adversely affect the rights of any Participant with respect to any Share Units held in such Participant's Account, unless the Participant shall consent thereto in writing. Distribution of Share Units held in Participant's Account may be distributed upon a termination of the Plan at the discretion of the Board, provided that such distribution satisfies the requirements of Code Section 409A.

ARTICLE XIII
MISCELLANEOUS

13.1 **No Right to Continue as a Director**. Nothing in this Plan shall be construed as conferring upon a Participant any right to continue as a member of the Board.

13.2 **No Interest as a Shareholder.** Share Units do not give a Participant any rights whatsoever with respect to Ordinary Shares until such time and to such extent that payment of Share Units is made in Ordinary Shares upon the Participant's Termination.

13.3 **No Right to Corporate Assets**. Nothing in this Plan shall be construed as giving the Participant, the Participant's designated Beneficiaries or any other person any equity or interest of any kind in the assets of the Company or any subsidiary or creating a trust of any kind or a fiduciary relationship of any kind between the Company or any subsidiary and any person. As to any claim for payments due under the provisions of the Plan, a Participant, Beneficiary and any other persons having a claim for payments shall be general unsecured creditors of the Company.

13.4 **Code Section 409A Compliance**. The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Code Section 409A. Where reasonably possible and practicable, the Plan shall be administered in a manner to avoid the imposition on Non-Employee Directors of immediate tax recognition and additional taxes under Code Section 409A. Notwithstanding the foregoing, neither the Company nor the Board shall have any liability to any person in the event that Code Section 409A applies under the Plan in a manner that results in adverse tax consequences to the Non-Employee Director or his or her Beneficiaries.

13.5 **No Limit on Further Corporate Action**. Nothing contained in the Plan shall be construed so as to prevent the Company from taking any corporate action which is deemed by the Company to be appropriate or in its best interest.

13.6 **Governing Law**. The Plan shall be governed by the applicable Code provisions to the maximum extent possible. Otherwise, the laws of Bermuda (without reference to principles of conflicts of laws) shall govern the operation of, and the rights of Participants under, the Plan.

13.7 **Headings**. The headings of articles, sections, subsections, paragraphs or other parts of the Plan are for convenience of reference only and do not define, limit, construe, or otherwise affect its contents.

Exhibit 10.31

EXECUTION VERSION

ashurst

US$109,000,000 Term Facility Agreement

Sussex Holdings, Inc

as Borrower

and

Sussex Holdings, Inc

as Original Guarantor

and

National Australia Bank Limited (ABN 12 004 044 937) and Barclays Bank PLC

as Mandated Lead Arrangers and Bookrunners

and

National Australia Bank Limited (ABN 12 004 044 937)

as Agent and Security Agent

24 December 2014

CONTENTS

This **AGREEMENT** is made on the 24 December 2014.

BETWEEN:

(1) **SUSSEX HOLDINGS, INC.** a company incorporated under the laws of the State of Delaware, United States of America whose registered office is at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801 (the **"Borrower"**);

(2) **THE MEMBERS OF THE GROUP** listed in part 1 of schedule 1 (The Original Parties) as Original Guarantor (the **"Original Guarantor"**);

(3) **NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937)** and **BARCLAYS BANK PLC** as bookrunners and mandated lead arrangers (the **"Arrangers"**);

(4) **THE FINANCIAL INSTITUTIONS** listed in part 2 of schedule 1 (The Original Parties) as lenders (the **"Original Lenders"**);

(5) **NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937)** as agent of the other Finance Parties (the **"Agent"**); and

(6) **NATIONAL AUSTRALIA BANK LIMITED (ABN 12 004 044 937)** as Security Agent for the Secured Parties.

It is agreed:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **In this Agreement:**

"Acceptable Bank" means a bank or financial institution which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of A+ or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A1 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency or any other bank or financial institution approved by the Agent;

"Accession Letter" means a document substantially in the form set out in schedule 6 (Form of Accession Letter);

"Accounting Principles" means:

(a) in the case of the Annual Financial Statements and Quarterly Financial Statements for a Regulated Insurance Entity, SAP;

(b) in the case of the Annual Financial Statements for a non-Regulated Insurance Entity, GAAP; and

(c) in the case of Quarterly Financial Statements of the Borrower, GAAP;

"Acquisition" means the acquisition of the Target Shares on the terms of the Acquisition Documents;

"Acquisition Agreement" means the stock purchase agreement dated as of 26 August 2014 (including all schedules and all documents and agreements attached thereto or otherwise referred to therein, copies of which have been provided to the Agent) relating to the acquisition by the Borrower of the Target and entered into and made between the Borrower, Enstar and the Vendor, as amended from time to time by amendments reasonably acceptable to the Agent;

“Acquisition Costs” means all fees, costs and expenses, stamp, registration and other Taxes incurred (or required to be paid) by the Borrower or any other member of the Group in connection with the Acquisition or the Transaction Documents;

“Acquisition Documents” means the Acquisition Agreement and any other document designated as an Acquisition Document by the Agent and the Borrower;

“Additional Guarantor” means any company which becomes a Guarantor in accordance with clause 26.2 (Additional Guarantors);

“Additional Security Agent” has the meaning given to it in schedule 10 (Security Agent);

“Affiliate” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company;

“Agent’s Spot Rate of Exchange” means the Agent’s spot rate of exchange for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day;

“Anti-Terrorism Law” means each of:

(a) Executive Order No. 13224 of September 23, 2001 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism (the Executive Order);

(b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 (commonly known as the **“USA Patriot Act”**);

(c) the Money Laundering Control Act of 1986, Public Law 99-570;

(d) the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq, the Trading with the Enemy Act, 50 U.S.C. App. §§ 1 et seq, any Executive Order or regulation promulgated thereunder and administered by the Office of Foreign Assets Control (**“OFAC”**) of the U.S. Department of the Treasury; and

(e) any similar law enacted in the United States of America subsequent to the date of this Agreement which is applicable to a member of the Group;

“Assignment Agreement” means an agreement substantially in the form set out in schedule 5 (Form of Assignment Agreement) or any other form agreed between the relevant assignor and assignee;

“Auditors” means:

(a) any internationally reputable firm of qualified accountants (which shall include, for the avoidance of doubt, the auditors of the Enstar Group as at the date of this Agreement); or

(b) such other firm approved in advance by the Majority Lenders (such approval not to be unreasonably withheld or delayed);

“Authorisation” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

“Authority” means any of the United Nations Security Council, the Commission of the European Union, a government entity of any Participating Member State, Her Majesty’s Treasury, any other United Kingdom government entity, any Australian government entity, any Bermudan government entity, the Office of Foreign Assets Control of the United States Department of the Treasury and any other United States government entity;

"Availability Period" means the period from and including the date of this Agreement to and including the earlier of (i) the date falling one month after the Closing Date or (ii) the date falling six months from the date of this Agreement;

"Available Facility" means the aggregate for the time being of each Lender's Commitment;

"Base Currency" means U.S. Dollars;

"Base Currency Amount" means the amount of the relevant currency required to purchase the relevant amount of U.S. Dollars at the Agent's Spot Rate of Exchange;

"Break Costs" means the amount (if any) by which:

(a) the interest, excluding the Margin, which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of the Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the London interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period;

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Hamilton (Bermuda) and New York;

"Cash" means, at any time, cash denominated in freely transferable and freely convertible currency in hand or at a bank and (in the latter case) credited to an account in the name of a member of the Group with an Acceptable Bank and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled and for so long as:

(a) that cash is repayable on demand; and

(b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;

(c) there is no Security over that cash except Transaction Security or any Permitted Security constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements;

(d) the cash is freely and immediately available to be applied in repayment or prepayment of the Facility;

"Cash Equivalent Investments" means at any time:

(a) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank;

(b) any investment in marketable debt obligations with a rating of not less than AA issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;

(c) commercial paper not convertible or exchangeable to any other security:

(i) for which a recognised trading market exists;

(ii) issued by an issuer incorporated in the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State;

(iii) which matures within one year after the relevant date of calculation; and

(iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investors Service Limited or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;

(d) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or their dematerialised equivalent);

(e) any investment accessible within 30 days in money market funds which have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investors Service Limited and which invest substantially all their assets in securities of the types described in sub-paragraphs (a) to (d) above; or

(f) any other debt security approved by the Majority Lenders,

in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group or subject to any Security (other than Security arising under the Transaction Security Documents);

"Change of Control" means other than as a consequence of the Acquisition:

(a) the Shareholder ceases to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(i) cast, or control the casting of, 100 per cent. of the maximum number of votes that might be cast at a general meeting of the Borrower;

(ii) appoint or remove all of the directors or other equivalent officers of the Borrower; or

(iii) give directions with respect to the operating and financial policies of the Borrower with which the directors or other equivalent officers of the Borrower are obliged to comply;

(b) the cessation of full direct beneficial ownership by the Shareholder of all of the issued share capital of the Borrower;

(c) Enstar ceases to have Control of the Borrower;

(d) the cessation of full indirect beneficial ownership by Enstar of all of the issued share capital of the Borrower;

(e) following the Closing Date, the cessation of full beneficial ownership by the Borrower of all of the issued share capital of the Target or a member of the Target Group (other than Companion Third Party Administrations LLC pursuant to a Permitted Disposal); or

(f) any entity, person (within the meaning of Section 14(d) of the Securities Exchange Act of 1934, as amended (Exchange Act)) or group of persons (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) that before such event was beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of less than 20 per cent. of a member of the Group's Voting Stock shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the SEC under the Exchange Act), directly or indirectly, of Voting Stock of that member of the Group (or other securities convertible into such Voting Stock) representing 20 per cent. or more of the combined voting power of all Voting Stock of the applicable member of the Group.

"Charged Property" means all of the assets of any member of the Group which from time to time are, or are expressed to be, the subject of the Transaction Security;

"Chief Financial Officer" means the finance director of the relevant company or the Group from time to time (or any director of the relevant company or the Group acting as such officer's deputy in that capacity or performing those functions);

"Closing Date" means the date on which Completion occurs;

"Code" means the U.S. Internal Revenue Code of 1986 (or any successor legislation thereto) as amended from time to time;

"Commitment" means:

(a) in relation to an Original Lender, the amount in the Base Currency set opposite its name under the heading "Commitment" in part 2 of schedule 1 (The Original Parties) and the amount of any other Commitment transferred to it under this Agreement; and

(b) in relation to any other Lender, the amount in the Base Currency of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"Completion" means Closing (as such term is defined in the Acquisition Agreement);

"Compliance Certificate" means a certificate substantially in the form set out in schedule 7 (Form of Compliance Certificate);

Confidential Information" means all information relating to the Borrower, any Obligor, the "Group or the Target Group, the Finance Documents or the Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or the Facility from either:

(a) any member of the Group, the Target Group or any of their advisers, or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group, the Target Group or any of their advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes:

(i) information that:

(A) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of clause 38 (Confidentiality); or

(B) is identified in writing at the time of delivery as non-confidential by any member of the Group, the Target Group or any of their advisers; or

(C) is known by that Finance Party before the date the information is disclosed to it in accordance with sub-clauses (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group or the Target Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

(ii) any Funding Rate or Reference Bank Quotation;

"Confidentiality Undertaking" means a confidentiality undertaking substantially in the recommended form of the LMA at the relevant time or in any other form agreed between the Borrower and the Agent;

"Consolidated Net Surplus" means as such term is defined in 22.1 (Financial definitions);

"Constitutional Documents" means the certificate of incorporation and by-laws and such other constitutional document as required from time to time by the law of the place of incorporation (or any internal requirements) of the Borrower;

"Control" means:

(a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(i) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the relevant company;

(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of the relevant company; or

(iii) give directions with respect to the operating and financial policies of the relevant company with which the directors or other equivalent officers of the relevant company are obliged to comply; or

(b) the holding beneficially of more than 50 per cent. of the issued share capital of the relevant company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

“Debt Purchase Transaction” means, in relation to a person, a transaction where such person:

(a) purchases by way of assignment or transfer;

(b) enters into any sub-participation in respect of; or

(c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment or amount outstanding under this Agreement;

“Default” means an Event of Default or any event or circumstance specified in 24 (Events of Default) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default;

“Delegate” means any delegate, agent, attorney or co-trustee appointed by the Security Agent;

“Disclosure Schedule” has the meaning given to that term in the Acquisition Agreement;

“Disruption Event” means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted;

“Enstar” means Enstar Group Limited, a company incorporated under the laws of Bermuda with registered number EC30916;

“Enstar Group” means Enstar and each of its Subsidiaries from time to time;

“ERISA” means the United States Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder by the United States Department of Labor, as from time to time in effect;

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with a member of the Group within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412, 430 or 431 of the Code);

“ERISA Event” means (a) any “reportable event,” as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than an event for which the thirty (30) day notice requirement is waived); (b) the failure with respect to any Pension Plan to satisfy the “minimum funding standard” (as defined in Section 412 of the Code or Section 302 of ERISA) or the failure to make by its due date a required instalment under Section 430(j) of the Code with respect to any Pension Plan; (c) the filing pursuant to Section 412(c) of the Code or Section 302 of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan; (d) a determination that any Pension Plan is, or is expected to be, in "at risk" status (as defined in Section 430 of the Code or Section 303 of ERISA); (e) the incurrence by any member of the Group or any ERISA Affiliate of any liability under Title IV of ERISA as a result of the termination of any Pension Plan; (f) (i) the receipt by any member of the Group or any ERISA Affiliate from the PBGC of a notice of determination that the PBGC intends to seek termination of any Pension Plan or to have a trustee appointed for any Pension Plan, or (ii) the filing by any member of the Group or any ERISA Affiliate of a notice of intent to terminate any Pension Plan under Section 4041(c) of ERISA; (g) the incurrence by any member of the Group or any ERISA Affiliate of any liability (i) with respect to a Pension Plan pursuant to Sections 4063 and 4064 of ERISA, (ii) with respect to a facility closing pursuant to Section 4062(e) of ERISA, or (iii) with respect to the withdrawal or partial withdrawal from any Multiemployer Plan; (h) the receipt by any member of the Group or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, in endangered status or critical status, within the meaning of Section 432 of the Code or Section 305 of ERISA or is or is expected to be insolvent or in reorganization, within the meaning of Title IV of ERISA; (i) the failure of any member of the Group or any ERISA Affiliate to make any required contribution to a Multiemployer Plan; or (j) the imposition of any lien on any right, property or asset pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions of the Code or to Section 436(f) of the Code or to Sections 412 and 430 of the Code; (k) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, in connection with any Plan; (l) the receipt from the Internal Revenue Service of notice of the failure of any Plan to qualify under Section 401(a) of the Code, or notice of the failure of any trust forming part of any Plan to qualify for exemption from taxation under Section 501(a) of the Code; or (m) the occurrence of a non-exempt "prohibited transaction" with respect to which any member of the Group or any ERISA Affiliate is a "disqualified person" or a "party in interest" (within the meaning of Section 4975 of the Code or Section 406 of ERISA, respectively) or which is reasonably expected to result in a material liability to any member of the Group or any ERISA Affiliate;

"Euro", **"EUR"** or **"€"** means the single currency unit of the Participating Member States;

"Event of Default" means any event or circumstance specified as such in 24 (Events of Default) other than any event or circumstance in clause 24.21 (Acceleration) or clause 24.22 (Effect of Insolvency);

"Facility" means the term loan facility made available under this Agreement as described in clause 2.1 (The Facility);

"Facility Office" means:

(a) in respect of a Lender, the office or offices notified by that Lender to the Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement; or

(b) in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes;

"FATCA" means:

(a) sections 1471 to 1474 of the Code or any associated regulations;

(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction;

"FATCA Application Date" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the U.S.), 1 July 2014;

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the U.S.), 1 January 2017; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement;

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA;

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction;

"Fee Letter" means

(a) any letter or letters dated on or about the date of this Agreement between the Agent, the Security Agent and/or the Arrangers and the Borrower setting out any of the fees referred to in 13 (Fees); and

(b) any agreement setting out fees payable to a Finance Party under any Finance Document;

"Finance Document" means this Agreement, any Accession Letter, any Compliance Certificate, any Fee Letter, any Selection Notice, any Transaction Security Document, any Utilisation Request and any other document designated as a Finance Document by the Agent and the Borrower;

"Finance Party" means the Agent, the Arrangers, the Security Agent or a Lender;

"Financial Indebtedness" means any indebtedness for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value as at the relevant date on which Financial Indebtedness is calculated (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(h) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the Termination Date (or are otherwise treated as borrowings under the Accounting Principles);

(i) any amount of any liability under an advance or deferred purchase agreement if (1) one of the primary reasons behind entering into the agreement is to raise finance or (2) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;

(j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing; and

(k) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above;

"Financial Model" means the Companion P&C Group report entitled "Balance Sheet Run-off Model" (undated) in agreed form;

"Financial Quarter" has the meaning given to that term in clause 22.1 (Financial definitions);

"Financial Year" has the meaning given to that term in clause 22.1 (Financial definitions);

"Foreign Lender" means a Lender that is not a U.S. Person;

"Funding Rate" means any rate notified to the Agent by a Lender pursuant to paragraph (a)(ii) of clause 12.2 (Market Disruption);

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination;

"Governmental Authority" means the government of the United States of America or any other sovereign nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank);

"Group" means the Borrower and each of its Subsidiaries from time to time;

"Group Structure Chart" means the group structure chart in schedule 9 (Group Structure);

"Guarantor" means the Original Guarantor and each Additional Guarantor, unless it has ceased to be a Guarantor in accordance with clause 26.4 (Resignation and release of security on disposal);

"Holding Account" means the account in the name of the Borrower held with the Agent designated as the "Holding Account" by the Agent (and as the same may be redesignated, substituted or replaced from time to time);

"Holding Company" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;

"Information Package" means the Financial Model and the Reports;

"Insolvency Representative" means any liquidator, administrator, receiver, receiver and manager, administrative receiver, custodian, trustee or similar officer in any jurisdiction;

"Insurance Code" means the insurance laws, regulations and pronouncements applicable to each Regulated Insurance Entity or any person in connection with each Regulated Insurance Entity, including, without limitation, the laws and regulations of each Regulated Insurance Entity's state of domicile or state of deemed domicile and any successor statute, regulation or pronouncement of similar import, as amended or otherwise modified and in effect from time to time including, without limitation, the South Carolina Insurance Law (Title 38 of the Code of Laws of South Carolina 1976, as amended);

"Insurance Regulator" means the Government Authority charged with supervision of insurance companies in the jurisdiction of domicile or deemed domicile of the applicable entity;

"Intellectual Property" means

(a) any patents, trade marks, service marks, designs, business names, copyrights, design rights, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests, whether registered or unregistered; and

(b) the benefit of all applications and rights to use such assets of each member of the Group;

"Interest Period" means, in relation to a Loan, each period determined in accordance with clause 11 (Interest Periods) and, in relation to an Unpaid Sum, each period determined in accordance with clause 10.3 (Default Interest);

"Interpolated Screen Rate" means, in relation to LIBOR for the Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

(a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of the Loan; and

(b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of the Loan, each as of the Specified Time on the Quotation Day for the currency of the loan;

"IRS" means the United States Internal Revenue Service or any successor;

"Joint Venture" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other similar entity;

"Legal Opinion" means any legal opinion delivered to the Agent under clause 4.1 (Initial conditions precedent) or clause 26 (Changes to the Obligors);

"Legal Reservations" means:

(a) the principle that equitable remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;

(c) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(d) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions;

"Lender" means:

(a) any Original Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with clause 25 (Changes to the Lenders),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement;

"LIBOR" means, in relation to the Loan:

(a) the applicable Screen Rate;

(b) (if no Screen Rate is available for the Interest Period of the Loan) the Interpolated Screen Rate for the Loan; or

(c) if:

    (i) no Screen Rate is available for the currency of the Loan; or

    (ii) no Screen Rate is available for the Interest Period of the Loan and it is not possible to calculate an Interpolated Screen Rate for the Loan,

    the Reference Bank Quotation,

as of, in the case of paragraphs (a) and (c) above, the Specified Time on the Quotation Day for the currency of the Loan and for a period equal in length to the Interest Period of the Loan;

"Limitation Acts" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984;

"LMA" means the Loan Market Association;

"Loan" means the loan made or to be made under the Facility or the principal amount outstanding for the time being of the loan;

"Majority Lenders" means a Lender or Lenders whose Commitments aggregate more than 66 ⅔ per cent. of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated more than 66 ⅔ per cent. of the Total Commitments immediately prior to the reduction);

"Mandatory Prepayment Account" means the interest-bearing account in the name of the Borrower held with the Agent designated as the "Mandatory Prepayment Account" by the Agent (and as the same may be redesignated, substituted or replaced from time to time);

"Margin" means 2.75 (two point seven five) per cent. per annum;

"Margin Stock" means margin stock or margin security within the meaning of Regulations T, U and X;

"Material Adverse Effect" means a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of the Group taken as a whole; or

(b) the ability of an Obligor to perform its payment obligations under the Finance Documents and/or its obligations under clause 22.2 (Financial condition); or

(c) the validity or enforceability of, or the effectiveness or ranking of any Security granted or purporting to be granted pursuant to any of, the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents;

"Month" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period. Monthly shall be construed accordingly;

"Multiemployer Plan" means an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA that is sponsored by any member of the Group or any ERISA Affiliate or to which any member of the Group or any ERISA Affiliate is obligated or has been obligated to make contributions or has any material liability;

"Obligor" means the Original Obligors or an Additional Guarantor;

"Obligors' Agent" means the Borrower, appointed to act on behalf of each Obligor in relation to the Finance Documents pursuant to clause 2.3 (Obligors' Agent);

"Original Financial Statements" means:

(a) in relation to the Borrower, its opening balance sheet;

(b) in relation to the Target, its audited financial statements for the Financial Year ended 31 December 2013; and

(c) in relation to each other member of the Target Group, its unaudited statutory annual statement and, if available on the date the Original Financial Statements are provided, its audited statutory financial statement, in each case for its Financial Year ended 31 December 2013,

or, for each such entity, any later financial statements as may be agreed between the Borrower and the Lenders prior to the date of this Agreement;

"Original Obligor" means the Borrower and the Original Guarantor;

"NAIC" means the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or organisation performing advisory, coordination or other similar functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States with the goal of promoting uniformity in the practices of such Governmental Authorities;

"Participating Member State" means any member state of the European Union that has the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union;

"Party" means a party to this Agreement;

"PBGC" means the U.S. Pension Benefit Guaranty Corporation, or any entity successor agency or entity performing substantially the same function;

"Pension Plan" means an employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that is or was sponsored or maintained by any member of the Group or any ERISA Affiliate or to which any member of the Group or any ERISA Affiliate is obligated or has been obligated to make contributions or has any material liability;

"Permitted Disposal" means any sale, lease, licence, transfer or other disposal permitted by clause 23.27 (Intra-Group transactions) or which is not an intra-Group transaction and is on arm's length terms:

(a) of cash made by any member of the Group in the ordinary course of trading of the disposing entity;

(b) of Cash Equivalent Investments for cash or in exchange for other Cash Equivalent Investments;

(c) arising as a result of any Permitted Security;

(d) of shares in Companion Third Party Administrators LLC to any third party; and

(e) of policy renewal rights held by a member of the Target Group to Torus Insurance Holdings, any of its Subsidiaries or any other third party;

“Permitted Distribution” means:

(a) a Target Distribution;

(b) the payment of a dividend, the making of a loan or the movement of cash by way of a share buyback by the Borrower, in each case, declared as a result of the receipt of a Target Distribution into the Holding Account provided the following conditions are satisfied:

  (i) the Borrower’s obligations under clause 8.2 (Disposal, Insurance, Acquisition Proceeds and Target Distributions) have been complied with in full;

  (ii) no Default is continuing at the time such dividend is to be paid or would occur if such dividend is paid;

  (iii) at the time the relevant dividend is to be paid no circumstances exist such that (in the opinion of the Agent) on the publication of any accounts by reference to which Net Surplus Cover in clause 22.2 (Financial condition) is calculated, there would be a breach of that financial covenant on its next following test date if the dividend was paid;

  (iv) the Borrower has given the Agent not less than five Business Days’ written notice of the Borrower’s intention to pay the proposed dividend and has at the same time delivered to the Agent a certificate signed by a duly authorised officer of the Borrower certifying that (1) he is not aware of any Default which is continuing or of any Default which is likely to occur on or prior to the anticipated date of payment and (2) containing calculations to show that the Net Surplus Cover financial covenant in clause 22.2 (Financial condition) will be complied with following the payment of the proposed dividend on the next following test date; and

  (v) the Agent shall not have: (1) objected to the payment of such dividend before the expiry of the five Business Day notice period referred to in paragraph (iv) above because any of the conditions for payment under this paragraph (b) has not been met; or (2) requested reasonable further information to establish whether the conditions established by this definition are met. If the Agent objects, it shall state which conditions of this paragraph (b) it does not consider to have been satisfied, in which case the Borrower shall not pay the proposed dividend unless (in the case of a breach of the Net Surplus Cover financial covenant) it obtains a certificate from the Auditors confirming to the Agent that in their opinion the financial conditions necessary to allow the payment of the relevant dividend referred to in paragraph (b)(iv)(2) above have been satisfied, or in the case of any other Default the Agent becomes satisfied that the conditions for payment under this paragraph (b) have been met; and

(c) the payment of a dividend to the Target or its wholly-owned Subsidiaries,

provided that no such Target Distribution, payment, distribution or other action detailed in paragraphs (a) or (b) above will be permitted at any time after the occurrence of a Default which is continuing;

“Permitted Financial Indebtedness” means Financial Indebtedness arising under:

(a) a Permitted Loan;

(b) a Permitted Guarantee;

(c) any Finance Document;

(d) any letters of credit existing at the date of this Agreement put in place for reinsurance purposes and secured through cash collateral provided by the Target Group;

"Permitted Guarantee" means:

(a) any guarantee of Permitted Financial Indebtedness which is referred to in the definition of, or otherwise constitutes, Permitted Financial Indebtedness provided that clause 23.27 (Intra-Group transactions) is complied with; or

(b) any guarantee given in respect of the netting or set-off arrangements permitted pursuant to paragraph (a) of the definition of Permitted Security,

provided that no new guarantee will be permitted at any time after the occurrence of a Default which is continuing;

"Permitted Loan" means:

(a) Financial Indebtedness which is referred to in the definition of, or otherwise constitutes, Permitted Financial Indebtedness provided clause 23.27 (Intra-Group transactions) is complied with; or

(b) any loan permitted by clause 23.27 (Intra-Group transactions); or

(c) any loan invested pursuant to clause 22.4 (Equity cure- Regulatory Cover) or clause 22.5 (Equity cure- Net Surplus Cover);

"Permitted Payment" means a payment of fees on arms' length terms by any member of the Group to any Subsidiary of Enstar that is not a member of the Group for management services up to a maximum aggregate amount of all such payments not exceeding:

(a) in 2015, US$13,230,000;

(b) in 2016, US$7,124,000;

(c) in 2017, US$5,433,000; and

(d) in 2018, US$4,235,000,

provided that no such payment will be permitted at any time after the occurrence of a Default which is continuing;

"Permitted Security" means:

(a) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Group but only so long as: (1) such arrangement does not permit credit balances of Obligors to be netted or set-off against debit balances of members of the Group which are not Obligors; and (2) such arrangement does not give rise to other Security over the assets of Obligors in support of liabilities of members of the Group which are not Obligors;

(b) any Quasi-Security arising as a result of a disposal which is a Permitted Disposal;

(c) any Transaction Security;

(d) any lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Group;

(e) any Security or Quasi-Security over or affecting any asset acquired by a member of the Group after the date of this Agreement if:

(i) the Security or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Group;

(ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group; and

(iii) the Security or Quasi-Security is removed or discharged within three months of the date of acquisition of such asset;

(f) any Security or Quasi-Security over or affecting any asset of any company which becomes a member of the Group after the date of this Agreement, where the Security or Quasi-Security is created prior to the date on which that company becomes a member of the Group if:

(i) the Security or Quasi-Security was not created in contemplation of the acquisition of that company;

(ii) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and

(iii) the Security or Quasi–Security is removed or discharged within three months of that company being a member of the Group; and

(g) any Security or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Group;

"Permitted Share Issue" means an issue of shares:

(a) by a member of the Group (other than the Borrower) which is a Subsidiary to its immediate Holding Company to the extent permitted by clause 23.27 (Intra-Group Transactions), provided that (if the existing shares of the Subsidiary are the subject of the Transaction Security) the newly-issued shares also become subject to the Transaction Security on the same terms and provided that no such issue of shares will be permitted at any time after the occurrence of a Default which is continuing; or

(b) by the Borrower to the Shareholder where the proceeds of such share issue are applied to remedy a breach of the Regulatory Cover or the Net Surplus Cover financial covenant in clause 22.2 (Financial condition) pursuant to clause 22.4 (Equity cure- Regulatory Cover) or clause 22.5 (Equity cure- Net Surplus Cover);

"Permitted Transaction" means any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising, under the Finance Documents, provided that no such disposal, transaction or other action that is not already existing will constitute a Permitted Transaction at any time after the occurrence of a Default which is continuing;

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Borrower, the Partnership, or any Obligor or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate;

"Plan Asset Rules" means the regulations issued by the United States Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the United States Code of Federal Regulations or any successor regulations, as modified by Section 3(42) of ERISA, and the rules and regulations thereunder;

"Qualifying Lender" has the meaning given to that term in clause 14 (Tax Gross Up and Indemnities);

"Quarter Date" has the meaning given to that term in clause 22.1 (Financial definitions);

"Quarterly Financial Statement" has the meaning given to that term in clause 21 (Information Undertakings);

"Quasi-Security" has the meaning given to that term in clause 23.12 (Negative pledge);

"Quotation Day" means, in relation to any period for which an interest rate is to be determined, two Business Days before the first day of that period, unless market practice differs in the London interbank market for a currency, in which case the Quotation Day for that currency will be determined by the Agent in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days);

"Rating Agency" means Standard & Poor's Rating Services, Fitch Ratings Ltd, Moody's Investors Service or other equivalent internationally recognised statistical rating organisation;

"Receiver" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property;

"Reference Bank Quotation" means any quotation supplied to the Agent by a Reference Bank;

"Reference Banks" means National Australia Bank Limited (ABN 12 004 044 937) and such other banks as may be appointed by the Agent in consultation with the Borrower;

"Regulated Insurance Entity" means a member of the Target Group which:

(a) underwrites contracts of insurance and/or reinsurance; and

(b) is regulated by the relevant supervisory or regulatory body or bodies in the appropriate state or countries in which it carries out the regulated activities;

"Regulations T, U and X" means, respectively, Regulations T, U and X of the Board of Governors of the Federal Reserve System of the United States (or any successor) as now and from time to time in effect from the date of this Agreement;

"Regulatory Cover" has the meaning given to it in clause 22.1 (Financial definitions);

"Related Fund" in relation to a fund **(first fund)**, means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund;

"Relevant Jurisdiction" means, in relation to an Obligor:

(a) its jurisdiction of incorporation;

(b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated;

(c) any jurisdiction where it conducts its business; and

(d) the jurisdiction whose laws govern the perfection of any of the Transaction Security Documents entered into by it;

"Relevant Period" has the meaning given to that term in clause 22.1 (Financial definitions);

"Repeating Representations" means each of the representations set out in clauses 20.2 (Status) to 20.7 (Governing law and enforcement), clause 20.11 (No default), clause 20.12(f) (No misleading information), clause 20.13 (Original Financial Statements), clauses 20.18 (Ranking) to 20.20 (Legal and beneficial ownership), clause 20.32 (Pensions), clause 20.34 (ERISA), clause 20.37 (Anti-Terrorism Laws and other U.S. Regulations) and 20.39 (Sanctions);

"Representative" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian;

"Reports" means:

(a) the InsurMath report entitled "Actuarial Review Companion P&C" dated 15 August 2014;

(b) the Deloitte report entitled "Preliminary Draft Tax Due Diligence Findings – Project Crescent" dated 5 August 2014;

(c) the Cranmore report entitled "Due Diligence Review - Project Crescent" dated 20 August 2014; and

(d) the Enstar report entitled "Project Crescent - IT Due Diligence" (undated);

(e) the Enstar memorandum entitled "Project Crescent – acquisition of Companion group of companies" dated 5 August 2014;

(f) the Enstar memorandum entitled "Project Crescent - HR" dated 30 July 2014;

(g) the Enstar memorandum entitled "Project Crescent – Investment Assumptions" dated 9 May 2014;

(h) the Enstar memorandum entitled "Updated Project Crescent – Investment Assumptions" dated 4 August 2014,

in form and substance satisfactory to the Agent and (in respect of paragraph (a) above) capable of being relied upon by the Secured Parties;

"Restricted Party" means any person listed:

(a) in the Annex to the Executive Order;

(b) on the "Specially Designated Nationals and Blocked Persons" list maintained by the OFAC; or

(c) in any successor list to either of the foregoing;

"SAP" means, as to the Target Group, the statutory accounting practices prescribed or permitted by its Insurance Regulator;

"Screen Rate" means in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Borrower;

"SDN List" means the "Specially Designated Nationals and Blocked Persons" list publicly issued by OFAC, the "Consolidated List of Financial Sanctions Targets in the UK" publicly issued by Her Majesty's Treasury, the Bermuda "List of Sanctions Regimes" published from time to time by the Bermuda National Anti-Money Laundering Committee, or any similar list issued or maintained and made public by, or any public announcement of a sanctions designation made by, any Authority, each as amended, supplemented or substituted from time to time;

"SEC" means the United States Securities and Exchange Commission or any successor thereto;

"Secured Parties" means each Finance Party from time to time party to this Agreement, any Receiver or Delegate;

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

"Security Agent" means National Australia Bank Limited (ABN 12 004 044 937) in its capacity as security agent and trustee for the other Finance Parties under this Agreement and the Transaction Security Documents and any Additional Security Agent or Delegate appointed by it in accordance with the terms of this Agreement;

"Selection Notice" means a notice substantially in the form set out in part 2 of schedule 3 (Requests) given in accordance with clause 11 (Interest periods);

"Shareholder" means Enstar Investments Inc., a company incorporated under the laws of the State of Delaware, United States of America with registered number 3687413 and its, or any subsequent successors, assigns or transferees;

"Specified Time" means a time determined in accordance with schedule 8 (Timetables);

"Sterling" and **"£"** means the lawful currency of the UK;

"Subsidiary" means an entity of which a person:

(a) has direct or indirect Control; or

(b) owns directly or indirectly more than fifty per cent. of the share capital or similar right of ownership; or

(c) is entitled to receive more than fifty per cent. of the dividends or distributions,

and any entity (whether or not so controlled) treated as a subsidiary in the latest financial statements of that person from time to time and disregarding, for the purpose of this definition, the fact that any shares in that entity may be held by way of security, that the beneficiary of the security (or its nominee) may be registered as a member of the relevant undertaking and/or that such beneficiary of the security (or its nominee) may be entitled to exercise voting powers and rights with respect to those charged shares;

"Target" means Companion Property and Casualty Insurance Company, a company incorporated under the laws of South Carolina, United States of America.

"Target Distribution" means:

(a) the payment of a dividend, the making of a loan or the movement of cash by way of a share buyback by a member of the Target Group to the Target; and/or

(b) the payment (or subsequent payment) of a dividend, the making of a loan or the movement of cash by way of a share buyback by the Target to the Borrower,

where, in each case, it is deposited in the Mandatory Prepayment Account and the amount has been notified to the Agent in advance. For the avoidance of doubt it shall not be necessary to deposit into the Mandatory Prepayment Account a Target Distribution if it is excluded from the payment waterfall set out in sub-clause 8.2(b)(iv);

"Target Group" means the Target and its Subsidiaries;

"Target Shares" means all of the issued shares of the Target;

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"Termination Date" means the date falling four years from the date of this Agreement;

"Total Commitments" means the aggregate of the Commitments, being US$109,000,000 at the date of this Agreement;

"Transaction Documents" means the Finance Documents, the Acquisition Documents and the Constitutional Documents of the Borrower;

"Transaction Security" means the Security created or expressed to be created in favour of the Security Agent pursuant to the Transaction Security Documents;

"Transaction Security Documents" means each of the documents listed under paragraph 2.3 of part 1 of schedule 2 (Conditions Precedent) and any original documents of title to be provided under the Transaction Security Documents and required to be delivered to the Agent under schedule 2 (Conditions Precedent) together with any other document entered into by any Obligor creating or expressed to create any Security over all or any part of its assets in respect of the obligations of any of the Obligors under any of the Finance Documents;

"Transfer Certificate" means a certificate substantially in the form set out in schedule 4 (Form of Transfer Certificate) or any other form agreed between the Agent and the Borrower;

"Transfer Date" means, in relation to an assignment or transfer, the later of:

(a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

(b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate;

"Treasury Transactions" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price;

"UK" means the United Kingdom of Great Britain and Northern Ireland;

"Unpaid Sum" means any sum due and payable but unpaid by an Obligor under the Finance Documents;

"U.S." and **"United States"** means the United States of America, its territories, possessions and other areas subject to the jurisdiction of the United States of America;

"U.S. Dollars" or **"US$"** means the lawful currency of the United States of America;

"U.S. Guarantor" means a Guarantor whose jurisdiction of organisation is a state of the United States of America or the District of Columbia;

"U.S. Obligor" means the Borrower or U.S. Guarantor;

"U.S. Person" means any person that is a "United States person" as defined in Section 7701(a)(30) of the Code;

"U.S. Treasury Regulations" means the U.S. Federal Income Tax Regulations promulgated under the Code;

"Utilisation Date" means the date on which the Loan is made;

"Utilisation Request" means a notice substantially in the relevant form set out in part 1 (Utilisation Request) of schedule 3 (Requests);

"VAT" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature payable in the United States or any other jurisdiction;

"Vendor" means Blue Cross and Blue Shield of South Carolina, an independent licensee of the Blue Cross Blue Shield Association; and

"Voting Stock" means capital stock issued by a corporation, or equivalent interests in any other person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such person, even if the right so to vote has been suspended by the happening of such a contingency.

1.2 **Construction**

(a) Unless a contrary indication appears, a reference in this Agreement to:

(i) the **"Borrower"**, the **"Agent"**, any **"Arranger"**, any **"Finance Party"**, any **"Lender"**, any **"Obligor"**, any **"Party"**, any **"Secured Party"**, the **"Security Agent"** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees and, in the case of the Security Agent, any person or persons for the time being appointed as Security Agent in accordance with this Agreement;

(ii) a document in **agreed form** is a document which is previously agreed in writing by or on behalf of the Borrower and the Agent or, if not so agreed, is in the form specified by the Agent;

(iii) **assets** includes present and future properties, revenues and rights of every description;

(iv) a **“Finance Document”** or a **“Transaction Document”** or any other agreement or instrument is a reference to that Finance Document or Transaction Document or other agreement or instrument as amended, novated, supplemented, extended or restated (in any case, however fundamentally);

(v) **guarantee** means any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

(vi) **“Guarantor”, “Original Guarantor”, “Additional Guarantor”** and **“this guarantee”** shall not be construed restrictively and shall include the payment undertakings and indemnities contained in clause 19 (Guarantee and Indemnity);

(vii) **wholly owned subsidiary** means a company or corporation that has no members except for:

(A) another company or corporation and that other company’s or corporation’s wholly-owned subsidiaries; or

(B) persons acting on behalf of that other company or corporation and that other company’s or corporation’s wholly-owned subsidiaries;

(viii) **including** and **in particular** shall not be construed restrictively but shall mean including without prejudice to the generality of the foregoing and in particular, but without limitation;

(ix) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(x) a **person** includes any individual, firm, company, corporation, government, state or agency of a state or any association, joint venture, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing;

(xi) a **regulation** includes any regulation, rule, official directive, request, or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(xii) a provision of law is a reference to that provision as amended or re-enacted and any subordinate legislation made under it; and

(xiii) a time of day is a reference to London time.

1.3 Section, clause and schedule headings are for ease of reference only.

1.4 Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

1.5 A Default (other than an Event of Default) is **“continuing”** if it has not been remedied or waived and an Event of Default is **“continuing”** if it has not been waived.

1.6 Any consent, waiver or approval required from a Finance Party under a Finance Document must be in writing and will be of no effect if not in writing.

1.7 Reference to a monetary sum specified in Sterling in clause 20 (Representations), clause 21 (Information Undertakings), clause 22 (Financial Covenants), clause 23 (General Undertakings) and/or clause 24 (Events of Default) shall be deemed to include reference to the Base Currency Amount of such sum.

1.8 **Third Party Rights**

(a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (Third Parties Act) to enforce or enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

2. THE FACILITY

2.1 **The Facility**

Subject to the terms of this Agreement, the Lenders make available to the Borrower a term loan facility in an aggregate amount equal to the Total Commitments.

2.2 **Finance Parties' rights and obligations**

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.

(c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

2.3 **Obligors' Agent**

(a) Each Obligor (other than the Borrower) by its execution of this Agreement or an Accession Letter irrevocably appoints the Borrower to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:

(i) the Borrower on its behalf to supply all information concerning itself contemplated by the Finance Documents to the Finance Parties and to give all notices and instructions, to execute on its behalf any Accession Letter, to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by any Obligor notwithstanding that they may affect that Obligor, without further reference to or the consent of that Obligor; and

(ii) each Finance Party to give any notice, demand or other communication to that Obligor pursuant to the Finance Documents to the Borrower,

and in each case that Obligor shall be bound as though that Obligor itself had given the notices and instructions or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.

(b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Obligors' Agent or given to the Obligors' Agent under any Finance Document on behalf of another Obligor or in connection with any Finance Document (whether or not known to any other Obligor and whether occurring before or after such other Obligor became an Obligor under any Finance Document) shall be binding for all purposes on that Obligor as if that Obligor had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Obligors' Agent and any other Obligor, those of the Obligors' Agent shall prevail.

3. **PURPOSE**

3.1 **Purpose**

The Borrower shall apply all amounts borrowed by it under the Facility towards paying an amount from the Facility not exceeding US$109,000,000 in relation to the purchase of the Target Shares under the Acquisition Agreement provided that such amount equates to no more than 50 per cent. of the aggregate purchase price of the Target Shares (excluding fees and other expenses) as at the Utilisation Date.

3.2 **Monitoring**

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. **CONDITIONS OF LOAN**

4.1 **Initial conditions precedent**

(a) The Lenders will only be obliged to comply with clause 5.4 (Lenders' participation) in relation to the Loan if, on or before the Utilisation Date for the Loan, the Agent has received all of the documents and other evidence listed in part 1 of schedule 2 (Conditions Precedent) in form and substance satisfactory to the Agent. The Agent shall notify the Borrower and the Lenders in writing promptly upon being so satisfied.

(b) The Lenders authorise (but do not require) the Agent to give the notification referred to in paragraph (a) above. The Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving such notification other than to the extent that the Majority Lenders notify the Agent in writing to the contrary before the Agent gives the notification described in paragraph (a) above.

4.2 **Further conditions precedent**

Subject to clause 4.1 (Initial conditions precedent), the Lenders will only be obliged to comply with clause 5.4 (Lenders' participation) if on the date of the Utilisation Request and on the Utilisation Date:

(a) all the representations and warranties in clause 20 (Representations) (other than clause 20.12 (No misleading information) which are made on the Utilisation Date only) are true; and

(b) none of the events described in clause 12.2 (Market disruption) has occurred which has resulted in any Lender being unable to fund its participation in the proposed Loan.

4.3 **Single Loan**

(a) The Borrower may not deliver a Utilisation Request if as a result of the proposed Loan more than one Loan would be outstanding.

(b) The Borrower may not request that the Loan be divided.

5. THE LOAN

5.1 **Delivery of a Utilisation Request**

The Borrower may utilise the Facility by delivery to the Agent of a duly completed Utilisation Request not later than the Specified Time.

5.2 **Completion of the Utilisation Request for the Loan**

(a) The Utilisation Request for the Loan is irrevocable and will not be regarded as having been duly completed unless:

(i) the proposed Utilisation Date is a Business Day within the Availability Period;

(ii) the currency and amount of the Loan comply with clause 5.3 (Currency); and

(iii) the proposed Interest Period complies with clause 10.4 (Interest Periods).

(b) Only one Loan may be requested in the Utilisation Request.

5.3 **Currency**

The currency specified in the Utilisation Request must be U.S. Dollars.

5.4 **Lenders' participation**

(a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in the Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its Commitment immediately prior to making the Loan.

5.5 **Cancellation of Commitment**

The Total Commitments which, at that time, are unutilised shall be immediately cancelled at the end of the Availability Period.

6. REPAYMENT

The Borrower shall repay the Loan in full on the Termination Date.

7. ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION

7.1 **Illegality**

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in the Loan:

(a) that Lender shall promptly notify the Agent upon becoming aware of that event and the Agent shall promptly notify the Borrower;

(b) upon the Agent notifying the Borrower, the Commitment of that Lender will be immediately cancelled; and

(c) the Borrower shall repay that Lender's participation in the Loan made to the Borrower on the last day of the Interest Period for the Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 **Voluntary cancellation**

Subject to clause 7.3 (Voluntary prepayment of the Loan) the Borrower may, if it gives the Agent not less than seven Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of US$500,000) of the Available Facility. Any cancellation under this clause 7.2 shall reduce the Commitments of the Lenders rateably.

7.3 **Voluntary prepayment of the Loan**

(a) The Borrower may, if it gives the Agent not less than seven Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of the Loan as specified in the relevant notice (but, if in part, being an amount that reduces the amount of the Loan by a minimum amount of US$5,000,000 or its equivalent).

(b) The Loan may only be prepaid after the last day of the Availability Period.

7.4 **Right of cancellation and repayment in relation to a single Lender**

(a) If:

(i) any sum payable to any Lender by an Obligor is required to be increased under clause 14.2 (Tax gross-up); or

(ii) any Lender claims indemnification from the Borrower or an Obligor under clause 14.3 (Tax indemnity) or clause 15 (Increased costs);

the Borrower may, whilst the circumstance giving rise to the requirement or indemnification continues, give the Agent notice of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Loan.

(b) On receipt of a notice referred to in clause 7.4(a) above in relation to a Lender, the Commitment of that Lender shall immediately be reduced to zero.

(c) On the last day of each Interest Period which ends after the Borrower has given notice under clause 7.4(a) above in relation to a Lender (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in the Loan together with all interest and other amounts accrued under the Finance Documents.

8. **MANDATORY PREPAYMENT**

8.1 **Exit**

(a) For the purpose of this clause 8.1:

"Flotation" means

(i) a successful application being made for the admission of any part of the share capital of any member of the Group (or Holding Company of any member of the Group other than Enstar) to the Official List maintained by the FCA or any equivalent in another country and the admission of any part of the share capital of any member of the Group (or Holding Company of any member of the Group other than Enstar or any of its Holding Companies) to trading on the London Stock Exchange plc or any equivalent in another country; or

(ii) the grant of permission to deal in any part of the issued share capital of any member of the Group (or Holding Company of any member of the Group other than Enstar or any of its Holding Companies) on the Alternative Investment Market or the Main Board or the Growth Market of the ICAP Securities Derivatives Exchange (ISDX) or on any recognised investment exchange (as that term is used in the Financial Services and Markets Act 2000) or in or on any exchange or market replacing the same or any other exchange or market in any country.

"FCA" means the United Kingdom Financial Conduct Authority.

(b) Upon the occurrence of:

(i) any Flotation;

(ii) a Change of Control;

(iii) the sale of all or substantially all of the assets of the Group whether in a single transaction or a series of related transactions;

(iv) the outstanding amount of the Loan is less than US$5,000,000 after the Utilisation Date,

the Facility will be cancelled and outstanding amount of the Loan, together with accrued interest, and all the other amounts accrued under the Finance Documents, shall become immediately due and payable.

8.2 **Disposal, Insurance, Acquisition Proceeds and Target Distributions**

(a) For the purposes of clauses 8.3 (Application of mandatory prepayments) and clause 8.4 (Mandatory Prepayment Accounts and Holding Accounts):

"Acquisition Proceeds" means the proceeds of a claim (a **"Recovery Claim"**) against the provider of any Report (in its capacity as a provider of that Report) except for Excluded Acquisition Proceeds, and after deducting:

(i) any reasonable expenses which are incurred by any member of the Group to persons who are not members of the Group; and

(ii) any Tax incurred and required to be paid by a member of the Group (as reasonably determined by the relevant member of the Group on the basis of existing rates and taking into account any available credit, deduction or allowance),

in each case in relation to that Recovery Claim.

“Disposal” means a sale, lease, licence, transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions).

“Disposal Proceeds” means the consideration receivable by any member of the Group (including any amount receivable in repayment of intercompany debt) for any Disposal made by any member of the Group except for Excluded Disposal Proceeds and after deducting:

(i) any reasonable expenses which are incurred by any member of the Group with respect to that Disposal to persons who are not members of the Group; and

(ii) any Tax incurred and required to be paid by the seller in connection with that Disposal (as reasonably determined by the seller, on the basis of existing rates and taking account of any available credit, deduction or allowance).

“Excluded Acquisition Proceeds” means any proceeds of a Recovery Claim which the Borrower notifies the Agent are, or are to be, applied:

(i) in payment of amounts payable to the Vendor pursuant to the Acquisition Agreement by way of adjustment to the purchase price in respect of the Acquisition (except to the extent relating to a working capital adjustment);

(ii) to satisfy (or reimburse a member of the Group which has discharged) any liability, charge or claim upon a member of the Group by a person which is not a member of the Group; or

(iii) in the replacement, reinstatement and/or repair of assets of members of the Group which have been lost, destroyed or damaged,

in each case as a result of the events or circumstances giving rise to that Recovery Claim, if those proceeds are so applied as soon as possible (but in any event within 180 days, or such longer period as the Majority Lenders may agree) after receipt.

“Excluded Disposal Proceeds” means Disposal Proceeds which have been derived from a Disposal permitted by clause 23.27 (Intra-Group transactions) or of a type described in paragraphs (a), (b), (c) or (d) (but only if and to the extent that such Disposal is in exchange for other Cash Equivalent Investments) of the definition of **“Permitted Disposal”**.

“Excluded Insurance Proceeds” means any proceeds of an insurance claim which the Borrower notifies the Agent are, or are to be, applied:

(i) to meet a third party claim; or

(ii) in the replacement, reinstatement and/or repair of the assets or otherwise in amelioration of the loss in respect of which the relevant insurance claim was made,

in each case as soon as possible (but in any event within 180 days, or such longer period as the Majority Lenders may agree) after receipt.

“Insurance Proceeds” means the proceeds of any insurance claim received by any member of the Group except for Excluded Insurance Proceeds and after deducting any reasonable expenses in relation to that claim which are incurred by any member of the Group to persons who are not members of the Group.

(b) The Borrower shall prepay the Loan in the following amounts at the times and in the order of application contemplated by clause 8.3 (Application of mandatory prepayments):

(i) the amount of Acquisition Proceeds;

(ii) the amount of Disposal Proceeds;

(iii) the amount of Insurance Proceeds; and

(iv)

(A) if the total of the outstanding Loan is equal to or exceeds US$54,500,000, the amount of all Target Distributions; or

(B) if the total of the outstanding Loan is less than US$54,500,000, the amount equal to the percentage of Target Distribution proceeds as set out in the second column below when the Net Surplus Cover ratio in clause 22.2 (Financial Condition) is as specified in the first column below (as demonstrated in the most recent Compliance Certificate delivered to the Agent pursuant to clause 21.3 (Provision and contents of Compliance Certificate)).

Net Surplus Cover ratio	**Percentage of Target Distribution proceeds to be applied in prepayment of the Facility**
Less than or equal to 2.50:1	100 per cent.
Greater than 2.50:1 but less than or equal to 3.00:1	75 per cent.
Greater than 3.00:1	50 per cent.

8.3 **Application of mandatory prepayments**

(a) A prepayment made under clause 8.2 (Disposal, Insurance, Acquisition Proceeds and Target Distributions) shall:

(i) be applied in prepayment of the Loan as contemplated in clauses 8.3(a)(ii) to 8.3(c) inclusive below; and

(ii) unless the Borrower makes an election under clause 8.3(b) below, be applied in prepayment of the Loan within five Business Days of receipt of such proceeds or Target Distribution.

(b) Subject to clause 8.3(c) below, the Borrower may elect that any prepayment under clause 8.2 (Disposal, Insurance, Acquisition Proceeds and Target Distributions) be applied in prepayment of the Loan on the last day of the Interest Period relating to the Loan. If the Borrower makes that election then a proportion of the Loan equal to the amount of the relevant prepayment will be due and payable on the last day of its Interest Period.

(c) If the Borrower has made an election under clause 8.3(b) above but a Default has occurred and is continuing, that election shall no longer apply and a proportion of the Loan equal to the amount of the relevant prepayment shall be immediately due and payable (unless the Majority Lenders otherwise agree in writing).

(d) If the Borrower is not required to apply 100 per cent. of a Target Distribution in prepayment of the Facility under clause 8.2(b)(ii) above then it may apply up to 100 per cent. of such Target Distribution in prepayment of the Facility.

8.4 **Mandatory Prepayment Accounts and Holding Accounts**

(a) The Borrower shall ensure that:

(i) any Disposal Proceeds, Insurance Proceeds, Acquisition Proceeds and Target Distributions in respect of which the Borrower has made an election under clause 8.3 (Application of mandatory prepayments) are paid into a Mandatory Prepayment Account as soon as reasonably practicable after receipt by a member of the Group; and

(ii) Excluded Disposal Proceeds to be applied in replacement of assets, Excluded Insurance Proceeds and Excluded Acquisition Proceeds are paid into a Holding Account as soon as reasonably practicable after receipt by a member of the Group.

(b) The Borrower irrevocably authorises the Agent to apply:

(i) amounts credited to the Mandatory Prepayment Account; and

(ii) amounts credited to the Holding Account which have not been duly applied as contemplated within 180 days of receipt of the relevant proceeds (or such longer time period as the Majority Lenders may agree),

to pay amounts due and payable under clause 8.3 (Application of mandatory prepayments) and otherwise under the Finance Documents. The Borrower further irrevocably authorises the Agent to so apply amounts credited to the Holding Account in respect of Excluded Disposal Proceeds to be applied in replacement of assets whether or not 180 days have elapsed since receipt of those proceeds if a Default has occurred and is continuing. The Borrower also irrevocably authorises the Agent to transfer any amounts credited to the Holding Account referred to in this clause 8.4(a)(ii) to the Mandatory Prepayment Account pending payment of amounts due and payable under the Finance Documents (but if all such amounts have been paid any such amounts remaining credited to the Mandatory Prepayment Account may (unless a Default is continuing) be transferred back to the Holding Account).

(c) A Lender, Security Agent or Agent with which a Mandatory Prepayment Account or Holding Account is held acknowledges and agrees that (1) interest shall accrue at normal commercial rates offered by such Lender, Security Agent or Agent in Europe on amounts credited to those accounts and that the account holder shall be entitled to receive such interest (which shall be paid in accordance with the mandate relating to such account) unless a Default is continuing, and (2) each such account is subject to the Transaction Security.

(d) If the Borrower is not required to apply 100 per cent. of a Target Distribution in prepayment of the Facility under clause 8.2(b)(iv) (Disposal, Insurance, Acquisition Proceeds and Target Distributions) and does not apply the money towards prepayment in accordance with clause 8.3(d) (Application of mandatory prepayments) then unless a Default is continuing the Borrower may withdraw such money from the Holding Account and apply such monies at its discretion.

8.5 **Excluded proceeds**

Where Excluded Acquisition Proceeds, Excluded Disposal Proceeds and Excluded Insurance Proceeds include amounts which are intended to be used for a specific purpose within a specified period (as set out in the relevant definition of Excluded Acquisition Proceeds, Excluded Disposal Proceeds or Excluded Insurance Proceeds), the Borrower shall ensure that those amounts are used for that purpose and shall promptly deliver a certificate to the Agent at the time of such application and at the end of such period confirming the amount (if any) which has been so applied within the requisite time periods provided for in the relevant definition.

9. RESTRICTIONS

9.1 Notices of Cancellation or Prepayment

Any notice of cancellation, prepayment, authorisation or other election given by any Party under clause 7 (Illegality, Voluntary Prepayment and Cancellation), clause 8.3 (Application of mandatory prepayments) or clause 8.4 (Mandatory Prepayment Accounts and Holding Accounts) (subject to the terms of those clauses) shall be irrevocable and, unless a contrary indication appears in this Agreement, any such notice shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

9.2 Interest and other amounts

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

9.3 No Reborrowing of Facility

The Borrower may not reborrow any part of the Facility which is repaid or prepaid.

9.4 Prepayment in accordance with Agreement

No Borrower shall repay or prepay all or any part of the Loan or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

9.5 No reinstatement of Commitments

No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

9.6 Agent's receipt of Notices

If the Agent receives a notice under clause 7 (Illegality, Voluntary Prepayment and Cancellation) or an election under clause 8.3 (Application of mandatory prepayments), it shall promptly forward a copy of that notice or election to either the Borrower or the affected Lender, as appropriate.

10. INTEREST

10.1 Calculation of Interest

The rate of interest on the Loan for each Interest Period is the percentage rate per annum which is the aggregate of:

(a) the Margin; and

(b) LIBOR,

(togetherthe **"Interest"**).

10.2 **Payment of Interest**

The Borrower shall pay accrued interest on the Loan on the last day of each Interest Period (and, if the Interest Period is longer than six Months, on the dates falling at six Monthly intervals after the first day of the Interest Period).

10.3 **Default interest**

(a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to clause 10.3(b) below, is one per cent. higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted a Loan in the currency of the Unpaid Sum for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this clause 10 shall be immediately payable by the Obligor on demand by the Agent.

(b) If any overdue amount consists of all or part of the Loan which became due on a day which was not the last day of an Interest Period relating to the Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to the Loan; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be one per cent. higher than the rate which would have applied if the overdue amount had not become due.

(c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

10.4 **Notification of rates of interest**

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

11. **INTEREST PERIODS**

11.1 **Selection of Interest Periods and Terms**

(a) The Borrower may select an Interest Period for the Loan in the Utilisation Request or (if the Loan has already been borrowed) in a Selection Notice.

(b) Each Selection Notice for the Loan is irrevocable and must be delivered to the Agent by the Borrower not later than the Specified Time.

(c) If the Borrower fails to deliver a Selection Notice to the Agent in accordance with clause 11.1(b) above, the relevant Interest Period will be three Months.

(d) Subject to this clause 11, the Borrower may select an Interest Period of two, three or six Months or any other period agreed between the Borrower and the Agent (acting on the instructions of all the Lenders).

(e) An Interest Period for the Loan shall not extend beyond the Termination Date.

(f) Each Interest Period for the Loan shall start on the Utilisation Date or (if already made) on the last day of its preceding Interest Period.

11.2 **Non-Business Days**

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

12. CHANGES TO THE CALCULATION OF INTEREST

12.1 **Absence of quotations**

Subject to clause 12.2 (Market disruption), if LIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

12.2 **Market disruption**

(a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of the Loan for the Interest Period shall be the percentage rate per annum which is the sum of:

(i) the applicable Margin; and

(ii) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in the Loan from whatever source it may reasonably select.

(b) In this Agreement **"Market Disruption Event"** means:

(i) at or about noon on the Quotation Day for the relevant Interest Period LIBOR is to be determined by reference to the Reference Banks and none or only one of the Reference Banks supplies a rate to the Agent to determine LIBOR for the relevant currency and Interest Period; or

(ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 30 per cent. of the Loan) that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

12.3 **Alternative basis of interest or funding**

(a) If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Obligors' Agent shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.

(b) Any alternative basis agreed pursuant to clause 12.3(a) above shall, with the prior consent of all the Lenders and the Obligors' Agent, be binding on all Parties.

12.4 **Break Costs**

(a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for the Loan or Unpaid Sum.

(b) Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

13. **FEES**

13.1 **Commitment fee**

(a) The Borrower shall pay to the Agent (for the account of each Lender) a fee in the Base Currency computed at the rate of 35 per cent. of the Margin on the daily undrawn and uncancelled amount of the Facility during the Availability Period.

(b) The accrued commitment fee is payable on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period and on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

13.2 **Upfront fee**

The Borrower shall pay to the Arrangers an upfront fee in the amount, manner and at the times agreed in a Fee Letter.

13.3 **Agency fee**

The Borrower shall pay to each of the Agent and the Security Agent (for their own account) an agency fee in the amount, manner and at the times agreed in a Fee Letter.

14. **TAX GROSS UP AND INDEMNITIES**

14.1 **Definitions**

In this Agreement:

(a) "**Borrower DTTP Filing**" means an HM Revenue & Customs' Form DTTP2 duly completed and filed by the Borrower, which:

(i) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in part 2 of schedule 1 (The Original Parties), and is filed with HM Revenue & Customs within 30 days of the date of this Agreement;

(ii) where it relates to a Treaty Lender that is a New Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the relevant Transfer Certificate or Assignment Agreement, and is filed with HM Revenue & Customs within 30 days of that Transfer Date;

(b) **"Excluded Taxes"** means, with respect to any Finance Party or other recipient of a payment to be made by an Obligor, (a) any US withholding tax imposed pursuant to FATCA, and (b) in the case of a non-US Lender, any US withholding tax that is imposed on amounts payable to such non-US Lender at the time such non-US Lender becomes a party hereto (or designates a new Facility Office), except to the extent that such non-US Lender (or its assignor, if any) was entitled, at the time of designation of a new Facility Office (or assignment), to receive additional amounts from an Obligor with respect to such US withholding tax pursuant to Clause 14.2 (Tax gross-up). In this regard, it is the agreement and understanding of the Parties hereto that, under current law, the Borrower is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document to or for the benefit of any Original Lender, provided that such Original Lender provides a properly completed IRS Form W-8BEN-E IRS or Form W-8BEN (as applicable) with respect to its qualification for the benefit of the UK-US tax treaty or the Australia-US tax treaty (as applicable) as a financial institution and complies with applicable requirements, if any, for avoiding the imposition of withholding tax under FATCA.

(c) **"Protected Party"** means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

(d) **"Qualifying Lender"** means:

(i) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

(A) a Lender:

(aa) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or

(bb) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or

(B) a Lender which is:

(aa) a company resident in the United Kingdom for United Kingdom tax purposes;

(bb) a partnership each member of which is:

(a) a company so resident in the United Kingdom; or

(b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of part 17 of the CTA;

(cc) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or

(C) a Treaty Lender; or

(ii) a building society (as defined for the purposes of section 880 of the ITA) making an advance under a Finance Document).

(e) **"Tax Confirmation"** means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

(i) a company resident in the United Kingdom for United Kingdom tax purposes;

(ii) a partnership each member of which is:

(A) a company so resident in the United Kingdom; or

(B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of part 17 of the CTA; or

(iii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

(f) **"Tax Credit"** means a credit against, relief or remission for, or repayment of, any Tax.

(g) **"Tax Deduction"** means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

(h) **"Tax Payment"** means either the increase in a payment made by an Obligor to a Finance Party under clause 14.2 (Tax gross-up) or a payment under clause 14.3 (Tax indemnity).

(i) **"Treaty Lender"** means a Lender which:

(i) is treated as a resident of a Treaty State for the purposes of the Treaty; and

(ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected.

(j) **"Treaty State"** means a jurisdiction having a double taxation agreement (a Treaty) with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

(k) **"UK Non-Bank Lender"** means:

(i) where a Lender becomes a Party on the day on which this Agreement is entered into, a Lender listed in part 4 of schedule 1 (The Original Parties); and

(ii) where a Lender becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the Assignment Agreement or Transfer Certificate which it executes on becoming a Party.

Unless a contrary indication appears, in this clause 14 a reference to **“determines”** or **“determined”** means a determination made in the absolute discretion of the person making the determination.

14.2 **Tax gross-up**

(a) Each Obligor shall make all payments to be made by it under the Finance Documents without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction that it must make) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower and that Obligor.

(c) If a Tax Deduction other than a Tax Deduction for Excluded Taxes is required by law to be made by an Obligor from any payment due from it under the Finance Documents, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) A payment shall not be increased under clause 14.2(c) above by reason of a Tax Deduction on account of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

(i) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or

(ii) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:

(A) an officer of H.M. Revenue & Customs has given (and not revoked) a direction (a **“Direction”**) under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment or from the Borrower a certified copy of that Direction; and

(B) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or

(iii) the relevant Lender is a Qualifying Lender solely by virtue of paragraph (i)(B) of the definition of Qualifying Lender and:

(A) the relevant Lender has not given a Tax Confirmation to the Borrower; and

(B) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Borrower, on the basis that the Tax Confirmation would have enabled the Borrower to have formed a reasonable belief that the payment was an “excepted payment” for the purpose of section 930 of the ITA.

(iv) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under clause 14.2(g) or (h) (as applicable) below.

(e) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(f) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

(g) (i) Subject to paragraph (ii) below, a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.

(ii)

(A) A Treaty Lender which becomes a Party on the day on which this Agreement is entered into that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Part II of schedule 1 (The Original Parties); and

(B) a New Lender that is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the Transfer Certificate or Assignment Agreement which it executes,

and, having done so, that Lender shall be under no obligation pursuant to paragraph (i) above.

(h) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii) above and:

(i) the Borrower has not made a Borrower DTTP Filing in respect of that Lender; or

(ii) the Borrower has made a Borrower DTTP Filing in respect of that Lender but:

(A) that Borrower DTTP Filing has been rejected by HM Revenue & Customs; or

(B) HM Revenue & Customs has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing,

and in each case, the Borrower has notified that Lender in writing, that Lender and the Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

(i) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with paragraph (g)(ii) above, no Obligor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment or its participation in the Loan unless the Lender otherwise agrees.

(j) A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.

(k) A UK Non-Bank Lender shall promptly notify the Borrower and the Agent if there is any change in the position from that set out in the Tax Confirmation.

14.3 **Tax indemnity**

(a) The Borrower shall (within three Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Clause 14.3(a) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party:

(A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party;

(ii) to the extent a loss, liability or cost:

(A) is compensated for by an increased payment under clause 14.2 (Tax gross-up); or

(B) would have been compensated by an increased payment under clause 14.2 (Tax gross-up) but was not so compensated solely because one of the exclusions in clause 14.2(d) (Tax gross-up) applied;

(iii) to the extent a loss, liability or cost relates to a FATCA Deduction required to be made by a Party; or

(iv) to the extent a loss, liability or cost relates to a Tax Deduction for Excluded Taxes.

(c) A Protected Party making, or intending to make a claim under clause 14.3(a) above, shall promptly notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from an Obligor under clauses 14.3(a) to 14.3(b), notify the Agent.

14.4 **Lender Status Confirmation**

Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate, in the Transfer Certificate or Assignment Agreement which it executes on becoming a Party, and for the benefit of the Agent and without liability to any Obligor, which of the following categories it falls in:

(a) not a Qualifying Lender;

(b) a Qualifying Lender (other than a Treaty Lender); or

(c) a Treaty Lender.

If a New Lender fails to indicate its status in accordance with this clause 14.4, then such New Lender shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Borrower). For the avoidance of doubt, a Transfer Certificate or Assignment Agreement shall not be invalidated by any failure of a Lender to comply with this clause 14.4.

14.5 **Tax Documentation**

(a) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Finance Document shall deliver to the Obligor and the Agent, at the time or times reasonably requested by the Obligor or the Agent, such properly completed and executed documentation reasonably requested by the Obligor or the Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Obligor or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Obligor or the Agent as will enable the Obligor or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in clause 14.5 (Tax Documentation) (b)(i) and (b)(ii)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(b) Without limiting the generality of the foregoing, in the event that the Obligor is a U.S. Obligor,

(i) any Lender that is a U.S. Person shall deliver to the Obligor and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Obligor or the Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(ii) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Obligor and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Obligor or the Agent), whichever of the following is applicable:

(A) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Finance Document, executed originals of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Finance Document, IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(B) executed originals of IRS Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of part 1 of schedule 11 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "**U.S. Tax Compliance Certificate**") and (y) executed originals of IRS Form W-8BEN or W-8BEN-E; or

(D) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of part 2 of schedule 11 or part 3 of schedule 11, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of part 4 of schedule 11 on behalf of each such direct and indirect partner; and

(iii) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Obligor and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Obligor or the Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Obligor or the Agent to determine the withholding or deduction required to be made; and

each Lender agrees that if it is aware that any form or certification it previously delivered becomes inaccurate (due to a change in facts), it shall update such form or certification or promptly notify the Obligor and the Agent in writing of its legal inability to do so.

14.6 **Stamp taxes**

The Borrower shall pay and, within three Business Days of demand, indemnify each Finance Party and the Arrangers against any cost, loss or liability such Finance Party or such Arranger incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

14.7 **Value added tax**

(a) All amounts expressed to be payable under a Finance Document by any Party to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document and such Finance Party is required to account to the relevant tax authority for the VAT, that Party must pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to that Party).

(b) If VAT is or becomes chargeable on any supply made by any Finance Party (the **"Supplier"**) to any other Finance Party (the **"Recipient"**) under a Finance Document, and any Party other than the Recipient (the **"Relevant Party"**) is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

(i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

(ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

(c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(d) Any reference in this clause 14.7 to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term **"representative member"** to have the same meaning as in the Value Added Tax Act 1994 or in any equivalent legislation of another jurisdiction).

(e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

14.8 **FATCA Information**

(a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA;

(iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

(e) If the Borrower is a U.S. Tax Obligor or the Agent reasonably believes that its obligations under FATCA or any other applicable law or regulation require it, each Lender shall, within ten Business Days of:

(i) where the Borrower is a U.S. Tax Obligor and the relevant Lender is an Original Lender, the date of this Agreement;

(ii) where the Borrower is a U.S. Tax Obligor on a Transfer Date and the relevant Lender is a New Lender, the relevant Transfer Date; or

(iii) where the Borrower is not a U.S. Tax Obligor, the date of a request from the Agent, supply to the Agent:

(A) a withholding certificate on Form W-8-BEN-E, Form W-9 or any other relevant form; or

(B) any withholding statement or other document, authorisation or waiver as the Agent may require to certify or establish the status of such Lender under FATCA or that other law or regulation.

(f) The Agent shall provide any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) above to the relevant Borrower.

(g) If any withholding certificate, withholding statement, document, authorisation or waiver provided to the Agent by a Lender pursuant to paragraph (e) above is or becomes materially inaccurate or incomplete, that Lender shall promptly update it and provide such updated withholding certificate, withholding statement, document, authorisation or waiver to the Agent unless it is unlawful for the Lender to do so (in which case the Lender shall promptly notify the Agent). The Agent shall provide any such updated withholding certificate, withholding statement, document, authorisation or waiver to the Borrower.

(h) The Agent may rely on any withholding certificate, withholding statement, document, authorisation or waiver it receives from a Lender pursuant to paragraph (e) or (g) above without further verification. The Agent shall not be liable for any action taken by it under or in connection with paragraphs (e), (f) or (g) above.

14.9 **FATCA Deduction**

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Agent and the Agent shall notify the other Finance Parties.

14.10 **Treatment of Certain Refunds**

If any party determines, in its sole discretion exercised in good faith, that it has received a Tax Credit of, or in respect to, any Taxes as to which it has been indemnified pursuant to this clause 14 (Tax Gross Up and Indemnity) (including by the payment of additional amounts pursuant to this clause 14 (Tax Gross Up and Indemnity)), it shall pay to the indemnifying party an amount equal to such Tax Credit (but only to the extent of indemnity payments made under this clause with respect to the Taxes giving rise to such Tax Credit), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such Tax Credit). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this clause 14.10 (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such Tax Credit to such Governmental Authority. Notwithstanding anything to the contrary in this clause 14.10, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this clause 14.10 the payment of which would place the indemnified party in a less favourable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such Tax Credit had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other person.

15. **INCREASED COSTS**

15.1 **Increased costs**

(a) Subject to clause 15.3 (Exceptions) the Borrower shall, within three Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation;

(ii) compliance with any law or regulation made after the date of this Agreement provided, however, that for the purposes of this Agreement, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all regulations, rules, requests, guidelines and directives in connection therewith shall be deemed to be a change in law or regulation regardless of the date enacted, adopted or issued; or

(iii) the implementation or application of or compliance with Basel III or CRD IV or any other law or regulation which implements Basel III or CRD IV (whether such implementation, application or compliance is by a government or regulator or, in the case of compliance, is by a Finance Party or any of its Affiliates).

(b) In this Agreement:

"Basel III" means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III";

"CRD IV" means:

(i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; and

(ii) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; and

"Increased Costs" means:

(i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

15.2 **Increased cost claims**

(a) A Finance Party intending to make a claim pursuant to clause 15.1 (Increased costs) shall as soon as reasonably practicable notify the Agent of the event giving rise to the claim and whether it intends to make such a claim, following which the Agent shall promptly notify the Borrower.

(b) Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased Costs.

15.3 **Exceptions**

(a) Clause 15.1 (Increased costs) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by an Obligor;

(ii) attributable to a FATCA Deduction required to be made by a Party;

(iii) compensated for by clause 14.3 (Tax indemnity) (or would have been compensated for under clause 14.3 (Tax indemnity) but was not so compensated solely because any of the exclusions in clause 14.3 (Tax indemnity) applied);

(iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or

(v) attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (but excluding any amendment arising out Basel III or CRD IV) (**"Basel II"**) or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).

(b) In this clause 15.3 reference to a **"Tax Deduction"** has the same meaning given to the term in clause 14.1 (Definitions).

16. **INDEMNITIES**

16.1 **Currency indemnity**

(a) If any sum due from an Obligor under the Finance Documents (**"Sum"**), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (**"First Currency"**) in which that Sum is payable into another currency (**"Second Currency"**) for the purpose of:

(i) making or filing a claim or proof against that Obligor; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

(iii) that Obligor shall as an independent obligation, within three Business Days of demand, indemnify the Arrangers and each other Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (1) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (2) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

16.2 **Other indemnities**

(a) The Borrower shall (or shall procure that an Obligor will), within three Business Days of demand, indemnify the Arrangers and each other Secured Party against any cost, loss or liability incurred by it as a result of:

(i) the occurrence or continuance of any Default;

(ii) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of clause 29 (Sharing among the Finance Parties);

(iii) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or

(iv) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

(b) The Borrower shall promptly indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employee of a Finance Party or its Affiliate, against any cost, loss or liability incurred by that Finance Party or its Affiliate (or officer or employee of that Finance Party or Affiliate) in connection with or arising out of the Acquisition (whether or not completed) or the funding of the Acquisition (including but not limited to those incurred in connection with any litigation, arbitration or administrative proceedings or regulatory enquiry concerning the Acquisition), unless such loss or liability is caused by the gross negligence or wilful misconduct of that Finance Party or its Affiliate (or employee or officer of that Finance Party or Affiliate). Any Affiliate or any officer or employee of a Finance Party or its Affiliate may rely on clauses 16.2(a)(iii) to 16.2(a)(iv) subject to clause 1.8 (Third party rights) and the provisions of the Third Parties Act.

16.3 **Indemnity to the Agent**

The Borrower shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

16.4 **Indemnity to the Security Agent**

(a) Each Obligor jointly and severally shall promptly indemnify the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred by any of them as a result of:

(i) any failure by the Borrower to comply with its obligations under clause 18 (Costs and Expenses);

(ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

(iii) the taking, holding, protection or enforcement of the Transaction Security;

(iv) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by law; or

(v) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.

(b) The Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Charged Property in respect of, and pay and retain, all sums necessary to give effect to the indemnity in clause 16.4(a) and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security for all moneys payable to it.

17. **MITIGATION BY THE LENDERS**

17.1 **Mitigation**

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of clause 7.1 (Illegality), clause 14 (Tax Gross Up and Indemnities) or clause 15 (Increased costs) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Clause 17.1(a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

17.2 **Limitation of liability**

(a) The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under clause 17.1 (Mitigation).

(b) A Finance Party is not obliged to take any steps under clause 17.1 (Mitigation) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

18. COSTS AND EXPENSES

18.1 Transaction expenses

The Borrower shall promptly on demand pay the Agent, the Arrangers and the Security Agent the amount of all costs and expenses (including legal fees and due diligence costs) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with the negotiation, preparation, printing, execution, completion, syndication and perfection of:

(a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Finance Documents executed after the date of this Agreement.

18.2 Amendment costs

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to clause 30.13 (Change of currency), the Borrower shall, within three Business Days of demand, reimburse each of the Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

18.3 Security Agent's ongoing costs

(a) Any amount payable to the Security Agent under clause 16.4 (Indemnity to the Security Agent) and this clause 18 shall include the cost of utilising the Security Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Security Agent may notify to the Borrower and the Lenders, and is in addition to any other fee paid or payable to the Security Agent.

(b) Without prejudice to paragraph (a) above, in the event of:

(i) a Default;

(ii) the Security Agent being requested by an Obligor or the Majority Lenders to undertake duties which the Security Agent and the Borrower agree to be of an exceptional nature or outside the scope of the normal duties of the Security Agent under the Finance Documents; or

(iii) the Security Agent and the Borrower otherwise agreeing that it is otherwise appropriate in the circumstances,

the Borrower shall pay to the Security Agent any additional remuneration that may be agreed between them or determined pursuant to paragraph (c) below.

(c) If the Security Agent and the Borrower fail to agree upon the nature of the duties, or upon the additional remuneration referred to in paragraph (b) above or whether additional remuneration is appropriate in the circumstances, any dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Agent and approved by the Borrower or, failing approval, nominated (on the application of the Security Agent) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Borrower) and the determination of any investment bank shall be final and binding upon the parties to this Agreement.

18.4 **Enforcement and preservation costs**

The Borrower shall, within three Business Days of demand, pay to the Arrangers and each other Secured Party on a full indemnity basis the amount of all costs and expenses (including legal, valuation, accountancy and consulting fees and commission and out of pocket expenses) and any VAT thereon incurred by it in connection with the enforcement of or the preservation of or the release of any rights under any Finance Document or any of the documents referred to in such documents in any jurisdiction and any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Transaction Security or enforcing these rights.

19. GUARANTEE AND INDEMNITY

19.1 **Guarantee and indemnity**

(a) Each Guarantor irrevocably and unconditionally jointly and severally:

(i) guarantees to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents;

(ii) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(iii) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this clause 19 if the amount claimed had been recoverable on the basis of a guarantee.

19.2 **Continuing Guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

19.3 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this clause 19 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

19.4 **Waiver of defences**

The obligations of each Guarantor under this clause 19 will not be affected by an act, omission, matter or thing which, but for this clause 19, would reduce, release or prejudice any of its obligations under this clause 19 (without limitation and whether or not known to it or any Finance Party) including:

(a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any legal limitation, incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

(e) any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(f) any unenforceability, illegality, invalidity or frustration of any obligation of any person under any Finance Document or any other document or security; or

(g) the failure of any member of the Group to enter into or be bound by any Finance Document;

(h) any action (or decision not to act) taken by a Finance Party (or any trustee or agent on its behalf) in accordance with clause 19.7 (Appropriations); or

(i) any insolvency, dissolution or similar proceedings or from any law, regulation or order.

19.5 **Guarantor Intent**

Without prejudice to the generality of clause 19.4 (Waiver of defences), each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

19.6 **Immediate recourse**

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this clause 19. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

19.7 **Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this clause 19.

19.8 **Deferral of Guarantors' rights**

(a) Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this clause 19:

(i) to be indemnified by an Obligor;

(ii) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;

(iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

(iv) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under clause 19.1 (Guarantee and indemnity);

(v) to exercise any right of set-off against any Obligor; and/or

(vi) to claim or prove as a creditor of any Obligor in competition with any Finance Party.

(b) If a Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with clause 30 (Payment mechanics).

19.9 **Release of Guarantors' right of contribution**

If any Guarantor (a Retiring Guarantor) ceases to be a Guarantor in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

(a) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and

(b) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

19.10 **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

19.11 **Guarantee Limitations**

Any term or provision of this clause 19 or any other term in this Agreement or any Finance Document notwithstanding, the maximum aggregate amount of the obligations for which any U.S. Guarantor shall be liable under this Agreement shall in no event exceed an amount equal to the largest amount that would not render such U.S. Guarantor's obligations under this Agreement, subject to avoidance under applicable United States federal or state fraudulent transfer, fraudulent conveyance or similar laws.

19.12 **Guarantee Limitation – Deemed Dividends**

Any term or provision of this clause 19 or any other term in this Agreement or any Finance Document notwithstanding:

(a) no member of the Group or other person that constitutes a "controlled foreign corporation" under Section 957 of the Code will have any obligation or liability, directly or indirectly, as guarantor under this Agreement or any Finance Document with respect to any obligation or liability arising under any this Agreement or any Finance Document of any U.S. Obligor (the **"U.S. Obligations"**); and

(b) not more than 65% of the voting stock or other voting equity interests (measured by the total combined voting power of the issued and outstanding voting stock or other equity interests) of any member of the Group that constitutes a "controlled foreign corporation" under Section 957 of the Code, and none of the assets or property of such member, may be pledged directly or indirectly as security for any U.S. Obligations,

in each case to the extent such obligation, liability or pledge would cause or result in any "deemed dividend" or other tax liability to any U.S. Obligor pursuant to Section 956 of the Code (or any successor provision thereto).

19.13 **Financial Condition of Obligors; Independence of Guarantors**

(a) Each Guarantor is presently informed of the financial condition of each other Obligor and of all other circumstances which diligent inquiry would reveal and which bear upon the risk of nonpayment of the amounts due hereunder. Each Guarantor hereby covenants that it will make its own investigation and will continue to keep itself informed of each Obligor's financial condition, the status of other guarantors, if any, of all other circumstances which bear upon the risk of nonpayment and that it will continue to rely upon sources other than the Finance Parties for such information and will not rely upon the Finance Parties for any such information. Absent a written request for such information by Guarantor to the

Finance Parties, each Guarantor hereby waives its right, if any, to require the Finance Parties to disclose to such Guarantor any information which the Finance Parties may now or hereafter acquire concerning such condition or circumstances including, but not limited to, the release of or revocation by any other guarantor. Each Guarantor has independently reviewed this Agreement and related agreements and has made an independent determination as to the validity and enforceability thereof and thereof, and in executing and delivering this Agreement, each Guarantor is not in any manner relying upon the validity, and/or enforceability, and/or attachment, and/or perfection of any liens or security interests of any kind or nature granted by any Obligor or any other guarantor to any Finance Party, now or at any time and from time to time in the future. Each Guarantor has received, or will receive, direct or indirect benefit from making its guarantee under this Agreement.

(b) Each Guarantor has and will continue to have independent means of obtaining information concerning each Obligor's affairs, financial conditions and business. No Finance Party shall have any duty or responsibility to provide any Guarantor with any credit or other information concerning any Obligor's affairs, financial condition or business which may come into such Finance Party's possession.

20. REPRESENTATIONS

20.1 General

(i) Each Obligor makes the representations and warranties set out in this clause 20 to each Finance Party in accordance with clause 20.41 (Times when representations made).

(ii) In relation to the representations and warranties made on the date of this Agreement and any other date on or before the Closing Date, it is assumed that Completion has occurred and the Borrower has the full knowledge of the senior management of the Target.

20.2 Status

(a) It and each of its Subsidiaries is a corporation, duly incorporated or formed validly existing and (to the extent applicable) in good standing under the law of its jurisdiction of incorporation.

(b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

20.3 Binding obligations

Subject to the Legal Reservations:

(a) the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations; and

(b) (without limiting the generality of paragraph (a) above), each Transaction Security Document to which it is a party creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

20.4 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents and the granting of the Transaction Security do not and will not conflict with:

(a) any law or regulation applicable to it;

(b) the constitutional documents of any member of the Group; or

(c) any agreement or instrument binding upon it or any member of the Group or any member of the Group's assets or constitute a default or termination event (however described) under any such agreement or instrument or would result in any liability on the part of a Finance Party to any third party or require the creation of any security interest over any asset in favour of a third party.

20.5 **Power and authority**

(a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is or will be a party and the transactions contemplated by those Transaction Documents.

(b) No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Transaction Documents to which it is a party.

20.6 **Validity and admissibility in evidence**

(a) All Authorisations required:

(i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and

(ii) to make the Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect except any Authorisation referred to in clause 20.9 (No filing or stamp taxes), which Authorisations will be promptly obtained or effected as soon as practicable after the date of this Agreement.

(b) Save as disclosed in Section 4(i) of the Disclosure Schedule in respect of the Target Group, all Authorisations necessary for the conduct of the business, trade and ordinary activities of members of the Group have been obtained or effected and are in full force and effect and are not likely to be revoked or materially adversely amended and no notice of an intention to terminate any such Authorisation has been received by any member of the Group.

20.7 **Governing law and enforcement**

Subject to the Legal Reservations:

(a) the law expressed to be the governing law in each Finance Document will be recognised and enforced in the Relevant Jurisdictions of each Obligor executing that Finance Document; and

(b) any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in its Relevant Jurisdictions.

20.8 **Insolvency**

No:

(a) corporate action, legal proceeding or other procedure or step described in clause 24.7 (Insolvency proceedings); or

(b) creditors' process described in clause 24.7(c) (Creditors' process),

has been taken or, to the knowledge of the Borrower, threatened in relation to a member of the Group; and none of the circumstances described in clause 24.6 (Insolvency) applies to any member of the Group.

20.9 **No filing or stamp taxes**

Under the laws of its Relevant Jurisdiction it is not necessary that any Finance Document be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except any filing, recording or enrolling or any tax or fee payable in relation to any Transaction Security Documents which are referred to in any Legal Opinion and which will be made or paid promptly after the date of the relevant Finance Document.

20.10 **Deduction of Tax**

It is not required to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

20.11 **No default**

(a) No Event of Default and, on the date of this Agreement and the Utilisation Date, no Default is continuing or is reasonably likely to result from the making of the Loan or the entry into, the performance of, or any transaction contemplated by, any Transaction Document.

(b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is reasonably likely to have a Material Adverse Effect.

20.12 **No misleading information**

(a) Any factual information contained in the Information Package was true and accurate in all material respects as at the date of the relevant report or document containing the information or (as the case may be) as at the date the information is expressed to be given.

(b) The Financial Model has been prepared in accordance with the Accounting Principles as applied to the Original Financial Statements and on the basis of recent historical information, are fair and based on reasonable assumptions and have been approved by the board of directors of the Borrower.

(c) Any financial projection or forecast contained in the Information Package has been prepared on the basis of recent historical information and on the basis of reasonable assumptions and was fair (as at the date of the relevant report or document containing the projection or forecast) and arrived at after careful consideration.

(d) The expressions of opinion or intention provided by or on behalf of an Obligor for the purposes of the Information Package were made after careful consideration and (as at the date of the relevant report or document containing the expression of opinion or intention) were fair and based on reasonable grounds.

(e) Except as disclosed in the Acquisition Agreement, no event or circumstance has occurred or arisen and no information has been omitted from the Information Package and no information has been given or withheld that results in the information, opinions, intentions, forecasts or projections contained in the Information Package being untrue or misleading in any material respect.

(f) All material information provided to a Finance Party by or on behalf of Enstar or the Borrower in connection with the Acquisition and/or the Target Group on or before the Utilisation Date and not superseded before that date (whether or not contained in the Information Package) is accurate and not misleading in any material respect and all projections provided to any Finance Party on or before the Utilisation Date have been prepared in good faith on the basis of assumptions which were reasonable at the time at which they were prepared and supplied.

(g) All other written information provided by any Obligor or any member of the Group (including its advisers) to a Finance Party or the provider of any Report was true, complete and accurate in all material respects as at the date it was provided and is not misleading in any respect.

(h) As at the Utilisation Date, there has been no reported insurance claim since the date of the most recent valuation of insurance liabilities report that would or, if adversely determined, is reasonably likely to, have a Material Adverse Effect.

(i) As at the Utilisation Date, there are no negative marked-to-market outstandings under any existing Treasury Transactions entered into by or on behalf of any member of the Group that would have a Material Adverse Effect.

20.13 **Original Financial Statements**

(a) Save as disclosed in Section 4(g) of the Disclosure Schedule in respect of the Target Group, its Original Financial Statements were prepared in accordance with the Accounting Principles consistently applied unless expressly disclosed to the Agent in writing to the contrary.

(b) Subject to the Acquisition Agreement, its Original Financial Statements prior to them having been audited fairly represent its financial condition and results of operations (consolidated in the case of Target) for the relevant period unless expressly disclosed to the Agent in writing to the contrary prior to the Utilisation Date.

(c) Subject to the Acquisition Agreement, there has been no material adverse change in its assets, business or financial condition (or the assets, business or consolidated financial condition of the Group, in the case of the Borrower) since the date of the Original Financial Statements.

(d) The Original Financial Statements of the Target and the Borrower do not consolidate the results, assets or liabilities of any person or business which does not form part of the Target Group.

(e) Its most recent financial statements delivered pursuant to clause 21.2 (Financial statements):

(i) have been prepared in accordance with the Accounting Principles as applied to the Original Financial Statements except as otherwise permitted in clause 21.4 (Requirements as to financial statements); and

(ii) give a true and fair view of (if audited) or fairly present (if unaudited) its consolidated financial condition as at the end of, and consolidated results of operations for, the period to which they relate.

(f) The budgets and forecasts supplied under this Agreement were arrived at after careful consideration and have been prepared in good faith on the basis of recent historical information and on the basis of assumptions which were reasonable as at the date they were prepared.

(g) Save as disclosed under the heading "Exceptions to MAE" in Section 4(h) of the Disclosure Schedule in respect of the Target Group, since the date of the most recent financial statements delivered pursuant to clause 21.2 (Financial statements) there has been no material adverse change in the business, assets or financial condition of the Group.

20.14 **No proceedings pending or threatened**

Save as disclosed in Section 4(n) of the Disclosure Schedule in respect of the Target Group, no litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect, have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against it or any of its Subsidiaries.

20.15 **No breach of laws**

(a) It has not (and none of its Subsidiaries has) breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

(b) No labour disputes are current or, to the best of its knowledge and belief (having made due and careful enquiry), threatened against any member of the Group which have or are reasonably likely to have a Material Adverse Effect.

20.16 **Taxation**

(a) It is not (and none of its Subsidiaries is) materially overdue in the filing of any Tax returns and it is not (and none of its Subsidiaries is) overdue in the payment of any amount in respect of Tax of $200,000 (or its equivalent in any other currency) or more.

(b) Save as disclosed in Section 4(j) of the Disclosure Schedule in respect of the Target Group, no claims or investigations are being or are reasonably likely to be made or conducted against it (or any of its Subsidiaries) with respect to Taxes such that a liability of, or claim against, any member of the Group of $200,000 (or its equivalent in any other currency) or more is reasonably likely to arise.

(c) It is resident for Tax purposes only in the jurisdiction of its incorporation.

20.17 **Security and Financial Indebtedness**

(a) No Security or Quasi-Security exists over all or any of the present or future assets of any member of the Group other than as permitted by this Agreement.

(b) No member of the Group has any Financial Indebtedness outstanding other than as permitted by this Agreement.

20.18 **Ranking**

Subject to the Legal Reservations, the Transaction Security has or will have first ranking priority and is not subject to any prior ranking or pari passu security other than Permitted Security.

20.19 **Good title to assets**

It and each of its Subsidiaries has a good, valid and marketable title to, or valid leases or licences of, and (save as disclosed in Section 4(i) of the Disclosure Schedule in respect of the Target Group) all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

20.20 **Legal and beneficial ownership**

(a) It and each of its Subsidiaries is the sole legal and beneficial owner of the respective assets over which it purports to grant Security to the Security Agent.

(b) On and from the Closing Date, all the Target Shares are legally and beneficially owned by the Borrower free from any claims, third party rights or competing interests.

20.21 **Ownership**

Each of the Obligors and their Subsidiaries is a direct or indirect wholly owned subsidiary of Enstar.

20.22 **Shares**

(a) The shares of any member of the Group which are subject to the Transaction Security are fully paid and not subject to any option to purchase or similar rights.

(b) The constitutional documents of companies whose shares are subject to the Transaction Security do not and could not restrict or inhibit any transfer of those shares on creation or enforcement of the Transaction Security.

(c) There are no agreements in force which provide for the issue or allotment of, or grant any person the right to call for the issue or allotment of, any share or loan capital of any member of the Group or member of the Target Group (including any option or right of pre-emption or conversion).

(d) There is no Security or other restrictions in existence that may attach to any dividends or other distributions that may be made in respect of any shares of any member of the Group except, in connection with a Regulated Insurance Entity, restrictions arising under the South Carolina Insurance Holding Company Regulatory Act or similar provisions under the Insurance Code.

20.23 **Intellectual Property**

It and each of its Subsidiaries:

(a) is the sole legal and beneficial owner of or has licensed to it on normal commercial terms all the Intellectual Property which is material in the context of its business and which is required by it in order to carry on its business as it is being conducted;

(b) does not (nor does any of its Subsidiaries), in carrying on its businesses, infringe any Intellectual Property of any third party in any respect which has or is reasonably likely to have a Material Adverse Effect; and

(c) has taken all formal or procedural actions (including payment of fees) required to maintain any material Intellectual Property owned by it to the extent that failure to do so has or is reasonably likely to have a Material Adverse Effect.

20.24 **Group Structure Chart**

The Group Structure Chart is true, complete and accurate in all material respects.

20.25 **Financial Year end**

The end of the Financial Year for each member of the Group is 31 December.

20.26 **Obligors**

Each member of the Group is or will be an Obligor on the Utilisation Date excluding any Regulated Insurance Entity and Companion Third Party Administrators LLC.

20.27 **Acquisition Documents, Disclosures and other Documents**

(a) The Acquisition Documents contain all the terms of the Acquisition.

(b) There is no disclosure made in or to the Acquisition Documents which has or may have a material adverse effect on any of the information, opinions, intentions, forecasts and projections contained or referred to in the Information Package.

(c) To the best of its knowledge no representation or warranty (as qualified by the Disclosure Schedule) given by any party to the Acquisition Documents is untrue or misleading in any material respect.

(d) As at the date of delivery, the documents delivered to the Agent under any Finance Document by or on behalf of any Obligor (including pursuant to clause 4.1 (Initial conditions precedent)) are genuine (or, in the case of copy documents, are true, complete and accurate copies of originals which are genuine), up-to-date and in full force and effect (or, if a copy, the original is up-to-date and in full force and effect) and have not been amended.

20.28 **Insurance**

There has been no non-disclosure, misrepresentation or breach of any term of any material insurance policy (excluding those policies or contracts of insurance or reinsurance written or assumed in the ordinary course of business by any of the Subsidiaries of the Borrower) which would entitle any insurer to repudiate, rescind or cancel it or to treat it as avoided in whole or in part or otherwise decline any valid claim under it by or on behalf of any member of the Group.

20.29 **Immunity**

(a) The execution by it of each Finance Document constitutes, and the exercise by it of its rights and performance of its obligations under each Finance Document will constitute private and commercial acts performed for private and commercial purposes.

(b) It will not be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in its Relevant Jurisdictions in relation to any Finance Document.

20.30 **No adverse consequences**

(a) It is not necessary under the laws of its Relevant Jurisdictions:

(i) in order to enable any Finance Party to enforce its rights under any Finance Document; or

(ii) by reason of the execution of any Finance Document or the performance by it of its obligations under any Finance Document,

that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in any of its Relevant Jurisdictions.

(b) No Finance Party is or will be deemed to be resident, domiciled or carrying on business in its Relevant Jurisdictions by reason only of the execution, performance and/or enforcement of any Finance Document, provided that certain enforcement actions may require a Finance Party to qualify in applicable Relevant Jurisdictions.

20.31 **Holding Company**

Except as may arise under the Transaction Documents and for Acquisition Costs and except as set forth on the opening balance sheet of the Borrower, before the date of this Agreement the Borrower has not traded or incurred any liabilities or commitments (actual or contingent, present or future).

20.32 **Pensions**

Each member of the Group is in compliance in all material respects with all applicable laws, regulations and contracts relating to the provision of pension schemes and any pension scheme(s) it operates or participates in. All contributions due to be paid by the relevant member of the Group to each such pension scheme have been paid.

20.33 **Net Surplus**

On the Utilisation Date, the Consolidated Net Surplus is, or will be, not less than US$240,000,000.

20.34 **ERISA**

(a) No member of the Group has underlying assets which constitute “plan assets” within the Plan Asset Rules.

(b) No ERISA Event has occurred, is occurring or is reasonably expected to occur that, individually or in the aggregate, has resulted in, results or will reasonably be expected to result in a Material Adverse Effect.

20.35 **Federal Reserve Regulations**

(a) No member of the Group is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

(b) None of the proceeds of the Loan or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of buying or carrying any Margin Stock, for the purpose of reducing or retiring any Financial Indebtedness that was originally incurred to buy or carry any Margin Stock or for any other purpose which might cause all or any of the Loan or other extensions of credit under this Agreement to be considered a “purpose credit” within the meaning of Regulation U or Regulation X.

20.36 **Investment Companies**

No Obligor, person controlling an Obligor or Subsidiary of an Obligor is or is required to be registered as an "investment company" under the U.S. Investment Company Act of 1940 (the "**1940 Act**").

20.37 **Anti-Terrorism Laws and other U.S. Regulations**

(a) No member of the Group nor any Affiliate thereof: (i) is, or is controlled by, a Restricted Party; (ii) has received funds or other property from a Restricted Party; or (iii) is in breach of or is the subject of any action or investigation under any Anti-Terrorism Law.

(b) Each member of the Group and each Affiliate thereof has taken reasonable measures to ensure compliance with the Anti-Terrorism Laws.

(c) No part of the proceeds of the Loan or other extensions of credit under this Agreement will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(d) None of the U.S. Obligors nor any of their respective Subsidiaries is subject to regulation under the U.S. Federal Power Act or the U.S. Interstate Commerce Act or under any other U.S. federal or state statute or regulation which may limit its ability to incur Financial Indebtedness or which may otherwise render all or any portion of their respective obligations under the Finance Documents unenforceable.

20.38 **Solvency**

The U.S. Obligors are Solvent. As used in this clause, "Solvent" means, with respect to a particular date and U.S. Obligor, that on such date (i) the present fair market value (or present fair saleable value) of the assets of such U.S. Obligor is not less than the total amount required to pay the probable liabilities of such U.S. Obligor on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (ii) such U.S. Obligor is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (iii) assuming the incurrence of the Loan as contemplated by this Agreement, such U.S. Obligor is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature, (iv) such U.S. Obligor is not engaged in any business or transaction, and is not about to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such U.S. Obligor is engaged, and (v) such U.S. Obligor could not be deemed to be unable to pay its debts for the purpose of Section 123 (1) or (2) of the Insolvency Act 1986 (for this purpose omitting the words "proved to the satisfaction of the court" from Section 123(1)(e)). In computing the amount of such contingent liabilities at any time, it is intended that such liabilities will be computed at the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

20.39 **Sanctions**

No Obligor, nor any of its Subsidiaries or directors, is either:

(a) listed, or is owned or controlled, directly or indirectly, by any person which is listed, on an SDN List;

(b) located, organised or resident in a country which is the subject of sanctions by any applicable Authority; or

(c) a governmental agency, authority, or body or state-owned enterprise of any country which is the subject of sanctions by any applicable Authority.

20.40 **Anti-corruption Law**

Each member of the Group conducts its business in compliance with applicable anti-corruption laws and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

20.41 **Times when representations made**

(a) All the representations and warranties in this clause 20 are made by each Original Obligor on the date of this Agreement except for the representations and warranties set out in (a) clause 20.12 (No misleading information) which are deemed to be made by each Obligor with respect to the Information Package, on the date of this Agreement, on the Utilisation Date and on any later date on which a Report is released to an Arranger and (b) clause 20.21 (Ownership) to the extent that it relates to ownership of any member of the Target Group.

(b) All the representations and warranties in this clause 20 are deemed to be made by each Obligor on the Utilisation Date other than clauses 20.12(h) and 20.12(i) (No misleading information).

(c) The Repeating Representations are deemed to be made by each Obligor on the date of the Utilisation Request, on the Utilisation Date and on the first day of each Interest Period and, if an Interest Period is longer than six Months, on the dates following at six Monthly intervals after the first day of that Interest Period (except that those contained in clauses 20.13(a) to 20.13(d) (Original Financial Statements) will cease to be so made once subsequent financial statements have been delivered under this Agreement).

(d) All the representations and warranties in this clause 20 except clause 20.12 (No misleading information), clause 20.24 (Group Structure Chart), clause 20.27 (Acquisition Documents, Disclosures and other Documents) and clause 20.31 (Holding Company) are deemed to be made by the Borrower and each Additional Guarantor on the day on which it becomes (or it is proposed that it becomes) an Additional Guarantor.

(e) Each representation or warranty deemed to be made after the date of this Agreement shall be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

21. INFORMATION UNDERTAKINGS

21.1 **General**

The undertakings in this clause 21 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

In this clause 21:

(a) **"Annual Financial Statements"** means the financial statements for a Financial Year delivered pursuant to clause 21.2 (Financial statements).

(b) **"Quarterly Financial Statements"** means the financial statements for a Financial Quarter delivered pursuant to clause 21.2 (Financial statements).

21.2 **Financial statements**

(a) The Borrower shall deliver to the Agent in sufficient copies for all the Lenders:

(i) as soon as they are available, but in any event within 120 days after the end of each of its Financial Years;

(A) the audited consolidated financial statements of the Borrower for that Financial Year;

(B) the audited statutory financial statement of each Regulated Insurance Entity for that Financial Year; and

(C) the financial statements of any other Obligor for that Financial Year;

(ii) as soon as they are available, but in any event within 45 days after the end of each Financial Quarter of each of its Financial Years (excluding each Financial Quarter ending 31 December, which shall be governed by Section 21.2(a)(i) above), the unaudited consolidated Quarterly Financial Statement of the Borrower and the unaudited statutory Quarterly Financial Statement of each Regulated Insurance Entity and any other Obligor for that Financial Quarter, to include:

(A) (in the case of the Borrower only) details of all Disposal Proceeds as defined in clause 8.2 (Disposal, Insurance, Acquisition Proceeds and Target Distributions);

(B) (in the case of the Borrower only) details of all surpluses in any fund or funds of each member of the Group which is an insurance company;

(C) (in the case of the Borrower only) a summary of cash realisations of each member of the Target Group;

(D) (in the case of the Borrower only) details of the proceeds of the cash realisations of each member of the Target Group; and

(E) a discussion of major incurred claims movements with appropriate narrative;

(iii) as soon as it is available but in any event within 30 days after the start of each of its Financial Years, an updated forecast of cashflows for the Borrower for that Financial Year in the same form as the Financial Model;

(iv) as soon as they are available, but in any event within 45 days after the end of each Financial Quarter of each of its Financial Years:

(A) a written breakdown of all reinsurance and retrocession balances of the Group at the end of that Financial Quarter including details of the counterparty from whom such balances are owed, an ageing of such balances, and details of any movements in any receivables and recoveries made during such period; and

(B) details of any bad debt or other provisions held by the Group at the end of that Financial Quarter including details of changes made in relation to such bad debts or other provisions together with the reasons for such provisions being made; and

(v) as soon as it is available but in any event within 120 days after the start of each of its Financial Years an actuarial review (including a study of actual reserves) conducted by a duly qualified actuarial company in respect of each Regulated Insurance Entity.

21.3 **Provision and contents of Compliance Certificate**

(a) The Borrower shall supply a Compliance Certificate to the Agent with each set of its audited consolidated Annual Financial Statements and each set of its consolidated Quarterly Financial Statements.

(b) The Compliance Certificate shall, amongst other things, set out (in reasonable detail) computations as to compliance with clause 22 (Financial Covenants) including confirmation that the Borrower is in compliance with clause 22.2(a)(iii) (Requisite Rating).

(c) Each Compliance Certificate shall be signed by two duly authorised officers, one of whom must be the Chief Financial Officer of the Group and, if required to be delivered with the consolidated Annual Financial Statements of the Borrower, shall be reported on by the Borrower's Auditors in the form agreed by the Borrower and the Majority Lenders.

21.4 **Requirements as to financial statements**

(a) The Borrower shall procure that each set of Annual Financial Statements and Quarterly Financial Statements includes a balance sheet, profit and loss account and cashflow statement as required by SAP in the case of each Regulated Insurance Entity and GAAP in the case of the Borrower and any Obligor that is not a Regulated Insurance Entity. In addition the Borrower shall procure that:

(i) each set of Annual Financial Statements shall where required be audited by the Auditors;

(ii) each set of Quarterly Financial Statements of the Borrower includes:

(A) a cashflow forecast in respect of the Group relating to the twelve month period commencing at the end of the relevant Financial Quarter; and

(B) a statement by the directors of the Borrower commenting on the performance of the Group for the quarter to which the financial statements relate and the Financial Year to date and any material developments or material proposals affecting the Group or its business.

(b) Each set of financial statements delivered pursuant to clause 21.2 (Financial Statements):

(i) shall be certified by the Chief Financial Officer of the Group as giving a true and fair view of (in the case of Annual Financial Statements for any Financial Year), or fairly representing (in other cases), the financial condition and operations of the relevant person or persons covered by those financial statements as at the date as at which those financial statements were drawn up and, in the case of the Annual Financial Statements, shall be accompanied by any letter addressed to the management of the relevant company by the Auditors and accompanying those Annual Financial Statements;

(ii) in the case of consolidated financial statements of the Borrower, shall be accompanied by a statement by the Chief Financial Officer of the Group comparing actual performance for the period to which the financial statements relate to the actual performance for the corresponding period in the preceding Financial Year of the Group; and

(iii) shall be prepared using the Accounting Principles, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements, unless, in relation to any set of financial statements, the Borrower notifies the Agent that there has been a change in the Accounting Principles or the accounting practices and its Auditors (or, if appropriate, the Auditors of the Obligor) deliver to the Agent:

(A) a description of any change necessary for those financial statements to reflect the Accounting Principles or accounting practices upon which the Original Financial Statements were prepared; and

(B) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether clause 22 (Financial Covenants) has been complied with and to make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

Any reference in this Agreement to any financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

(c) If the Agent receives a report from the Borrower's Auditors pursuant to clause 21.4(b)(iii) above, the Majority Lenders (in consultation with the Borrower and the Auditors) may require such changes to the covenants set out in clause 22 (Financial Covenants) as are necessary solely to reflect the changes notified to them.

(d) If the Agent wishes to discuss the financial position of any member of the Group with the Auditors, the Agent may notify the Borrower, stating the questions or issues which the Agent wishes to discuss with the Auditors. In this event, the Borrower must ensure that the Auditors are authorised (at the expense of the Borrower):

(i) to discuss the financial position of each member of the Group with the Agent on request from the Agent;

(ii) to verify any financial information required by the Finance Documents to be provided to the Agent;

(iii) to disclose to the Agent for the Finance Parties any information which the Agent may reasonably request; and

(iv) to verify any figures required to calculate the financial covenants in clause 22 (Financial covenants).

21.5 **Presentations**

Once in every Financial Year, or more frequently if requested to do so by the Agent if a Lender reasonably suspects a Default is continuing or may have occurred or may occur, at least two executive officers of Enstar (one of whom shall be the Chief Financial Officer of Enstar) must give a presentation to the Finance Parties in London about the on-going business and financial performance of the Group.

21.6 **Year-end**

(a) The Borrower shall procure that the end of each Financial Year of each member of the Group falls on 31 December.

(b) The Borrower shall procure that each quarterly accounting period and each Financial Quarter of each member of the Group ends on a Quarter Date.

21.7 **Information: miscellaneous**

The Borrower shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

(a) within 30 days after submission to the relevant governmental on regulatory authority, all returns required to be prepared by any member of the Group in accordance with any applicable law, rule, regulation or direction of the Bermuda Monetary Authority, the SEC or any other Governmental Authority;

(b) at the same time as they are dispatched, copies of all documents dispatched by the Borrower to its shareholders generally (or any class of them) or dispatched by the Borrower or any Obligors to its creditors generally (or any class of them) (excluding documents provided to persons insured under policies or contracts of insurance or reinsurance written or assumed in the ordinary course of business by any of the Regulated Insurance Entities);

(c) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group (excluding those relating to policies or contracts of insurance or reinsurance written or assumed in the ordinary course of business by any of the Regulated Insurance Entities), and which, if adversely determined would involve a liability, or a potential or alleged liability, exceeding US$150,000 (or its equivalent in other currencies);

(d) written notice of any business or transaction undertaken by the Borrower or any member of the Group involving (directly or indirectly) any country or territory listed on any SDN List in respect of economic, trade or financial sanctions, to the extent possible in advance of, and in any event promptly upon, the Borrower or such member of the Group commencing such business or transaction, together with sufficient details of such business or transaction as any Finance Party may require to satisfy any sanctions related laws, regulations or requirements to which it is subject;

(e) promptly, copies of any material correspondence, documentation or other material communication dispatched by or to an Insurance Regulator or other relevant regulatory body in respect of any member of the Group's regulatory capital requirements;

(f) promptly upon becoming aware of the relevant claim, the details of any claim which is current, threatened or pending against any person in respect of the Acquisition Documents and details of any disposal or insurance claim which will require a prepayment under clause 8.2 (Disposal, Insurance, Acquisition Proceeds and Target Distributions);

(g) promptly, such information as the Security Agent may reasonably require about the Charged Property and compliance of the Obligors with the terms of any Transaction Security Documents; and

(h) promptly on request, such further information regarding the financial condition, assets and operations of the Group and/or any member of the Group (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Obligor under this Agreement and an up to date copy of its shareholders' register (or equivalent in its jurisdiction of incorporation)) as any Finance Party through the Agent may reasonably request.

21.8 **Notification of default**

(a) Each Obligor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).

(b) Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by two of its duly authorised officers certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

21.9 **"Know your customer" checks**

(a) If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(ii) any change in the status of an Obligor or the composition of the shareholders of an Obligor after the date of this Agreement; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and/or obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

(iv) obliges the Agent or any Lender (or, in the case of clause 21.9(a)(iii) above, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall (and the Borrower shall ensure that each Obligor shall) promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in clause 21.9(a)(iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in clause 21.9(a)(iii) above, any prospective new Lender to carry out and be satisfied with the results of all necessary "know your customer" or other checks in relation to any relevant person pursuant to the transactions contemplated in the Finance Documents.

(b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied with the results of all necessary "know your customer" or other checks on Lenders or prospective new Lenders pursuant to the transactions contemplated in the Finance Documents.

(c) The Borrower shall, by not less than ten Business Days' prior written notice to the Agent, notify the Agent (which shall promptly notify the Lenders) of its intention to request that one of its Subsidiaries becomes an Additional Guarantor pursuant to clause 26.2 (Additional Guarantors).

(d) Following the giving of any notice pursuant to clause 21.9(c) above, if the accession of such Additional Guarantor obliges the Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Agent, or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other checks in relation to any relevant person pursuant to the accession of such Subsidiary to this Agreement as an Additional Guarantor.

21.10 **ERISA**

The Borrower shall promptly notify the Lender(s) if:

(a) any Obligor has underlying assets which constitute "plan assets" within the Plan Asset Rules; and

(b) a ERISA Event occurs or is reasonably likely to occur that individually or in aggregate, results or will reasonably be expected to result in a Material Adverse Effect.

22. FINANCIAL COVENANTS

22.1 **Financial definitions**

In this clause 22:

(a) **"Actual Statutory Surplus"** means, at any time, the surplus figure on Line 37 of Page 3 of the most recent financial statements of the Regulated Insurance Entities delivered pursuant to clause 21.2 (Financial statements) and determined in accordance with SAP. References to amounts on particular lines and pages of the financial statements are based on the format promulgated by the NAIC for the Original Financial Statements. If such format is changed in future years so that different information is contained in such items or they no longer exist, it is understood that the reference is to information consistent with that reported in the referenced item in the Original Financial Statements of that entity.

(b) **"Consolidated Net Surplus"** means, at any time, the aggregate Actual Statutory Surplus without double counting of each Regulated Insurance Entity based on the most recent financial statements of the Regulated Insurance Entities delivered pursuant to clause 21.2 (Financial statements).

(c) **"Facility Debt"** means on the last day of the Relevant Period, the aggregate of the Group's consolidated Financial Indebtedness in respect of the Facility.

(d) **"Financial Quarter"** means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

(e) **"Financial Year"** means each period of twelve months ending on 31 December.

(f) **"Net Surplus Cover"** means the ratio of Consolidated Net Surplus to Facility Debt.

(g) **"Quarter Date"** means each of 31 March, 30 June, 30 September and 31 December.

(h) **"Regulatory Cover"** means, with respect to any Regulated Insurance Entity, the ratio of Actual Statutory Surplus to the Authorised Control Level Risk Based Capital (as defined by the NAIC) of such Regulated Insurance Entity.

(i) **"Relevant Period"** means each period of twelve months (or, if shorter, the period from the date of this Agreement) ending on each Quarter Date.

22.2 **Financial condition**

(a) The Borrower shall ensure that:

(i) **Regulatory Cover**: Regulatory Cover of the Target and each Regulated Insurance Entity shall at all times exceed 1.1:1;

(ii) **Minimum Net Surplus Cover**: Net Surplus Cover shall not at any time be less than 2:1; and

(iii) **Requisite Rating**:

(A) at least 80 per cent. of the total value of the Cash and investments portfolio of the Target Group shall at all times be held in Cash or fixed income with a weighted average rating (determined by reference to the individual rating given by a Rating Agency to each investment) of not less than A- or A3 (or their equivalents); and

(B) no more than five per cent. of the total value of investments of the Target Group that have (1) a rating of less than A- or A3 (or their equivalents); or (2) are unrated shall be held in investments advised by or held with one issuer or its associated parties.

22.3 **Financial testing**

(a) The financial covenants set out in clauses 22.2(a)(i) (Regulatory cover) and 22.2(a)(ii) (Minimum Net Surplus Cover) shall be calculated in accordance with the Accounting Principles and tested first by reference to the Quarterly Financial Statements and where available, by reference to the Annual Financial Statements (each delivered in accordance with clause 21.2 (Financial statements) and each Compliance Certificate delivered pursuant to clause 21.3 (Provision and contents of Compliance Certificate)).

(b) No item shall be deducted or credited more than once in any calculation.

(c) Where an amount in any financial statement or Compliance Certificate is not denominated in U.S. Dollars, it shall be converted into U.S. Dollars at the rate specified in the financial statements so long as such rate has been set in accordance with the Accounting Principles.

(d) The financial covenants in clause 22.2 (Financial condition) shall apply on a continuing basis but shall be tested on each Quarter Date commencing with the first Quarter Date following the date of this Agreement.

(e) The Lenders may at their discretion agree with the Borrower that investments issued by a fund are not issued by a single issuer for the purposes of clause 22.2(a)(iii) (Regulatory cover).

22.4 **Equity cure- Regulatory Cover**

(a) No Event of Default under clause 24.2 (Financial covenants and other obligations) in relation to clause 22.2(a)(i) (Regulatory cover) will occur if:

(i) the proceeds of an additional contributed surplus or any Permitted Share Issue permitted by paragraph (b) of the definition of that term (which are designated in writing by the Borrower to the Agent as being provided for the purpose of this clause 22.4 (Equity cure- Regulatory Cover)) and/or any debt (subordinated on terms approved by the Agent acting reasonably) (in each case the New Regulatory Investment) is invested in the relevant Regulated Insurance Entity within five Business Days of the date on which the Borrower becomes aware of a breach of clause 22.2(a)(i) (Regulatory Cover);

(ii) promptly following receipt by the relevant Regulated Insurance Entity of the proceeds of such New Regulatory Investment (and in any event prior to the expiry of such five Business Day period), a certificate signed by the finance director of the Borrower is delivered to the Agent confirming that on recalculating the Regulatory Cover financial covenant set out in clause 22.2(a)(i) (Regulatory Cover) would be complied with and attaching reasonable details of such calculations.

No more than two New Regulatory Investments may be made until the Termination Date and no two New Regulatory Investments may be made in consecutive Financial Quarters.

22.5 **Equity cure- Net Surplus Cover**

(a) No Event of Default under clause 24.2 (Financial covenants and other obligations) in relation to clauses 22.2(a)(ii) (Minimum Net Surplus Cover) will occur if:

(i) the proceeds of an additional contributed surplus or any Permitted Share Issue permitted by paragraph (b) of the definition of that term (which are designated in writing by the Borrower to the Agent as being provided for the purpose of this clause 22.5 and/or any debt (subordinated on terms approved by the Agent acting reasonably) (in each case the New Investment) is invested in the Borrower within five Business Days of the date on which the Borrower becomes aware of a breach of clause 22.2(a)(ii) (Minimum Net Surplus Cover);

(ii) promptly following receipt by the Borrower of the proceeds of such New Investment (and in any event prior to the expiry of such five Business Day period), a certificate signed by the finance director of the Borrower is delivered to the Agent confirming that on recalculating the financial covenant set out in clause 22.2(a)(ii) (Minimum Net Surplus Cover) for the period (and for these purposes the amount of the New Investment shall be included in calculating Consolidated Net Surplus) in respect of which the breach arose, and on the basis that the New Investment is deemed to have been made immediately prior to the relevant Quarter Date, such financial covenant would be complied with (and such certificate shall attach reasonable details of such calculations).

No more than two New Investments may be made until the Termination Date and no two New Investments may be made in consecutive Financial Quarters.

23. GENERAL UNDERTAKINGS

The undertakings in this clause 23 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

23.1 **Authorisations**

Each Obligor shall (and the Borrower shall ensure that each member of the Group will) promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Agent of,

any Authorisation required under any law or regulation of a Relevant Jurisdiction to enable it to: (i) perform its obligations under the Finance Documents and the Acquisition Documents; (ii) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document or Acquisition Document; and (iii) carry on its business (including, without limitation, to transact insurance and reinsurance business) where failure to do so has or is reasonably likely to have a Material Adverse Effect.

23.2 **Compliance with laws**

Each Obligor shall (and the Borrower shall ensure that each member of the Group will) comply in all respects with all laws, rules and regulations (including, without limitation, under South Carolina Insurance Law (Title 38 of the Code of Laws of South Carolina 1976, as amended) and any conditions or requirements prescribed under any applicable acts, byelaws and regulations and including, without limitation, the establishment of all insurance reserves required to be established under SAP and applicable laws restricting the investments of each member of the Group) to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

23.3 **Taxation**

(a) Each Obligor shall (and the Borrower shall ensure that each member of the Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(i) such payment is being contested in good faith;

(ii) adequate reserves are being maintained for those Taxes and the costs required to contest them have been disclosed in its latest financial statements delivered to the Agent under clause 22.2(a)(i) (Financial statements); and

(iii) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

(b) No member of the Group may change its residence for Tax purposes without the prior written consent of the Agent.

23.4 **Merger**

Other than in the case of a Permitted Transaction or in the implementation of the Acquisition, no Obligor shall (and the Borrower shall ensure that no other member of the Group will) enter into (or agree to enter into) any amalgamation, demerger, merger, consolidation or corporate reconstruction other than any solvent liquidation or reorganisation.

23.5 **Change of business**

The Borrower shall procure that no substantial change is made to the general nature of the business of the Group taken as a whole from that carried on by the Target Group at the date of this Agreement.

23.6 **Acquisitions**

Other than in the case of a Permitted Transaction or the Acquisition, no Obligor shall (and the Borrower shall ensure that no other member of the Group will):

(a) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them); or

(b) incorporate a company.

23.7 **Joint ventures**

No Obligor shall (and the Borrower shall ensure that no member of the Group will):

(a) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture; or

(b) transfer any assets or lend to or guarantee or give an indemnity for or give Security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

23.8 **Holding Companies**

The Borrower shall not trade, carry on any business, own any assets or incur any liabilities except for:

(a) the provision of administrative services (excluding treasury services) to other members of the Group of a type customarily provided by a holding company to its Subsidiaries;

(b) ownership of shares in its Subsidiaries, intra-Group debit balances, intra-Group credit balances and other credit balances in bank accounts, cash and Cash Equivalent Investments but only if those shares, credit balances, cash and Cash Equivalent Investments are subject to the Transaction Security; or

(c) any liabilities under the Transaction Documents to which it is a party and professional fees and administration costs in the ordinary course of business as a holding company,

and this clause 23.8 shall prevail if but for this clause a transaction would otherwise be a Permitted Disposal, Permitted Financial Indebtedness, a Permitted Guarantee, a Permitted Loan, Permitted Security or a Permitted Transaction or be permitted by clause 23.27 (Intra-Group Transactions).

23.9 **Preservation of assets**

Each Obligor shall (and the Borrower shall ensure that each member of the Group will) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary or desirable in the conduct of its business if failure to do so has or is reasonably likely to have a Material Adverse Effect.

23.10 **Pari passu ranking**

Each Obligor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

23.11 **Acquisition Documents**

(a) The Borrower shall promptly pay the Purchase Price (as such term is defined in the Acquisition Agreement) required to be paid to the Vendor as and when such amount becomes due.

(b) The Borrower shall (and will procure that each relevant member of the Group will), take all reasonable and practical steps to preserve and enforce its rights (or the rights of any other member of the Group) and pursue any claims and remedies arising under any Acquisition Documents.

(c) No Obligor shall (and the Borrower shall procure that no relevant member of the Group will) amend, vary, novate, supplement, supersede, waive or terminate any term of an Acquisition Document without the prior written consent of the Agent (such consent not to be unreasonably withheld or delayed)

23.12 **Negative pledge**

(a) Except as permitted under clause 23.12(a) below:

(i) No Obligor shall (and the Borrower shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.

(ii) No Obligor shall (and the Borrower shall ensure that no other member of the Group will) sell, transfer or otherwise dispose of any of its receivables.

(iii) No Obligor shall (and the Borrower shall ensure that no other member of the Group will):

(A) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by any other member of the Group;

(B) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(C) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset. A transaction referred to in this paragraph (c) is termed **"Quasi-Security"**.

(b) Clause 23.12(a) above does not apply to any Security, or (as the case may be) Quasi-Security, which is Permitted Security.

23.13 **Disposals**

(a) Except as permitted under clause 23.12(b) below, no Obligor shall (and the Borrower shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer, licence or otherwise dispose of any asset.

(b) clause 23.13(a) above does not apply to any sale, lease, transfer or other disposal which is:

(i) a Permitted Disposal; or

(ii) a Permitted Transaction.

23.14 **Arm's length basis**

(a) Except as permitted by clause 23.14(b) below, no Obligor shall (and the Borrower shall ensure that no other member of the Group will) enter into any transaction with any person except on bona fide arm's length terms.

(b) The following transactions shall not be a breach of clause 23.14(a):

(i) intra-Group transactions permitted under clause 23.27 (Intra-Group transactions);

(ii) fees, costs and expenses payable under the Transaction Documents in the amounts set out in the Transaction Documents delivered to the Agent under clause 4.1 (Initial conditions precedent) or agreed by the Agent; and

(iii) the provision of administrative services by an Affiliate of the Borrower to any Obligor provided that any payments under such transactions shall remain subject to the restrictions in clause 23.17 (Dividends and share redemption).

23.15 **Loans or credit**

(a) Except as permitted under clause 23.15(b) below, no Obligor shall (and the Borrower shall ensure that no member of the Group will) be a creditor in respect of any Financial Indebtedness.

(b) Clause 23.15(a) above does not apply to:

(i) a Permitted Loan (which is consistent with clause 23.8 (Holding Companies)); or

(ii) a Permitted Transaction; or

(iii) a Permitted Distribution.

23.16 **No Guarantees or indemnities**

(a) Except as permitted under clause 23.16(b) below, no Obligor shall (and the Borrower shall ensure that no member of the Group will) incur or allow to remain outstanding any guarantee, bond or indemnity in respect of any obligation of any person.

(b) Clause 23.16(a) above does not apply to a guarantee, bond or indemnity which is:

(i) a Permitted Guarantee (which is consistent with clause 23.8 (Holding Companies));

(ii) a Permitted Transaction; or

(iii) a policy or contract of insurance or reinsurance written or assumed in the ordinary course of business by any of the Regulated Insurance Entities.

23.17 **Dividends and share redemption**

(a) Except as permitted under 23.17(b) below, the Borrower shall not (and will ensure that no other member of the Group will):

(i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital) or any additional paid in capital;

(ii) repay or distribute any dividend or share premium reserve;

(iii) pay or allow any member of the Group to pay any management, advisory or other fee to or to the order of any of the shareholders of the Borrower; or

(iv) redeem, repurchase, defease, retire, reduce, cancel or repay any of its share capital or resolve to do so.

(b) Clause 23.17(a) above does not apply to:

(i) a Permitted Distribution;

(ii) a Permitted Payment; or

(iii) a Permitted Transaction.

23.18 **Financial Indebtedness**

(a) Except as permitted under clause 23.18(b) below, no Obligor shall (and the Borrower shall ensure that no member of the Group will) incur or allow to remain outstanding any Financial Indebtedness.

(b) Clause 23.18(a) above does not apply to Financial Indebtedness which is:

(i) Permitted Financial Indebtedness; or

(ii) a Permitted Transaction.

23.19 **Share capital**

No Obligor shall (and the Borrower shall ensure no member of the Group will) issue any shares except pursuant to a Permitted Share Issue.

23.20 **Pensions**

The Borrower shall ensure that each member of the Group is in compliance in all material respects with all applicable laws, regulations and contracts relating to the provision of pension schemes and any pension scheme(s) it operates or participates in.

23.21 **Access**

Each Obligor shall, and the Borrower shall ensure that each member of the Group will (not more than once in every Financial Year unless the Agent reasonably suspects a Default is continuing or may occur), permit the Agent and/or the Security Agent and/or accountants or other professional advisers and contractors of the Agent or Security Agent free access at all reasonable times and on reasonable notice at the risk and cost of the Obligor to (a) the premises, assets, books, accounts and records of each member of the Group and (b) meet and discuss matters with Richard Harris, David Rocke and Gareth Nokes.

23.22 **Intellectual Property**

(a) Each Obligor shall and the Borrower shall procure that each member of the Group will:

(i) preserve and maintain the subsistence and validity of the Intellectual Property necessary for its business;

(ii) use reasonable endeavours (including the institution of legal proceedings) to prevent any infringement in any material respect of the Intellectual Property;

(iii) promptly notify the Agent if it becomes aware of any infringement or challenge to the validity, enforceability or ownership of any Intellectual Property and supply the Security Agent with all information relating to it which is reasonably requested by the Agent;

(iv) make registrations and pay all registration fees and taxes necessary to maintain the Intellectual Property in full force and effect and record its interest in that Intellectual Property; not use or permit the Intellectual Property to be used in a way or take any step or omit to take any step in respect of that Intellectual Property which may materially and adversely affect the existence or value of that Intellectual Property or imperil the right of any member of the Group to use such property; and

(v) not discontinue the use of the Specified Intellectual Property (as defined in any Transaction Security Document),

where failure to do so in the case of clauses 23.22(a)(i) and 23.22(a)(ii) above, or, in the case of clauses 23.22(a)(iv) and 23.22(a)(v) above, such use, permission to use, omission or discontinuation is reasonably likely to have a Material Adverse Effect.

(b) Failure to comply with any part of clause 23.22(a) above shall not be a breach of clause 23.22(a) to the extent that any dealing with Intellectual Property which would otherwise be a breach of clause 23.22(a) is a Permitted Transaction.

23.23 **Amendments**

No Obligor shall (and the Borrower shall ensure that no other Obligor or member of the Group will) amend, vary, novate, supplement, supersede, waive or terminate any term of a Transaction Document or any other document delivered to the Agent pursuant to clause 4.1 (Initial conditions precedent) or clause 26.2 (Additional Guarantors) or enter into any agreement with any shareholders of the Borrower or any of their Affiliates which is not a member of the Group except in writing:

(a) in accordance with the provisions of clause 36 (Amendments and Waivers); or

(b) prior to the Utilisation Date, with the prior written consent of the Original Lenders; or

(c) after the Utilisation Date, in a way which (i) could not reasonably be expected to materially and adversely affect the interests of the Lenders or the ranking and (ii) would not change the date, amount or method of payment of the dividends on the Borrower's shares.

The Borrower shall promptly supply to the Agent a copy of any document relating to any of the matters referred to in paragraphs (a) to (c) above.

23.24 **Financial assistance**

Each Obligor shall (and the Borrower shall procure each member of the Group will) comply in all respects with any legislation governing the granting of financial assistance in its jurisdiction of incorporation including in relation to the execution of the Transaction Security Documents and payment of amounts due under this Agreement.

23.25 **Treasury Transactions**

No Obligor shall (and the Borrower shall procure that no other members of the Group will) enter into any Treasury Transaction.

23.26 **Further assurance**

(a) Each Obligor shall (and the Borrower shall procure that each member of the Group will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify and in such form as the Security Agent may reasonably require (in favour of the Security Agent or its nominee(s)) in order to:

(i) perfect or protect the Security created or intended to be created under or evidenced by the Transaction Security Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of the Transaction Security) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;

(ii) confer on the Security Agent or confer on the Finance Parties, Security over any property and assets of that Obligor located in any jurisdiction which is (to the extent permitted by local law) equivalent or similar to the Security intended to be conferred by or pursuant to the Transaction Security Documents; and/or

(iii) facilitate the realisation of the assets which are, or are intended to be, the subject of the Transaction Security.

(b) Each Obligor shall (and the Borrower shall procure that each member of the Group shall) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

23.27 **Intra-Group transactions**

(a) Without the prior consent of the Agent, no member of the Group may enter into any transaction (whether by way of disposal, investment, loan, borrowing, guarantee or otherwise) with, or in respect of the obligations of, any other member of the Group save and except where such transaction is a Permitted Transaction and is not unlawful under any law or regulation in any relevant jurisdiction including under any applicable financial assistance legislation.

(b) Without the prior consent of the Agent, no member of the Group may enter into any transaction (whether by way of disposal, investment, loan, borrowing, guarantee or otherwise and including, without limitation, any insurance or reinsurance relating to any member of the Group) with, or in respect of the obligations of, Enstar or any of its Subsidiaries (excluding other members of the Group) where the value of such transaction exceeds US$100,000 or where the aggregate value all such transactions completed after the date of this Agreement exceeds (or would as a result of such transaction exceed) US$1,000,000, except where such transaction is conducted in the ordinary course of trading on arm's length terms or is a Permitted Transaction.

(c) If the relevant intra-Group transaction contemplated by clause 23.27(a) above:

(i) is a disposal of assets from one Obligor to another and if Transaction Security had been granted by the Obligor disposing of such asset, then the asset must be either transferred subject to such Security or the acquiring Obligor must grant equivalent Security over that asset in favour of the Security Agent; or

(ii) results in Financial Indebtedness being owed by an Obligor to another Obligor, then the creditor of such Financial Indebtedness shall grant Security over its rights in respect of such Financial Indebtedness in favour of the Lenders on terms acceptable to the Agent (acting on the instructions of the Majority Lenders).

23.28 **Cash Management**

(a) Subject to clause 23.28(b) below, no Obligor shall and each Obligor will procure that none of its Subsidiaries will, at any time hold cash or Cash Equivalent Investments greater than required for its projected cashflow requirements (the amount being the **"Cash Balance"**) and such Cash Balance shall only be lent by such member of the Group by way of a Permitted Distribution.

(b) No Obligor shall be obliged at any time to procure that a Subsidiary transfer any Cash Balance under clause 23.28(a) above:

(i) at a time when to do so would cause the Obligor or the Subsidiary (despite that person using all reasonable effects to avoid the relevant Tax liability) to incur a materially greater Tax liability in respect of the Cash Balance than it would otherwise incur if the transfer were made at a later date;

(ii) if (despite using all reasonable efforts to avoid the breach or the result) to do so would breach any applicable law, regulatory requirement or result in personal liability for the Obligor or the Subsidiary or any such person's directors or management; or

(iii) which would leave an amount which is less than US$50,000 in that Subsidiary.

23.29 **Insurance**

(a) Each Obligor shall (and the Borrower shall ensure that each member of the Group will) maintain insurances on and in relation to its business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business.

(b) All insurances must be with reputable independent insurance companies or underwriters.

23.30 **Obligors**

(a) The Borrower shall ensure that at all times after the date falling ten days after the Utilisation Date, each member of the Group (other than Companion Third Party Administrators LLC) that is not a Regulated Entity is an Obligor.

(b) The Borrower need only perform its obligations under clause 23.30(a) above if it is not unlawful for the relevant person to become an Obligor and that person becoming an Obligor would not result in personal liability for that person's directors or other management. Each Obligor that is not a Regulated Entity must use, and must procure that the relevant person uses, all reasonable endeavours lawfully available to avoid any such unlawfulness or personal liability. This includes agreeing to a limit on the amount guaranteed. The Agent may (but shall not be obliged to) agree to such a limit if, in its opinion, to do so would avoid the relevant unlawfulness or personal liability.

23.31 **Federal Reserve Regulations**

The Borrower will use the Facility without violating Regulations T, U and X.

23.32 **Compliance with U.S. Regulations**

No Obligor shall (and the Borrower shall ensure that no other member of the Group will) become an investment company, or an affiliated person of, or promoter or principal underwriter for, an investment company, as such terms are defined in the 1940 Act. Neither the making of the Loan, or the application of the proceeds or repayment of the Loan by any member of the Group nor the consummation of the other transactions contemplated by this agreement will violate any provision of such act or any rule, regulation or order of the SEC under the 1940 Act.

23.33 **ERISA**

(a) Each Obligor (and the Borrower shall ensure that no other member of the Group will) shall ensure that the affairs of each Obligor and each member of the Group are conducted so that the underlying assets of each Obligor do not constitute "plan assets" within the meaning of the Plan Asset Rules.

(b) No ERISA Event shall occur that, individually or in the aggregate, results or will reasonably be expected to result in a Material Adverse Effect.

(c) Each Plan shall be maintained and administered in all material respects with the applicable requirements of the Code, ERISA and any other applicable law.

23.34 **Sanctions**

Each Obligor will ensure that none of the proceeds of the Loan will, directly or indirectly, be used or paid for the purposes of any transaction related to either:

(a) any person which is listed on the SDN List, or is owned or controlled, directly or indirectly, by any person listed on the SDN List; or

(b) any country which is the subject of sanctions by any Authority.

23.35 **Anti-corruption Law**

(a) No Obligor shall (and the Borrower shall ensure that no other member of the Group will) directly or indirectly use the proceeds of the Facility for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in other jurisdictions.

(b) Each Obligor shall (and the Borrower shall ensure that each other member of the Group will):

(i) take reasonable measures to conduct its businesses in compliance with applicable anti-corruption laws; and

(ii) take reasonable measures to maintain policies and procedures designed to promote and achieve compliance with such laws.

24. EVENTS OF DEFAULT

Each of the events or circumstances set out in this clause 24 is an Event of Default (save for clause 24.21 (Acceleration) and clause 24.22 (Effect of Insolvency)).

24.1 Non-payment

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document in the manner in which it is expressed to be payable unless:

(a) its failure to pay is caused by:

(i) administrative or technical error by a bank in the transmission of funds; or

(ii) a Disruption Event; and

(b) payment is made within five Business Days of its due date.

24.2 Financial covenants and other obligations

(a) Any requirement of clause 22 (Financial Covenants) is not satisfied.

(b) An Obligor does not comply with the provisions of clause 21 (Information Undertakings).

(c) An Obligor does not comply with any provision of any Transaction Security Document.

24.3 Other obligations

(a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in clause 24.1 (Non-payment) and clause 24.2 (Financial covenants and other obligations)).

(b) No Event of Default under clause 24.3(a) above will occur if the failure to comply is capable of remedy and is remedied within ten Business Days after the earlier of the Agent giving notice to the Borrower or relevant Obligor or the Borrower or an Obligor becoming aware of the failure to comply.

24.4 Misrepresentation

(a) Any representation, warranty or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading when made or deemed to be made.

(b) No Event of Default under clause 24.4(a) above will occur if the failure to comply is capable of remedy and is remedied within ten Business Days after the earlier of the Agent giving notice to the Obligor's Agent or relevant Obligor or the Obligor's Agent or an Obligor becoming aware of the failure to comply.

24.5 **Cross default**

(a) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.

(b) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).

(d) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under clauses 24.5(a) to 24.5(d) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within clauses 24.5(a) to 24.5(d) above is less than US$400,000.

24.6 **Insolvency**

(a) Any member of the Group is unable or admits inability to pay its debts as they fall due or is deemed to or declared to be unable to pay its debts under applicable law, suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b) The value of the assets of any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities).

(c) A moratorium is declared in respect of any indebtedness of any member of the Group. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

(d) Any member of the Group shall in any U.S. jurisdiction:

(i) apply for, or consent to, the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner or liquidator of itself or of any of its property;

(ii) make a general assignment for the benefit of its creditors;

(iii) commence a voluntary case under Title 11 of the United States of America Code entitled Bankruptcy (or any successor thereof), as amended;

(iv) file a petition with respect to itself seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganisation, liquidation, dissolution, arrangement or winding up, or composition or readjustment of debts; or

(v) take any corporate action for the purpose of effecting any of the foregoing with respect to itself.

24.7 **Insolvency proceedings**

(a) Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, liquidation, arrangement or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group or the composition or readjustment of its debts;

(ii) a composition, compromise, assignment or arrangement with any creditor of any member of the Group;

(iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, custodian, trustee, examiner, rehabilitator, conservator, supervisor or other similar officer in respect of any member of the Group or any of its assets;

(iv) enforcement of any Security over any assets of any member of the Group; or

(v) any analogous procedure or step to those listed in paragraphs (a) to (d) above is taken in any jurisdiction or an order for relief against any member of the Group shall be entered in an involuntary case under Title 11 of the United States of America Code entitled Bankruptcy (or any successor thereto) as amended.

(b) Clause 24.7(a) above shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 14 days of commencement, or, if earlier, the date on which it is advertised.

(c) In respect of any Obligor, a proceeding or case shall be commenced, without the application or consent of such Obligor, in any U.S. court of competent jurisdiction, seeking:

(i) its reorganisation, liquidation, dissolution, arrangement or winding-up or the composition or readjustment of its debts;

(ii) the appointment of a receiver, custodian, trustee, examiner, liquidator or the like of the Obligor or of all or any substantial part of its property; or

(iii) similar relief in respect of any Obligor under any law relating to the bankruptcy insolvency, reorganisation, winding-up or composition or adjustment of debts,

and any such proceeding or case referred to in paragraphs (i) to (iii) above shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 14 or more days, or an order for relief against such Obligor shall be entered in an involuntary case under Title 11 of the United States of America Code entitled Bankruptcy (or any successor thereto) as amended.

24.8 **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of an Obligor or a member of the Group having an aggregate value of US$750,000 or more and is not discharged within seven days.

24.9 **Unlawfulness and invalidity**

(a) It is or becomes unlawful for an Obligor, to perform any of its obligations under the Finance Documents or any Transaction Security created or expressed to be created or evidenced by the Transaction Security Documents ceases to be effective.

(b) Any obligation or obligations of any Obligor under any Finance Document are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lenders under the Finance Documents.

(c) Any Finance Document ceases to be in full force and effect or any Transaction Security ceases to be legal, valid, binding enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

24.10 **Cessation of business**

Any Obligor or any member of the Group suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business except as a result of the Acquisition, a disposal which is a Permitted Disposal or a Permitted Transaction.

24.11 **Change of ownership**

(a) An Obligor (other than the Borrower) ceases to be a wholly-owned Subsidiary of the Borrower.

(b) The Borrower ceases to be a wholly-owned Subsidiary of the Shareholder.

(c) The Shareholder ceases to be a wholly-owned Subsidiary of Enstar.

24.12 **Amending Constitutional Documents**

The Borrower amends, varies, supplements, supersedes, waives or terminates any provision of its Constitutional Documents which could adversely affect the interests of the Finance Parties without the prior written consent of the Majority Lenders.

24.13 **Audit qualification**

The Auditors of the Group qualify the audited annual consolidated financial statements of the Borrower.

24.14 **Expropriation**

The authority or ability of any Obligor or any member of the Group to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to any Obligor or any member of the Group or any of its assets.

24.15 **Repudiation and rescission of agreements**

(a) An Obligor (or any other relevant party other than a Finance Party) or the Shareholder rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or any of the Transaction Security or evidences an intention to rescind or repudiate a Finance Document or any Transaction Security.

(b) Any party to the Acquisition Documents rescinds or purports to rescind or repudiates or purports to repudiate any of those agreements or instruments in whole or in part where to do so has or is, in the reasonable opinion of the Majority Lenders, likely to have a material adverse effect on the interests of the Lenders under the Finance Documents.

24.16 **Litigation**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to the Transaction Documents or the transactions contemplated in the Transaction Documents or against any Obligor or any member of the Group or its assets and which if successful would be reasonably likely to have a Material Adverse Effect.

24.17 **Regulatory Sanctions**

Any fine, levy or sanctions are imposed upon any member of the Target Group by any Governmental Authority which the Majority Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

24.18 **Cessation of licences**

(a) The cessation, variation or imposition of limitations (for any reason) of any consent, authorisation, licence and/or exemption which is required to enable the Borrower or any Subsidiary to carry on its business, or the taking by any governmental, regulatory or other authority of any action in relation to the Borrower or any Subsidiary which the Majority Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

(b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 20 Business Days of the earlier of (1) the Agent giving notice to the Borrower and (2) the Borrower becoming aware of the failure to comply.

24.19 **Material adverse change**

Any event or circumstance occurs which the Majority Lenders reasonably believe has or is reasonably likely to have a Material Adverse Effect.

24.20 **ERISA**

(a) Any member of the Group has underlying assets which constitute "plan assets" within the Plan Asset Rules.

(b) An ERISA Event shall occur that, individually or in the aggregate, results or will reasonably be expected to result in a Material Adverse Effect.

24.21 **Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

(a) cancel the Total Commitments at which time they shall immediately be cancelled;

(b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable;

(c) declare that all or part of the Loan be payable on demand, at which time they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders; and/or

(d) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

24.22 **Effect of Insolvency**

At any time after the occurrence of an Event of Default under clause 24.6 (Insolvency) or clause 24.7 (Insolvency proceedings) in respect of any Obligor the Loan made to such Obligor shall be immediately due and payable without notice from the Agent (together with accrued interest and commission and any other sums then owed by such Obligor under this Agreement).

25. CHANGES TO THE LENDERS

25.1 **Assignments and transfers by the Lenders**

Subject to this clause 25, a Lender (**"Existing Lender"**) may:

(a) assign any of its rights; or

(b) transfer by novation any of its rights and obligations, under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (**"New Lender"**).

25.2 **Conditions of assignment or transfer**

(a) The consent of the Borrower is required for an assignment or transfer by an Existing Lender, unless the assignment or transfer is:

(i) to another Lender or an Affiliate of a Lender;

(ii) if the Existing Lender is a fund, to a fund which is a Related Fund of the Existing Lender; or

(iii) made at a time when an Event of Default is continuing.

(b) The consent of the Borrower to an assignment or transfer by an Existing Lender must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its consent five Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time.

(c) An assignment will only be effective on:

(i) receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it was an Original Lender; and

(ii) the performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(d) A transfer will only be effective if the procedure set out in clause 25.5 (Procedure for transfer) is complied with.

(e) If:

(i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under clause 14 (Tax gross-up and indemnities) or clause 15 (Increased costs), then (unless the assignment, transfer or charge has been made in mitigation in accordance with clause 17 (Mitigation by the Lenders)) the New Lender or Lender acting through its new Facility Office is only entitled to receive payment under those clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred. This paragraph (e) shall not apply in relation to clause 14.2 (Tax gross up), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g) of clause 14.2 (Tax gross-up) if the Obligor making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

(f) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

25.3 **Assignment or transfer fee**

Unless the Agent otherwise agrees and excluding an assignment or transfer:

(a) to an Affiliate of a Lender; or

(b) to a Related Fund

the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of £1,000.

25.4 **Limitation of responsibility of Existing Lenders**

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Transaction Documents, the Transaction Security or any other documents;

(ii) the financial condition of any Obligor;

(iii) the performance and observance by any Obligor or any other member of the Group of its obligations under the Transaction Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Transaction Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender, the other Finance Parties and the Secured Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender or any other Finance Party in connection with any Transaction Document or the Transaction Security; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer or reassignment from a New Lender of any of the rights and obligations assigned or transferred under this clause 25; or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Transaction Documents or otherwise.

25.5 **Procedure for transfer**

(a) Subject to the conditions set out in clause 25.2 (Conditions of assignment or transfer) a transfer is effected in accordance with clause 25.5(c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to clause 25.5(b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender upon its completion of all "know your customer" or other checks relating to any person that it is required to carry out in relation to the transfer to such New Lender.

(c) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights, benefits and obligations under the Finance Documents and in respect of the Transaction Security each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another under the Finance Documents and in respect of the Transaction Security shall be cancelled (being the **"Discharged Rights and Obligations"**);

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights and benefits against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor or other member of the Group and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the Agent, the Arrangers, the Security Agent, the New Lender and the other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and assumed had the New Lender been an Original Lender with the rights, and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arranger, the Security Agent and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

(iv) the New Lender shall become a Party as a Lender.

25.6 **Procedure for assignment**

(a) Subject to the conditions set out in clause 25.2 (Conditions of assignment or transfer) an assignment may be effected in accordance with clause 25.6(c) below when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to clause 25.6(b) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

(b) The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender upon its completion of all "know your customer" or other checks relating to any person that it is required to carry out in relation to the assignment to such New Lender.

(c) On the Transfer Date:

(i) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of the Transaction Security expressed to be the subject of the assignment in the Assignment Agreement;

(ii) the Existing Lender will be released from the obligations (Relevant Obligations) expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of the Transaction Security); and

(iii) the New Lender shall become a Party as a Lender and will be bound by obligations equivalent to the Relevant Obligations.

(d) Lenders may utilise procedures other than those set out in this clause 25 to assign their rights under the Finance Documents provided that they comply with the conditions set out in clause 25.2 (Conditions of assignment or transfer).

25.7 **Copy of Transfer Certificate or Assignment Agreement to Borrower**

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrower a copy of that Transfer Certificate or Assignment Agreement.

25.8 **Security Interests over Lenders' rights**

In addition to the other rights provided to Lenders under this clause 25, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities, except that no such charge, assignment or Security shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by an Obligor or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

25.9 Pro Rata Interest Settlement

If the Agent has notified the Lenders that it is able to distribute interest payments on a "pro rata basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to clause 25.5 (Procedure for transfer) or any assignment pursuant to clause 25.6 (Procedure for assignment) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but including the Transfer Date (Accrued Amounts) and shall become due and payable to the Existing Lender (without further interest accruing on them) until the last day of the current Interest Period (or, if the Interest Period is longer than six Months, on the next of the dates which falls at six Monthly intervals after the first day of that Interest Period); and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender, and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this clause 25.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

25.10 Prohibition on Debt Purchase Transactions

The Borrower shall not, and shall procure that each other member of the Group shall not, enter into any Debt Purchase Transaction or beneficially own all or any part of the share capital of a company that is a Lender or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) or (c) of the definition of Debt Purchase Transaction.

25.11 Assignment to Federal Reserve Bank

Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement, without notice to or consent of any Party, to any U.S. Federal Reserve Bank **provided that** (i) no Lender shall be relieved of any of its obligations under this Agreement as a result of any such assignment and pledge and (ii) in no event shall such U.S. Federal Reserve Bank be considered to be a "Lender" or be entitled to require the assigning Lender to take or omit to take any action under this Agreement.

25.12 The Register

For U.S. federal income tax purposes only, the Agent, acting solely for this purpose as an agent of the Obligors, shall maintain at one of its offices a copy of each Transfer Certificate or Assignment Agreement, as applicable, delivered to it and a register (the **"Register"**) for the recordation of the names and addresses of each Lender and the Commitments of and the principal amounts and stated interest of the obligations owing to each Lender pursuant to the terms hereof and the other Finance Documents. Without limitation of any other provision of this clause 25 (Changes to the Lenders), no transfer shall be effective until recorded in the Register. The entries in the Register shall be conclusive absent manifest error and each Obligor, the Agent and each Lender may treat each person whose name is recorded in the Register as a Lender notwithstanding any notice to the contrary. The Register shall be available for inspection by each Obligor at any reasonable time and from time to time upon reasonable prior notice. The foregoing provisions are intended to comply with the registration requirements in U.S. Treasury Regulation Section 5f.103-1 so that the Loan is considered to be in "registered form" pursuant to such regulation.

26. **CHANGES TO THE OBLIGORS**

26.1 **Assignment and transfers by Obligors**

No Obligor or any other member of the Group may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

26.2 **Additional Guarantors**

(a) Subject to compliance with the provisions of clause 21.9 (**"Know your customer"** checks), the Borrower may request that any of its wholly owned Subsidiaries become a Guarantor.

(b) A member of the Group shall become an Additional Guarantor if:

(i) the Borrower and the proposed Additional Guarantor deliver to the Agent a duly completed and executed Accession Letter; and

(ii) the Agent has received all of the documents and other evidence listed in part 2 of schedule 2 (Conditions precedent) in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent.

(c) The Agent shall notify the Borrower and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in part 2 of schedule 2 (Conditions precedent).

26.3 **Repetition of Representations**

Delivery of an Accession Letter constitutes confirmation by the relevant Subsidiary that the representations and warranties referred to in clause 20.41 (Times when representations made) are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

26.4 **Resignation and release of security on disposal**

(a) In this clause, Third Party Disposal means the disposal of an Obligor to a person which is not a member of the Group where that disposal is permitted under clause 23.13 (Disposals) or made with the approval of the Majority Lenders (and the Borrower has confirmed this is the case).

(b) If the Borrower or an Obligor is or is proposed to be the subject of a Third Party Disposal then:

(i) the Borrower shall confirm that no Default is continuing or would result from the Third Party Disposal;

(ii) the Borrower shall confirm that if that Obligor is a Guarantor, no payment is due from that Guarantor under clause 19.1 (Guarantee and indemnity);

(iii) where the Borrower or that Obligor created Transaction Security over any of its assets or business in favour of the Security Agent, or Transaction Security in favour of the Security Agent was created over the shares (or equivalent) of the Borrower or that Obligor, the Security Agent may, at the cost and request of the Borrower, release those assets, business or shares (or equivalent) and issue certificates of non-crystallisation;

(iv) the resignation of the Borrower or that Obligor and related release of Transaction Security referred to in clause 26.4(b)(i) above shall not become effective until all Disposal Proceeds resulting from that Third Party Disposal have been irrevocably paid to the Agent in accordance with clause 8 (Mandatory Prepayment); and

(v) if the disposal of the Borrower or that Obligor is not made, the release of Transaction Security referred to in clause 26.4(b)(i) above shall have no effect and the obligations of the Borrower or Obligor and the Transaction Security created or intended to be created by or over the Borrower or that Obligor shall continue in full force and effect.

(c) The resignation of that Obligor shall not be effective until the date of the relevant Third Party Disposal at which time that company shall cease to be an Obligor and shall have no further rights or obligations under the Finance Documents as a Borrower or Guarantor (as applicable).

27. ROLE OF THE AGENT, THE ARRANGER, THE SECURITY AGENT AND OTHERS

27.1 Appointment of the Agent

(a) The Arrangers and each of the Lenders appoints the Agent to act as its agent under and in connection with the Finance Documents.

(b) The Arrangers and each of the Lenders authorises the Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

27.2 Instructions

(a) The Agent shall:

(i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by:

(A) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and

(B) in all other cases, the Majority Lenders; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above.

(b) The Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion. The Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.

(c) Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.

(d) The Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

(e) In the absence of instructions, the Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.

(f) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

27.3 **Duties of the Agent**

(a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party excluding, for the avoidance of doubt, any Fee Letter.

(b) Without prejudice to clause 25.7 (Copy of Transfer Certificate or Assignment Agreement to Company), paragraph (a) above shall not apply to any Transfer Certificate or any Assignment Agreement.

(c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

(e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Security Agent or the Arrangers) under this Agreement it shall promptly notify the other Finance Parties.

(f) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

27.4 **Role of the Arrangers**

Except as specifically provided in the Finance Documents, the Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

27.5 **No fiduciary duties**

(a) Nothing in this Agreement constitutes the Agent, the Security Agent and/or the Arrangers as a trustee or fiduciary of any other person.

(b) None of the Agent or the Arrangers shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

27.6 **Business with the Group**

The Agent, the Security Agent and the Arrangers may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Obligor or any member of the Group.

27.7 **Rights and discretions**

(a) The Agent may:

(i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(ii) assume that:

(A) any instructions received made by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and

(B) unless it has received notice of revocation, that those instructions have not been revoked; and

(iii) rely on a certificate from any person;

(A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(B) to the effect that such person approves of any particular dealing, transaction, step, action or thing

as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.

(b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under clause 24.1 (Non-payment));

(ii) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised; and

(iii) any notice or request made by the Borrower (other than the Utilisation Request or a Selection Notice) is made on behalf of and with the consent and knowledge of all the Obligors.

(c) The Agent may engage and pay for advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

(d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Agent (and so separate from any lawyers instructed by the Lenders) if the Agent in its reasonable opinion deems this to be necessary.

(e) The Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

(f) The Agent may act in relation to the Finance Documents through its officers, employees and agents.

(g) Notwithstanding any other provision of any Finance Document to the contrary, none of the Agent or the Arrangers is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

(h) Notwithstanding any provision of any Finance Document to the contrary, the Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security, such risk or liability is not reasonably assured to it.

27.8 **Responsibility for documentation**

Neither the Agent nor the Arrangers is responsible or liable for:

(a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, a Arranger, an Obligor or any other person given in or in connection with any Finance Document or the Information Package or the transactions contemplated in the Finance Documents; or

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document.

27.9 **No duty to monitor**

The Agent shall not be bound to enquire:

(a) whether or not any Default has occurred;

(b) as to the performance, default or any breach by any Party of its obligations under any Finance Document; or

(c) whether any other event specified in any Finance Document has occurred.

27.10 **Exclusion of liability**

(a) Without limiting clause 27.10(b) below and without prejudice to the provisions of clause 30.14 (Disruption to the Payment Systems etc.) or any other provision of any Finance Document excluding or limiting the liability of the Agent, the Agent will not be liable for:

(i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct;

(ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document, other than by reason of its gross negligence or wilful misconduct; or

(iii) without prejudice to the generality of paragraphs (i) and (ii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including, without limitation, for negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of:

(A) any act, event or circumstance not reasonably within its control; or

(B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

(b) No Party (other than the Agent) may take any proceedings against any officer, employee or agent of the Agent in respect of any claim it might have against the Agent, or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Agent, may rely on this clause subject to clause 1.8 (Third party rights) and the provisions of the Third Parties Act.

(c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

(d) Nothing in this Agreement shall oblige the Agent or the Mandated Lead Arrangers to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Mandated Lead Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arrangers.

(e) Without prejudice to any provision of any Finance Document excluding or limiting the Agent’s liability, any liability of the Agent arising under or in connection with any Finance Document shall be limited to the amount of actual loss which has been suffered (as determined by reference to the date of default of the Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Agent at any time which increase the amount of that loss. In no event shall the Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Agent has been advised of the possibility of such loss or damages.

27.11 **Lenders’ indemnity to the Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or in the case of any costs, loss or liability pursuant to clause 30.14 (Disruption to Payment Systems etc.) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

27.12 **Resignation of the Agent**

(a) The Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the Lenders and the Borrower.

(b) Alternatively the Agent may resign by giving notice to the Lenders and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.

(c) If the Majority Lenders have not appointed a successor Agent in accordance with clause 27.12(b) above within 30 days after notice of resignation was given, the Agent (after consultation with the Borrower) may appoint a successor Agent (acting through an office in the United Kingdom).

(d) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

(e) The Agent's resignation notice shall only take effect upon the appointment of a successor.

(f) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under clause 27.12(c) above) but shall remain entitled to the benefit of clause 16.3 (Indemnity to the Agent) and this clause 27 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(g) After consultation with the Borrower, the Majority Lenders may, by notice to the Agent, require it to resign in accordance with clause 27.12(b) above. In this event, the Agent shall resign in accordance with clause 27.12(b) above.

(h) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

(i) the Agent fails to respond to a request under Clause 14.8 (FATCA Information) and a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(ii) the information supplied by the Agent pursuant to Clause 14.8 (FATCA Information) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(iii) the Agent notifies the Borrower and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and that Lender, by notice to the Agent, requires it to resign.

27.13 **Confidentiality**

(a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent, the Security Agent nor the Arrangers are obliged to disclose to any other person (i) any confidential information, or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

27.14 **Relationship with the Lenders**

(a) Subject to clause 25.9 (Pro rata Interest Settlement), the Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(i) entitled to or liable for any payment due under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under clause 32.5 (Electronic communication)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of clause 32.2 (Addresses) and clause 32.5(a)(ii) (Electronic communication) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

27.15 **Credit appraisal by the Lenders**

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Agent and the Arrangers that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each Obligor and each member of the Group;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property

27.16 **Deduction from amounts payable by the Agent**

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

27.17 **Reliance and engagement letters**

Each Finance Party confirms that each Mandated Lead Arranger and the Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by a Mandated Lead Arranger or Agent) the terms of any reliance letter or engagement letters relating to the Report or letters provided by accountants or actuaries in connection with the Finance Documents or the transactions contemplated in the Finance Documents (including any net asset letter in connection with the financial assistance procedures) and to bind it in respect of those reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

27.18 **Appointment of Security Agent**

(a) Each other Finance Party irrevocably appoints the Security Agent as its agent and trustee on the terms set out in schedule 10 (Security Agent).

(b) Each Obligor and each other Finance Party agrees to the terms set out in schedule 10 (Security Agent). In the event of any conflict between the terms of schedule 10 (Security Agent) and any other Finance Document, the terms of schedule 10 (Security Agent) shall prevail.

28. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of any Finance Document will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax except as required under clauses 14.5 (Tax Documentation) and clause 14.8 (FATCA Information).

29. SHARING AMONG THE FINANCE PARTIES

29.1 Payments to Finance Parties

If a Finance Party (**Recovering Finance Party**) receives or recovers any amount from an Obligor other than in accordance with clause 30 (Payment mechanics) and applies that amount to a payment due under the Finance Documents then:

(a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Agent;

(b) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with clause 30 (Payment mechanics), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

(c) the Recovering Finance Party shall, within three Business Days of demand by the Agent, pay to the Agent an amount (**Sharing Payment**) equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with clause 30.9 (Partial payments).

29.2 Redistribution of payments

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with clause 30.9 (Partial payments).

29.3 Recovering Finance Party's rights

(a) On a distribution by the Agent under clause 29.2 (Redistribution of payments), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.

(b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under clause 29.3(a) above, the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

29.4 **Reversal of redistribution**

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

(a) each Finance Party which has received a share of the relevant Sharing Payment pursuant to clause 29.2 (Redistribution of payments) shall, upon request of the Agent, pay to the Agent for account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and

(b) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the relevant Obligor will be liable to the reimbursing Finance Party for the amount so reimbursed.

29.5 **Exceptions**

(a) This clause 29 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this clause 29, have a valid and enforceable claim against the relevant Obligor.

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified the other Finance Party of the legal or arbitration proceedings; and

(ii) the other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

30. **PAYMENT MECHANICS**

30.1 **Payments to the Agent**

(a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall (and the Borrower shall ensure that such Obligor will) make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) Payment shall be made to such account with such bank as the Agent specifies.

30.2 **Distributions by the Agent**

Each payment received by the Agent under the Finance Documents for another Party shall, subject to clause 30.3 (Distributions to an Obligor) and clause 30.4 (Clawback) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice.

30.3 **Distributions to an Obligor**

The Agent may (with the consent of the Obligor or in accordance with clause 31 (Set-off)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

30.4 **Clawback**

(a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

30.5 **Proceeds of enforcement**

Subject to the payment of any claim ranking in priority as a matter of law, the proceeds of enforcement of the Security constituted by the Transaction Security Documents shall be paid to the Security Agent and those proceeds (together with all other amounts paid to the Security Agent in accordance with the terms of this Agreement or any other Finance Document) shall be applied in the following order:

(a) **firstly**, in satisfaction of all costs, charges, expenses (including legal expenses) and liabilities properly incurred by the Security Agent (in its capacity as Security Agent) or any Insolvency Representative appointed under the Transaction Security Documents or their attorneys or agents and of the remuneration of such Insolvency Representative (and all interest on such sums as provided in the Finance Documents);

(b) **secondly**, in payment of all reasonable costs and expenses (including legal expenses) properly incurred by or on behalf of any other Finance Party in connection with such enforcement;

(c) **thirdly**, in payment to the Agent for application in or towards the discharge of the loan, interest and other amounts outstanding under the Finance Documents in accordance with the order set out in paragraphs (a) to (d) of clause 30.9(a) (Partial payments); and

(d) **fourthly**, any surplus to such persons who may be entitled to them.

30.6 **Waterfall**

No such proceeds or amounts shall be applied in payment of any amounts specified in any of the paragraphs in clause 30.5 (Proceeds of Enforcement) until all amounts specified in any earlier paragraph have been paid in full.

30.7 **Good discharge**

An acknowledgement of receipt signed by the relevant person to whom payments are to be made under clause 30.5 (Proceeds of Enforcement) shall be a good discharge of the Security Agent.

30.8 **Sums received by Obligors**

If an Obligor receives any sum which, pursuant to any of the Finance Documents, should have been paid to the Security Agent, that sum shall promptly be paid to the Security Agent for application in accordance with this clause 30.

30.9 **Partial payments**

(a) If the Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an Obligor under those Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under those Finance Documents in the following order:

(i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent or the Security Agent under the Finance Documents;

(ii) **secondly**, in or towards payment of any accrued interest, fee or commission due but unpaid under this Agreement;

(iii) **thirdly**, in or towards payment of any principal amount due but unpaid under this Agreement; and

(iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.

(b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a) to (d) above.

(c) Clauses 30.9(a) and 30.9(b) above will override any appropriation made by an Obligor.

30.10 **No set-off by Obligors**

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

30.11 **Business Days**

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

30.12 **Currency of account**

(a) Subject to clauses 30.12(b) to 30.12(e) below, the Base Currency is the currency of account and payment for any sum due from an Obligor under any Finance Document.

(b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which the Loan or Unpaid Sum is denominated on its due date.

(c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.

(d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

(e) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

30.13 **Change of currency**

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the London interbank market and otherwise to reflect the change in currency.

30.14 **Disruption to Payment Systems etc.**

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Borrower that a Disruption Event has occurred:

(a) the Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facility as the Agent may deem necessary in the circumstances;

(b) the Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of clause 36 (Amendments and Waivers);

(e) the Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this clause 30.14; and

(f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

31. SET-OFF

A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

32. NOTICES

32.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

32.2 Addresses

(a) The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(i) in the case of the Borrower, that identified with its name below;

(ii) in the case of each Lender or any other Obligor, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

(iii) in the case of the Agent or the Security Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five Business Days' notice.

32.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under clause 32.2 (Addresses), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or Security Agent's signature below (or any substitute department or officer as the Agent or Security Agent shall specify for this purpose).

(c) All notices from or to an Obligor shall be sent through the Agent.

(d) Any communication or document made or delivered to the Borrower in accordance with this clause 32 will be deemed to have been made or delivered to each of the Obligors or any other member of the Group party to a Finance Document.

32.4 **Notification of address and fax number**

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to clause 32.2 (Addresses) or changing its own address or fax number, the Agent shall notify the other Parties.

32.5 **Electronic communication**

(a) Any communication to be made between the Agent or the Security Agent and another Finance Party under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent, the Security Agent and the relevant Finance Party:

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Agent or the Security Agent and a Finance Party will be effective only when actually received in readable form and in the case of any electronic communication made by a Finance Party to the Agent or the Security Agent only if it is addressed in such a manner as the Agent or Security Agent shall specify for this purpose.

(c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

32.6 **Use of websites**

(a) The Borrower may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (**Website Lenders**) who accept this method of communication by posting this information onto an electronic website designated by the Borrower and the Agent (**Designated Website**) if:

(i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;

(ii) both the Borrower and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and

(iii) the information is in a printable format or otherwise capable of being downloaded by the relevant Website Lender and is in a format previously agreed between the Borrower and the Agent.

If any Lender (**Paper Form Lender**) does not agree to the delivery of information electronically then the Agent shall notify the Borrower accordingly and the Borrower shall at its own cost supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall at its own cost supply the Agent with at least one copy in paper form of any information required to be provided by it.

(a) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Agent.

(b) The Borrower shall promptly upon becoming aware of its occurrence notify the Agent if:

(i) the Designated Website cannot be accessed due to technical failure;

(ii) the password specifications for the Designated Website change;

(iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;

(iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or

(v) the Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Borrower notifies the Agent under paragraphs (i) to (v) above, all information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

(c) Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall at its own cost comply with any such request within ten Business Days.

32.7 **English language**

(a) Any notice given under or in connection with any Finance Document must be in English.

(b) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

33. CALCULATIONS AND CERTIFICATES

33.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

33.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

33.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the London interbank market differs, in accordance with that market practice.

34. PARTIAL INVALIDITY

If, at any time, any provision of any Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

35. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

36. AMENDMENTS AND WAIVERS

36.1 Required consents

(a) Subject to clause 36.2 (Exceptions) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Obligors’ Agent and any such amendment or waiver will be binding on all Parties.

(b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this clause 36.

(c) No amendment or waiver may be made before the date falling ten Business Days after the terms of that amendment or waiver have been notified by the Agent to the Lenders. The Agent shall notify the Lenders reasonably promptly of any amendments or waivers proposed by the Borrower.

(d) Each Obligor agrees to any such amendment or waiver permitted by this clause 36 which is agreed to by the Obligors’ Agent.

36.2 **Exceptions**

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definition of **"Majority Lenders"** in clause 1.1 (Definitions);

(ii) the definition of **"Screen Rate"** in clause 1.1 (Definitions);

(iii) an extension to the date of payment of any amount under the Finance Documents;

(iv) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;

(v) a change in currency of payment of any amount under the Finance Documents;

(vi) an increase in or an extension of any Commitment or the Total Commitments, an extension of the Availability Period or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably under the Facility;

(vii) a change to the Borrower or Obligors other than in accordance with clause 25.9 (Changes to the Obligors);

(viii) any provision which expressly requires the consent of all the Lenders;

(ix) clause 2.2 (Finance Parties' rights and obligations), clause 8 (Mandatory prepayment), clause 25 (Changes to the Lenders), this clause 36, clause 39 (Governing Law) or clause 41 (Enforcement);

(x) the nature or scope of the Charged Property or the manner in which the proceeds of enforcement of the Transaction Security are distributed (except to the extent that it relates to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document);

(xi) the release of any Transaction Security unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Finance Document;

(xii) any amendment to clause 30.5 (Proceeds of Enforcement; or

(xiii) any extension of an Availability Period,

shall not be made without the prior consent of all the Lenders,

(b) An amendment or waiver which relates to the rights or obligations of the Agent, the Arrangers or the Security Agent may not be effected without the consent of the Agent, the Arrangers or the Security Agent.

37. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

38. **CONFIDENTIALITY**

38.1 **Confidential Information**

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by clause 38.2 (Disclosure of Confidential Information) and clause 38.3 (Disclosure to numbering service providers), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

38.2 **Disclosure of Confidential Information**

Any Finance Party may disclose:

(a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(iii) appointed by any Finance Party or by a person to whom paragraph (b) (i)) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction, any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to clause 25.8 (Security Interests over Lender's rights)

(vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(viii) who is a Party; or

(ix) with the consent of the Borrower;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(i) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(ii) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(iii) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Finance Party or by a person to whom sub paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Borrower and the relevant Finance Party;

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

38.3 **Confidentiality and Disclosure**

(a) The Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (b), (c) and (d) below.

(b) The Agent may disclose:

(i) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the Borrower pursuant to clause 10.4 (Notification of Rates of Interest); and

(ii) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Agent and the relevant Lender or Reference Bank, as the case may be.

(c) The Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Obligor may disclose any Funding Rate, to:

(i) any of its Affiliates and any of its or their officers, directors, employees, legal advisers, auditors, partners and Representatives if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;

(ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;

(iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

(iv) any person with the consent of the relevant Lender or Reference Bank, as the case may be.

(d) The Agent's obligations in this clause 38.3 (Confidentiality and Disclosure) relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under clause 10.4 (Notifications of Rates of Interest) provided that (other than pursuant to paragraph (b)(i) above) the Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

38.4 **Other Obligations**

(a) The Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Agent and each Obligor undertake not to use any Funding Rate or, in the case of the Agent, any Reference Bank Quotation for any unlawful purpose.

(b) The Agent and each Obligor agree (to the extent permitted by law and regulation) to inform the relevant Lender or Reference Bank, as the case may be:

(i) of the circumstances of any disclosure made pursuant to clause 38.3 (Confidentiality and Disclosure) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(ii) upon becoming aware that any information has been disclosed in breach of clause 38.3 (Confidentiality and Disclosure) or this clause 38.4 (Other Obligations).

38.5 **Disclosure to numbering service providers**

(a) The Agent may disclose to any national or international numbering service provider appointed by the Agent to provide identification numbering services in respect of this Agreement, the Facility and/or one or more Obligors the following information:

(i) names of Obligors;

(ii) country of domicile of Obligors;

(iii) place of incorporation of Obligors;

(iv) date of this Agreement;

(v) clause 40 (Governing Law);

(vi) the names of the Agent and the Arrangers;

(vii) date of each amendment and restatement of this Agreement;

(viii) amount of Total Commitments;

(ix) amount of and name of the Facility;

(x) currencies of the Facility;

(xi) type of the Facility;

(xii) ranking of Facility;

(xiii) Termination Date;

(xiv) changes to any of the information previously supplied pursuant to sub paragraphs (i) to (xi) above; and

(xv) such other information agreed between the Agent and the Borrower,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

(b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facility and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

(c) The Borrower represents that none of the information set out in sub-paragraphs (a)(i) to (a)(xiii) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.

(d) The Agent shall notify the Borrower and the other Finance Parties of:

(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facility and/or one or more Obligors; and

(ii) the number or, as the case may be, numbers assigned to this Agreement, the Facility and/or one or more Obligors by such numbering service provider.

38.6 **U.S. Tax Disclosure**

Notwithstanding any of the provisions of this Agreement, the Obligors and the Finance Parties hereby agree that each Party and each employee, representative or other agent of each Party may disclose to any and all persons, without limitation of any kind, the tax structure and tax treatment (in each case within the meaning of the U.S. Treasury Regulation Section 1.6011-4) of the Facility and any materials of any kind (including opinions or other tax analyses) that are provided to any of the foregoing relating to such tax structure and tax treatment.

38.7 **Entire agreement**

This clause 38 constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

38.8 **Inside information**

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

38.9 **Notification of disclosure**

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower of the circumstances of any disclosure by it of Confidential Information made pursuant to sub-paragraph (b)(v) of clause 38.2 (Disclosure of Confidential Information) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function.

38.10 **Continuing obligations**

The obligations in this clause 38 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve months from the earlier of:

(a) the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

39. **USA PATRIOT ACT**

Each Lender hereby notifies each Obligor that pursuant to the requirements of the USA Patriot Act, such Lender is required to obtain, verify and record information that identifies such Obligor, which information includes the name and address of such Obligor and other information that will allow such Lender to identify such Obligor in accordance with the USA Patriot Act.

40. **GOVERNING LAW**

This Agreement and all non-contractual obligations arising in any way whatsoever out of or in connection with this Agreement, shall be governed by, construed and take effect in accordance with English law.

41. **ENFORCEMENT**

41.1 **Jurisdiction of English courts**

(a) The courts of England shall have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise in any way whatsoever out of or in connection with the Finance Documents expressed to be governed by English law (including a dispute regarding the existence, validity or termination of any Finance Document or any claim for set off) or the legal relationships established by any Finance Document) (a "**Dispute**"), only where such Dispute is the subject of proceedings commenced by the Obligor.

(b) Where a Dispute is the subject of proceedings commenced by one or more Finance Parties, the Finance Parties are entitled to bring such proceedings in any court or courts of competent jurisdiction (including but not limited to the courts of England). If any Obligor raises a counter-claim in the context of proceedings commenced by one or more Finance Parties, that Obligor shall bring such counter-claim before the court seized of the Finance Party's claim and no other court.

(c) The commencement of legal proceedings in one or more jurisdictions shall not, to the extent allowed by law, preclude the Finance Parties from commencing legal actions or proceedings in any other jurisdiction, whether concurrently or not.

(d) To the extent allowed by law, each Obligor irrevocably waives any objection it may now or hereafter have on any grounds whatsoever to the laying of venue of any legal proceeding, and any claim it may now or hereafter have that any such legal proceeding has been brought in an inappropriate or inconvenient forum.

41.2 **Service of process**

(a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

(i) irrevocably appoints Enstar (EU) Limited (Attention: Derek Reid, Avaya House, 2 Cathedral Hill, Guildford, Surrey GU2 7YL) as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and

(ii) agrees that failure by an agent for service of process to notify the relevant Obligor of the process will not invalidate the proceedings concerned; and

(iii) if any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Borrower (on behalf of all the Obligors) must immediately (and in any event within five days of such event taking place) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

(b) The Borrower confirms that Enstar (EU) Limited has expressly agreed and consented to the provisions of clause 40 (Governing law) and of this clause 41.

(c) Notwithstanding the foregoing, each Obligor hereby irrevocably and unconditionally submits for itself and its property in any legal action or proceeding relating to this Agreement and/or any other Finance Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the State of Delaware, the federal courts of the United States of America for the Southern District of New York and the District of Delaware, and in each case appellate courts from any thereof. Each Obligor further consents that any such action or proceeding may be brought in such courts and, to the extent permitted by law, waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same.

41.3 **Waiver of Immunity**

Each Obligor (to the fullest extent permitted by law) irrevocably and unconditionally:

(a) agrees not to claim any immunity from proceedings brought against it by any Finance Party in relation to any Finance Document, and to ensure that no such claim is made on its behalf;

(b) waives all rights of immunity in respect of it or its assets; and

(c) consents generally in respect of such proceedings to the giving of relief or the issue of any process in connection with such proceedings.

42. **WAIVER OF JURY TRIAL**

EACH OF THE PARTIES TO THIS AGREEMENT AGREES TO WAIVE IRREVOCABLY ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE DOCUMENTS REFERRED TO IN THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED IN THIS AGREEMENT. This waiver is intended to apply to all Disputes. Each party acknowledges that: (a) this waiver is a material inducement to enter into this Agreement, (b) it has already relied on this waiver in entering into this Agreement; and (c) it will continue to rely on this waiver in future dealings. Each party represents that it has reviewed this waiver with its legal advisers and that it knowingly and voluntarily waives its jury trial rights after consultation with its legal advisers. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

The Original Parties

Part 1
The Original Obligors

Name of Original Borrower	Jurisdiction of Incorporation Tax ID Number
Sussex Holdings, Inc.	United States of America

Name of Original Guarantor	Jurisdiction of Incorporation Tax ID Number
Sussex Holdings, Inc.	United States of America

Part 2
The Original Lenders

Name of Original Lender	Commitment US$
National Australia Bank Limited (ABN 12 004 044 937)	54,500,000
Barclays Bank PLC	54,500,000

SCHEDULE 2

Conditions Precedent

Part 1
Conditions Precedent to Utilisation Date

1. **Obligors**

1.1 A copy of the Constitutional Documents of the Shareholder and the Borrower.

1.2 A copy of a good standing certificate (including verification of tax status) with respect to the Shareholder and each member of the Group, issued as of a recent date by the Secretary of State or other appropriate official of each member of the Group's jurisdiction of incorporation or organisation.

1.3 A copy of a resolution of the board of directors of the Shareholder and the Borrower:

(a) approving the terms of, and the transactions contemplated by, the Transaction Documents to which it is a party and resolving that it execute, deliver and perform the Transaction Documents to which it is a party;

(b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and

(c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request and Selection Notice) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

1.4 A specimen of the signature of each person authorised by the resolution referred to in paragraph 1.3 above in relation to the Finance Documents and related documents.

1.5 A certificate of the Borrower (signed by a duly authorised officer) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on any member of the Group to be exceeded.

1.6 A certificate of an authorised signatory of the Shareholder and the Borrower certifying that each copy document relating to it specified in this part 1A of schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement or, to the extent such document has previously been delivered to the Agent that such document has not been amended or superseded since the date of such delivery.

2. **Finance Documents**

2.1 This Agreement executed by the Original Obligors.

2.2 The Fee Letters executed by the Borrower.

2.3 The following Transaction Security Documents executed and delivered by the parties thereto:

Name of Security Provider	Transaction Security Document	Governing law of document
Sussex Holdings, Inc	Security agreement over all of its assets present and future	The laws of New York
Enstar Investments Inc.	Security agreement over its capital stock holding in the Borrower	The laws of New York

2.4 Any document or information required to be delivered to the Agent or the Security Agent on or prior to the Utilisation Date in order to perfect and protect the first priority liens and security interests created under the Transaction Security Documents.

3. **Acquisition**

3.1 A certificate of the Borrower (signed by a duly authorised officer) certifying that:

(a) each of the matters specified in section 7 (or the appropriate provision setting out conditions) of the Acquisition Agreement has been satisfied or will be satisfied on the Utilisation Date or, with the consent of the Agent, waived and the Acquisition Agreement has become wholly unconditional in all respects

(b) no Acquisition Document has been amended, varied, novated, supplemented, superseded, waived or terminated except with the consent of the Agent;

(c) the Borrower is not aware of any breach of any warranty or any claim under the Acquisition Agreement save to the extent disclosed in the Disclosure Schedule;

(d) all Authorisations from any Governmental Authority or other regulatory body required to be obtained in relation to the Acquisition pursuant to the terms of the Acquisition Agreement and in connection with the entry into and performance of the transactions contemplated by any Finance Document (or for the validity or enforceability of any of those documents) have been obtained and are in full force and effect together with certified copies of those obtained; and

(e) the total amount of the Loan equates to an amount equal to not more than 50 per cent. of the purchase price of the Target Shares (excluding fees and other expenses).

3.2 A copy of each of the Acquisition Documents and the other Transaction Documents (other than the Finance Documents) executed by the parties to those documents.

4. **Legal Opinions**

The following legal opinions, each addressed to the Agent, the Security Agent and the Original Lenders, to be in agreed form:

(a) A legal opinion of Ashurst LLP, legal advisers to the Agent and the Arrangers, as to English law.

(b) A legal opinion of Drinker Biddle & Reath LLP as to the laws of each jurisdiction of incorporation of the Borrower and the Shareholder and the governing law of the Transaction Security Documents.

5. **Other Documents And Evidence**

5.1 Evidence that Enstar (EU) Limited has accepted its appointment as process agent for the Borrower as referred to in clause 41.2 (Service of process) and confirmed it agrees and consents to the provisions of clause 40 (Governing law) and of clause 41 (Enforcement).

5.2 The Group Structure Chart

5.3 A copy, certified by an authorised signatory of the Borrower to be a true copy, of the Original Financial Statements of the Borrower, the Target and each other member of the Target Group.

5.4 A copy of any other Authorisation or other document, opinion or assurance which the Agent notifies the Borrower is necessary in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

5.5 Any information and evidence in respect of any Obligor or the Shareholder required by any Finance Party to enable it to be satisfied with the results of all "know your customer" or other checks which it is required to carry out in relation to such person.

5.6 Evidence that the upfront fee and the agency fee have or will on the Utilisation Date be paid in full.

5.7 A copy of the Financial Model.

5.8 A copy of the Reports and appropriate reliance letters signed by the relevant report providers (if applicable).

5.9 A certificate of the Chief Financial Officer or the Treasurer of the Borrower stating that it is Solvent after giving effect to the Loan, the application of the proceeds of the Loan in accordance with clause 3 (Purpose) and the payment of all estimated legal, accounting and other fees related to this Agreement and the consummation of the other transactions contemplated by this Agreement. For purposes of this certificate, **Solvent** means with respect to the Borrower on any date of determination that (a) the fair value of the property of such person is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such person; (b) the present fair saleable value of the assets of such person is not less than the amount which will be required to pay the probable liability of such person on its debts as they become absolute and mature; (c) such person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay as such debts and liabilities mature; and (d) such person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such person's property would constitute unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual and matured liability.

5.10 A certificate of an authorised signatory of the Borrower certifying that no member of the Target Group has any outstanding loans as at the Utilisation Date.

5.11 A certificate of the Borrower (signed by a duly authorised officer) confirming that on the Utilisation Date it is in compliance with each of the financial covenants set out in clause 22.2(a) (Financial condition).

5.12 If applicable, originals of all share certificates and stock transfer forms or equivalent, duly executed by the relevant shareholders and other documents of title to be provided under the Transaction Security Documents.

5.13 Evidence that any actual or potential breach of the terms of the revolving credit facility agreement dated 16 September 2014 made available to Enstar and certain of its subsidiaries has been waived by the finance parties thereunder.

Part 2
Conditions precedent required to be delivered by an Additional Guarantor

1. An Accession Letter (if relevant) executed by the Additional Guarantor and the Borrower.

2. A copy of the constitutional documents of the Additional Guarantor, with such amendments as the Agent may reasonably require.

3. A copy of a good standing certificate (including verification of tax status) with respect to the Additional Guarantor, issued as of a recent date by the Secretary of State or other appropriate official of the Additional Guarantor's jurisdiction of incorporation or organisation

4. A copy of a resolution of the board of directors of the Additional Guarantor:

   (a) approving the terms of, and the transactions contemplated by, the Accession Letter and the Finance Documents and resolving that it execute, deliver and perform the Accession Letter and any other Finance Document to which it is party;

   (b) authorising a specified person or persons to execute the Accession Letter and other Finance Documents on its behalf;

   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and

   (d) authorising the Borrower to act as its agent in connection with the Finance Documents.

5. A specimen of the signature of each person authorised by the resolution referred to in paragraph 3 above.

6. A certificate of the Additional Guarantor (signed by a director or an officer (as applicable)) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.

7. A certificate of an authorised signatory of the Additional Guarantor certifying that each copy document listed in this part 2 of schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of the Accession Letter.

8. If available, the latest audited financial statements of the Additional Guarantor.

9. The following legal opinions, each addressed to the Agent, the Security Agent and the Lenders:

   (a) A legal opinion of Ashurst LLP as advisers to the Agent in England, as to English law in the form distributed to the Lenders prior to signing the Accession Letter.

   (b) If the Additional Guarantor is incorporated in or has its **centre of main interest** or **establishment** in a jurisdiction other than England and Wales or is executing a Finance Document which is governed by a law other than English law, a legal opinion of the legal advisers to the Agent in the jurisdiction of its incorporation, **centre of main interest** or **establishment** (as applicable) or, as the case may be, the jurisdiction of the governing law of that Finance Document (**Applicable Jurisdiction**) as to the law of the Applicable Jurisdiction and in the form distributed to the Lenders prior to signing the Accession Letter.

10. If the proposed Additional Guarantor is incorporated in a jurisdiction other than England and Wales, evidence that Enstar (EU) Limited as any process agent referred to in clause 41.2 (Service of process) has accepted its appointment and confirmed it agrees and consents to the provisions of clause 40 (Governing law) and of clause 41 (Enforcement).

11. Evidence that all necessary or desirable Authorisations from any Governmental Authority or other regulatory body in connection with the entry into and performance of the transactions contemplated by the Accession Letter, any Finance Document or Transaction Document to which the Additional Guarantor is party or for the validity or enforceability of any of those documents have been obtained and are in full force and effect, together with certified copies of those obtained.

12. A certificate of the Borrower confirming that no Default is continuing or would occur as a result of the Additional Guarantor executing the Accession Letter or the Finance Documents or the Transaction Documents to which it is party.

13. A certificate of the Chief Financial Officer of the Additional Guarantor stating that the respective company is Solvent after entering into the Accession Letter and the payment of all related estimated legal, accounting and other fees. For purposes of this certificate, **Solvent** means with respect to the Additional Guarantor on any date of determination that (a) the fair value of the property of such person is greater than the total amount of liabilities (including contingent and unliquidated liabilities) of such person; (b) the present fair saleable value of the assets of such person is not less than the amount which will be required to pay the probable liability of such person on its debts as they become absolute and mature; (c) such person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay as such debts and liabilities mature; and (d) such person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such person's property would constitute unreasonably small capital. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual and matured liability.

14. A copy of any other Authorisation or other document, opinion or assurance which the Agent considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

15. Such documentary evidence as legal counsel to the Agent may require that such Additional Guarantor has complied with any law in its jurisdiction relating to financial assistance or analogous process.

SCHEDULE 3

Requests

Part 1
Utilisation Request

From: Sussex Holdings, Inc.

To: National Australia Bank Limited (ABN 12 004 044 937) (as Agent)

Dated:

Dear Sirs

Sussex Holdings, Inc.– Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

   (a) *Proposed Utilisation Date*:

   [ ] (or, if that is not a Business Day, the next Business Day)

   (b) *Amount*:

   US$[ ] or, if less, the Available Facility, to be credited to [account]

   (c) *Interest Period*:

   [ ]

3. We confirm that each condition specified in clause 4.2 (Further conditions precedent) is satisfied on the date of this Utilisation Request.

4. This Utilisation Request is irrevocable.

Yours faithfully

____
authorised signatory for
Sussex Holdings, Inc.

Part 2
Selection Notice

From: Sussex Holdings, Inc.

To: National Australia Bank Limited (ABN 12 004 044 937) (as Agent)

Dated:

Dear Sirs

Sussex Holdings, Inc. - Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is a Selection Notice. Terms defined in the Facility Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.

2. We refer to the Loan with an Interest Period ending on [ ].

3. We request that the next Interest Period for the above Loan[s] is [ ]].

4. This Selection Notice is irrevocable.

Yours faithfully

____

authorised signatory for
Sussex Holdings, Inc.

SCHEDULE 4

Form of Transfer Certificate

To: National Australia Bank Limited (ABN 12 004 044 937) as Agent

From: [The Existing Lender] ("**Existing Lender**") and [The New Lender] ("**New Lender**")

Dated:

Sussex Holdings, Inc. – Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is a Transfer Certificate. Terms defined in the Facility Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.

2. We refer to clause 25.5 (Procedure for transfer):

   (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the schedule in accordance with clause 25.5 (Procedure for transfer) [OR] [*** Each Existing Lender listed in part 1 of the schedule transfers by novation to each New Lender listed in part 2 of the schedule that portion of the outstanding Loan and Commitments in accordance with clause 25.5 (Procedure for transfer), such that:

      (i) each New Lender will become a Lender under the Agreement with the respective Commitment and portion of outstanding Loan set out opposite its name in part 3 of the schedule; and

      (ii) each Existing Lender's Commitment and portion of outstanding Loan will be reduced to the amounts set out opposite its name in part 3 of the schedule. ***]

   (b) The proposed Transfer Date is [***].

   (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of clause 32.2 (Addresses) are set out in the schedule.

3. [*** The/Each ***] New Lender expressly acknowledges the limitations on the Existing Lender['s][s'] obligations set out in paragraph (c) of clause 25.4 (Limitation of responsibility of Existing Lenders).

4. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.

5. For the purpose of clause 32.6 (Use of websites) the New Lender is a [*** Website Lender ***] [*** Paper Form Lender ***]. ***] OR [*** each New Lender specifies in part 4 of the schedule opposite its name whether it is a Website Lender or a Paper Form Lender. ***]

6. This Transfer Certificate is governed by English law.

7. The parties to this Transfer Certificate intend it to take effect as a deed and this Transfer Certificate shall be treated as having been duly executed and delivered as a deed only upon being dated.

IN WITNESS WHEREOF the authorised signatories of the parties have executed this deed on the day and year first above written.

The Schedule

Commitment/rights and obligations to be transferred

[***Insert relevant details***]

[Facility Office address, fax number and attention details for notices and account details for payments,]

[Existing Lender]	[New Lender]
By:	By:

This Transfer Certificate is accepted by the Agent and the Transfer Date is confirmed as [✖].

[Agent]

By:

[*** OR FOR GLOBAL TRANSFER CERTIFICATES ***]

Part 1

The Existing Lenders

[***]

[***]

[***]

Part 2

The New Lenders

[***]

[***]

[***]

Part 3

Details of portion of outstanding Loan and Commitment

Lender	Commitment	Loan
[*list here existing and new lenders*] [***] [***] [***][***]	[**]	[**]

Part 4
New Lenders' Administrative Details

New Lender	Facility office Address/Fax no. Attention of	Address for service of notices (if different)	Account for Payment	Website or Paper Form Lender
[***]	[***]	[***]	[***]	[***]

EXECUTED as a Deed by)

[*** Each Existing Lender ***]) Authorised

Dated:

Executed as a Deed by)

[*** Each New Lender ***]) Authorised Signatory

Dated:

The Transfer Certificate is)
Accepted by the Agent and the)
Transfer Date is confirmed by the)
Agent as [***])

Signed by National Australia Bank Limited (ABN 12004044937) (as Agent)]

Dated:

Signed by National Australia Bank Limited (ABN 12004044937) (as Security Agent)]

Dated:

SCHEDULE 5

Form of Assignment Agreement

To: National Australia Bank Limited (ABN 12 004 044 937) as Agent

From: [the "**Existing Lender**"] ("**Existing Lender**") and [the "**New Lender**"] ("**New Lender**")

Dated: [***]

Sussex Holdings, Inc. - Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is an Assignment Agreement.

2.

   (a) We refer to clause 25.6 (Procedure for assignment).

   (b) the Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Facility Agreement, the other Finance Documents and in respect of the Transaction Security which correspond to that portion of the Existing Lender's Commitments and participations in the Loan under the Facility Agreement as specified in the schedule.

   (c) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitments and participations in the Loan under the Facility Agreement specified in the schedule.

   (d) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (c) above.

3. The proposed Transfer Date is [***].

4. On the Transfer Date the New Lender becomes Party to the Finance Documents as a Lender.

5. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of clause 25.4 (Limitation of responsibility of Existing Lenders).

6. The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of clause 32.2 (Addresses) are set out in the schedule to this Assignment Agreement.

7. This Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.

8. For the purpose of clause 32.6 (Use of Websites) the New Lender is a [*** Website Lender ***] [*** Paper Form Lender ***]

9. This Assignment Agreement is governed by English law.

10. This Assignment Agreement has been [*** executed and delivered as a deed ***] [*** entered into ***] on the date stated at the beginning of this Assignment Agreement.

THE SCHEDULE

Commitment/rights and obligations to be transferred by assignment, release and accession

[*** insert relevant details ***]

[*** Facility office address, fax number and attention details for notices and account details for payments ***]

[*** Existing Lender ***]	[*** New Lender ***]
By:	By:

This Assignment Agreement is accepted by the Agent and the Transfer Date is confirmed as [***].

[*** Signature of this Assignment Agreement by the Agent constitutes confirmation by the Agent of receipt of notice of the assignment referred to herein, which notice the Agent receives on behalf of each Finance Party. ***]

[*** Agent ***]

By:

SCHEDULE 6

Form of Accession Letter

To: National Australia Bank Limited (ABN 12 004 044 937) as Agent

From: [Subsidiary] and Sussex Holdings, Inc

Dated:

Dear Sirs

Sussex Holdings, Inc. – Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is an Accession Letter. Terms defined in the Facility Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.
2. [Subsidiary] agrees to become an Additional Guarantor and to be bound by the terms of the Facility Agreement and the other Finance Documents as an Additional Guarantor pursuant to clause 26.2 (Additional Guarantors) of the Facility Agreement. [Subsidiary] is a company duly incorporated under the laws of [name of relevant jurisdiction] and is a limited liability company and registered number [✖].
3. The Borrower confirms that no Default is continuing or would occur as a result of [Subsidiary] becoming an Additional Guarantor.
4. [Subsidiary's] administrative details are as follows:

   Address:

   Fax No.:

   Attention:
5. This Accession Letter is governed by English Law.

This Accession Letter is entered into by deed and delivered on the date stated above.

Executed as a deed by)
[***Subsidiary***])

Director

Director/Secretary

Executed as a deed by)
SUSSEX HOLDINGS, INC.)

Director

Director/Secretary

SCHEDULE 7

Form of Compliance Certificate

To: National Australia Bank Limited (ABN 12 004 044 937) as Agent

From: Sussex Holdings, Inc

Dated:

Dear Sirs

Sussex Holdings, Inc. - Facility Agreement dated [ ] (Facility Agreement)

1. We refer to the Facility Agreement. This is a Compliance Certificate. Terms defined in the Facility Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We confirm that as at [*** insert the relevant testing date/ the Testing Date ***]:

   (a) **Regulatory Cover (which must exceed 1.1:1)**: the Actual Statutory Surplus of each Regulated Insurance Entity was [***] and the Authorised Control Level Risk Based Capital (as defined by the NAIC) of each such Regulated Insurance Entities was [***], therefore Regulatory Cover was [***] and that the requirements of clause 22.2(a)(i) (Regulatory cover) have been met.

   (b) **Net Surplus Cover (which must be a minimum of 2:1)**: Consolidated Net Surplus was [***] and Facility Debt was [***], therefore Net Surplus Cover was [***] and that the requirements of clause 22.2(a)(ii) (Minimum Net Surplus Cover) have been met.

   (c) **Requisite Rating**:

      (i) [***] per cent. of the total value of the Cash and investments portfolio of the Target Group is at all times held in Cash or fixed income with a weighted average rating (determined by reference to the individual rating given by a Rating Agency to each investment) of not less than A- or A3 (or their equivalents); and

      (ii) no more than five per cent. of the total value of investments of the Target Group in Cash and fixed income that have a rating of less than A- or A3 (or their equivalents) is held in investments advised by or held with one issuer or its associated parties,

   in each case as demonstrated below. [attach details of calculations] and therefore the requirements of clause 22.2(a)(iii) (Requisite Rating) have been met.

3. We confirm that no Default is continuing.[1]

4. [***Insert applicable certification language***]

____

for and on behalf of
[***name of Auditors of Sussex Holdings, Inc.***]

1 If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

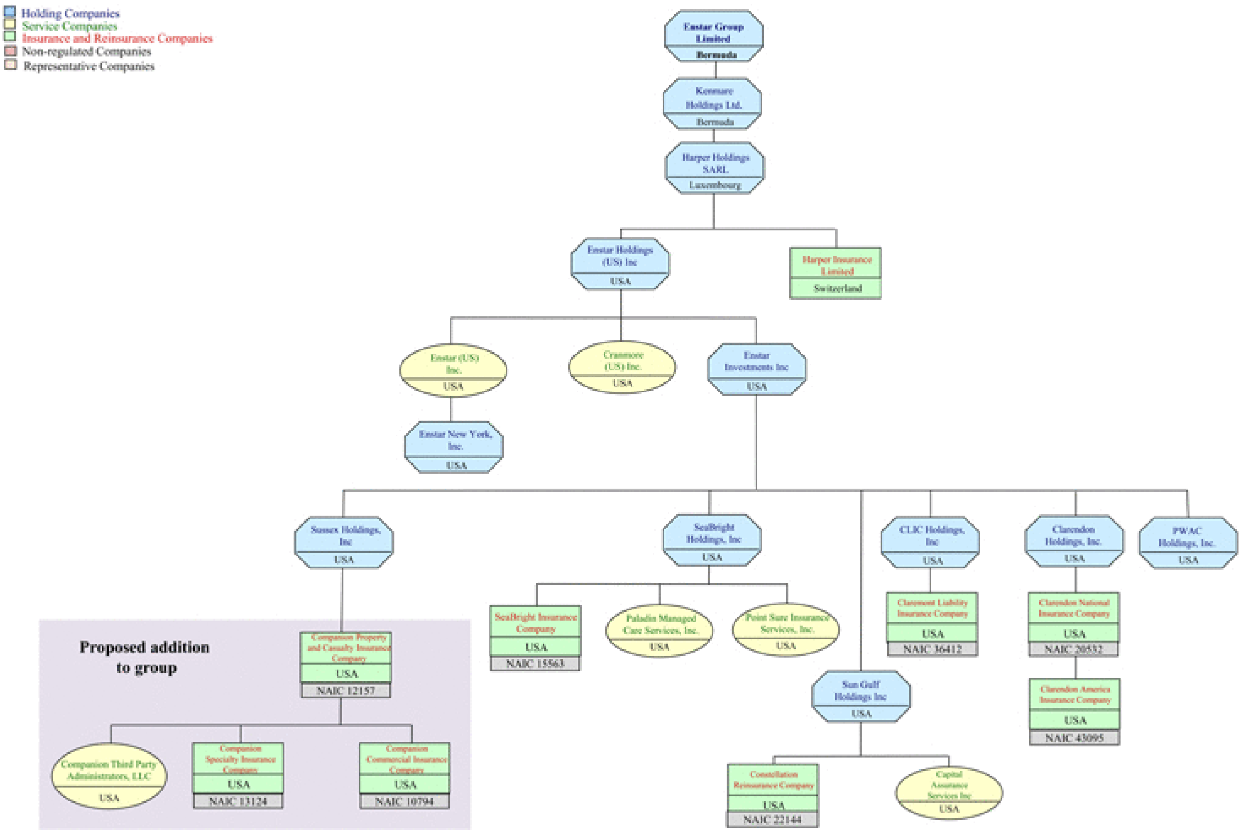
SCHEDULE 8

Loan Timetable

	Loan in U.S. Dollars
Delivery of a duly completed Utilisation Request (clause 5.1 (Delivery of a Utilisation Request)) or a Selection Notice (clause 11.1 (Selection of Interest Periods and Terms))	Three Business Days prior to the date of the Loan 9.30 a.m.
Agent notifies the Lenders of the Loan in accordance with clauses 5.4 (Lenders' participation)	Three Business Days prior to the date of the Loan 3.00 p.m.
LIBOR is fixed	Quotation Day as of 11.00 a.m.

SCHEDULE 9

Group Structure Chart



SCHEDULE 10

Security Agent

1. **Security Agent as Trustee**

(a) The Security Agent declares that it holds the Transaction Security on trust for the Secured Parties on the terms contained in this agreement.

(b) Each of the other Finance Parties authorises the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

2. **Instructions**

(a) The Security Agent shall:

(i) subject to paragraphs (d) and (e) below, exercise or refrain from exercising any right, power, authority or discretion vested in it as Security Agent in accordance with any instructions given to it by the Majority Lenders; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above (or, if this Agreement stipulates the matter is a decision for any other Lender or group of Lenders, in accordance with instructions given to it by that Lender or group of Lenders).

(b) The Security Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if this agreement stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Security Agent may refrain from acting unless and until it receives those instructions or that clarification.

(c) Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under this Agreement and unless a contrary intention appears in this Agreement, any instructions given to the Security Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Secured Parties.

(d) Paragraph (a) above shall not apply:

(i) where a contrary indication appears in this agreement;

(ii) where this agreement requires the Security Agent to act in a specified manner or to take a specified action;

(iii) in respect of any provision which protects the Security Agent's own position in its personal capacity as opposed to its role of Security Agent for the Secured Parties including, without limitation, clauses 5 (No Duty to Account) to clause 10 (Exclusion of Liability), clause 13 (Confidentiality) to clause 20 (Custodians and Nominees) and clause 23 (Acceptance of Title) to clause 26 (Disapplication of Trustee Acts) of this schedule 10;

(e) If giving effect to instructions given by the Majority Lenders would (in the Security Agent's opinion) have an effect equivalent to an amendment or waiver which is subject to clause 36 (Amendments and Waivers), the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Security Agent) whose consent would have been required in respect of that amendment or waiver.

(f) In exercising any discretion to exercise a right, power or authority under the Finance Documents where either:

(i) it has not received any instructions as to the exercise of that discretion; or

(ii) the exercise of that discretion is subject to paragraph (d)(iv) above,

the Security Agent shall do so having regard to the interests of all the Secured Parties.

(g) The Security Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability (together with any applicable VAT) which it may incur in complying with those instructions.

(h) Without prejudice to the remainder of this clause 2, in the absence of instructions, the Security Agent may act (or refrain from acting) as it considers in its discretion to be appropriate.

3. **Duties of the Security Agent**

(a) The Security Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

(b) The Security Agent shall promptly:

(i) forward to the Agent a copy of any document received by the Security Agent from any Obligor under any Finance Document; and

(ii) forward to a Party the original or a copy of any document which is delivered to the Security Agent for that Party by any other Party.

(c) Except where a Finance Document specifically provides otherwise, the Security Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(d) If the Security Agent receives notice from a Party referring to any Finance Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

(e) The Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

4. **No fiduciary duties to Borrowers**

Nothing in this agreement constitutes the Security Agent as an agent, trustee or fiduciary of any Obligor.

5. **No Duty to Account**

The Security Agent shall not be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account.

6. **Business with the Group**

The Security Agent may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

7. **Rights and discretions**

(a) The Security Agent may:

(i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(ii) assume that:

(A) any instructions received by it from the Majority Lenders, any Lender or any group of Lenders are duly given in accordance with the terms of the Finance Documents;

(B) unless it has received notice of revocation, that those instructions have not been revoked; and

(C) if it receives any instructions to act in relation to the Transaction Security, that all applicable conditions under the Finance Documents for so acting have been satisfied; and

(iii) rely on a certificate from any person:

(D) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(E) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.

(b) The Security Agent may assume (unless it has received notice to the contrary in its capacity as security trustee for the Secured Parties) that:

(i) no Default has occurred; and

(ii) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised; and

(iii) any notice made by the [Borrower] is made on behalf of and with the consent and knowledge of all the Obligors.

(c) The Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

(d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Security Agent (and so separate from any lawyers instructed by any other Finance Party) if the Security Agent in its reasonable opinion deems this to be desirable.

(e) The Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Security Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

(f) The Security Agent, any Receiver and any Delegate may act in relation to the Finance Documents and the Transaction Security through its officers, employees and agents and shall not:

   (i) be liable for any error of judgment made by any such person; or

   (ii) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part of any such person,

   unless such error or such loss was directly caused by the Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct.

(g) Unless this Agreement expressly specifies otherwise, the Security Agent may disclose to any other Party any information it reasonably believes it has received as security trustee under the Finance Documents.

(h) Notwithstanding any other provision of any Finance Document to the contrary, the Security Agent is not obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

(i) Notwithstanding any provision of any Finance Document to the contrary, the Security Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

8. **Responsibility for Documentation**

None of the Security Agent, any Receiver nor any Delegate is responsible or liable for:

(a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Security Agent, any Obligor or any other person in or in connection with any Finance Document or the transactions contemplated in the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security; or

(c) any determination as to whether any information provided or to be provided to any Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

9. **No duty to Monitor**

The Security Agent shall not be bound to enquire:

(a) whether or not any Default has occurred;

(b) as to the performance, default or any breach by any Party of its obligations under any Loan; or

(c) whether any other event specified in any Finance Document has occurred.

10. **Exclusion of Liability**

(a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Security Agent, any Receiver or Delegate), none of the Security Agent, any Receiver nor any Delegate will be liable for:

(i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or the Transaction Security unless directly caused by its gross negligence or wilful misconduct;

(ii) exercising or not exercising any right, power, authority or discretion given to it by, or in connection with, any Finance Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security;

(iii) any shortfall which arises on the enforcement or realisation of the Transaction Security; or

(iv) without prejudice to the generality of paragraphs (i) to (iii) above, any damages, costs, losses, any diminution in value or any liability whatsoever arising as a result of:

(F) any act, event or circumstance not reasonably within its control; or

(G) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets; breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

(b) No Party (other than the Security Agent, that Receiver or that Delegate (as applicable)) may take any proceedings against any officer, employee or agent of the Security Agent, a Receiver or a Delegate in respect of any claim it might have against the Security Agent, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Transaction Security and any officer, employee or agent of the Security Agent, a Receiver or a Delegate may rely on this clause subject to clause 1.8 (Third Party Rights) and the provisions of the Third Parties Act.

(c) Nothing in this agreement shall oblige the Security Agent to carry out:

(i) any "know your customer" or other checks in relation to any person; or

(ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any other Finance Party,

on behalf of any other Finance Party and each other Finance Party confirms to the Security Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Security Agent.

(d) Without prejudice to any provision of any Finance Document excluding or limiting the liability of the Security Agent, any Receiver or Delegate, any liability of the Security Agent, any Receiver or Delegate arising under or in connection with any Finance Document or the Transaction Security shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Security Agent, Receiver or Delegate (as the case may be) or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Security Agent, Receiver or Delegate (as the case may be) at any time which increase the amount of that loss. In no event shall the Security Agent, any Receiver or Delegate be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Security Agent, Receiver or Delegate (as the case may be) has been advised of the possibility of such loss or damages.

11. **Finance Parties' Indemnity to the Security Agent**

(a) Each other Finance Party shall (in the proportion that the amounts due to it bear to the aggregate of the amounts due to all the Finance Parties for the time being (or, if the amounts due to the Finance Parties are zero, immediately prior to their being reduced to zero)), indemnify the Security Agent and every Receiver and every Delegate, within three Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the relevant Security Agent's, Receiver's or Delegate's gross negligence or wilful misconduct) in acting as Security Agent, Receiver or Delegate under, or exercising any authority conferred under, the Finance Documents (unless the relevant Security Agent, Receiver or Delegate has been reimbursed by an Obligor pursuant to a Finance Document).

(b) Subject to paragraph (c) below, the Borrower shall immediately on demand reimburse any Finance Party for any payment that Finance Party makes to the Security Agent pursuant to paragraph (a) above.

(c) Paragraph (b) above shall not apply to the extent that the indemnity payment in respect of which the Finance Party claims reimbursement relates to a liability of the Security Agent to an Obligor.

12. **Resignation of the Security Agent**

(a) The Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.

(b) Alternatively the Security Agent may resign by giving 30 days' notice to the other Finance Parties and the Borrower, in which case the Majority Lenders may appoint a successor Security Agent.

(c) If the Majority Lenders have not appointed a successor Security Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Security Agent (after consultation with the Agent) may appoint a successor Security Agent.

(d) The retiring Security Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Finance Documents. The Borrower shall, within three

Business Days of demand, reimburse the retiring Security Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.

(e) The Security Agent's resignation notice shall only take effect upon:

(i) the appointment of a successor; and

(ii) the transfer of all the Transaction Security to that successor.

(f) Upon the appointment of a successor, the retiring Security Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under clause 24 (Winding up of Trust) of this schedule 10 and paragraph (d) above) but shall remain entitled to the benefit of this clause 11 and clause 16.4 (Indemnity to the Security Agent) (and any Security Agent fees for the account of the retiring Security Agent shall cease to accrue from (and shall be payable on) that date). Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if that successor had been an original Party.

(g) The Majority Lenders may, by notice to the Security Agent, require it to resign in accordance with paragraph (b) above. In this event, the Security Agent shall resign in accordance with paragraph (b) above.

13. **Confidentiality**

(a) In acting as trustee for the Secured Parties, the Security Agent shall be regarded as acting through its trustee division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Security Agent, it may be treated as confidential to that division or department and the Security Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Finance Document to the contrary, the Security Agent is not obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty.

14. **Information from the Finance Parties**

Each Finance Party shall supply the Security Agent with any information that the Security Agent may reasonably specify as being necessary or desirable to enable the Security Agent to perform its functions as Security Agent.

15. **Credit Appraisal by the Secured Parties**

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Secured Party confirms to the Security Agent that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each member of the Group;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document, the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(d) the adequacy, accuracy or completeness of any information provided by the Security Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Transaction Security affecting the Charged Property.

16. **Security Agent's Management Time and Additional Remuneration**

(a) Any amount payable to the Security Agent under clause 11 (Finance Parties' Indemnity to the Security Agent) of this schedule 10, clause 18 (Costs and Expenses) or clause 16.4 (Indemnity to the Security Agent) shall include the cost of utilising the Security Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Security Agent may notify to the Borrower and the other Finance Parties, and is in addition to any other fee paid or payable to the Security Agent.

(b) Without prejudice to paragraph (a) above, in the event of:

(i) a Default; or

(ii) the Security Agent being requested by an Obligor or the Majority Lenders to undertake duties which the Security Agent and the Borrower agree to be of an exceptional nature or outside the scope of the normal duties of the Security Agent under the Finance Documents; or

(iii) the Security Agent and the Borrower agreeing that it is otherwise appropriate in the circumstances,

the Borrower shall pay to the Security Agent any additional remuneration (together with any applicable VAT) that may be agreed between them or determined pursuant to paragraph (c) below.

(c) If the Security Agent and the Borrower fail to agree upon the nature of the duties or upon the additional remuneration referred to in paragraph (b) above or whether additional remuneration is appropriate in the circumstances, any dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Agent and approved by the Borrower or, failing approval, nominated (on the application of the Security Agent) by the President for the time being of the Law Society of England and Wales (the costs of the nomination and of the investment bank being payable by the Borrower) and the determination of any investment bank shall be final and binding upon the Parties.

17. **Reliance and Engagement Letters**

The Security Agent may obtain and rely on any certificate or report from any Obligor's auditor and may enter into any reliance letter or engagement letter relating to that certificate or report on such terms as it may consider appropriate (including, without limitation, restrictions on the auditor's liability and the extent to which that certificate or report may be relied on or disclosed).

18. **No Responsibility to Perfect Transaction Security**

The Security Agent shall not be liable for any failure to:

(a) require the deposit with it of any deed or document certifying, representing or constituting the title of any Obligor to any of the Charged Property;

(b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any Finance Document or the Transaction Security;

(c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any law or regulation or to give notice to any person of the execution of any Finance Document or of the Transaction Security;

(d) take, or to require any Obligor to take, any step to perfect its title to any of the Charged Property or to render the Transaction Security effective or to secure the creation of any ancillary Security under any law or regulation; or

(e) require any further assurance in relation to any Transaction Security Document.

19. **Insurance by Security Agent**

(a) The Security Agent shall not be obliged:

(i) to insure any of the Charged Property;

(ii) to require any other person to maintain any insurance; or

(iii) to verify any obligation to arrange or maintain insurance contained in any Finance Document,

and the Security Agent shall not be liable for any damages, costs or losses to any person as a result of the lack of, or inadequacy of, any such insurance.

(b) Where the Security Agent is named on any insurance policy as an insured party, it shall not be liable for any damages, costs or losses to any person as a result of its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless the Majority Lenders request it to do so in writing and the Security Agent fails to do so within fourteen days after receipt of that request.

20. **Custodians and Nominees**

The Security Agent may appoint and pay any person to act as a custodian or nominee on any terms in relation to any asset of the trust as the Security Agent may determine, including for the purpose of depositing with a custodian this agreement or any document relating to the trust created under this agreement and the Security Agent shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it under this agreement or be bound to supervise the proceedings or acts of any person.

21. **Delegation by the Security Agent**

(a) Each of the Security Agent, any Receiver and any Delegate may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any right, power, authority or discretion vested in it in its capacity as such.

(b) That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent, that Receiver or that Delegate (as the case may be) may, in its discretion, think fit in the interests of the Secured Parties.

(c) No Security Agent, Receiver or Delegate shall be bound to supervise, or be in any way responsible for any damages, costs or losses incurred by reason of any misconduct, omission or default on the part of, any such delegate or sub-delegate.

22. **Additional Security Agents**

(a) The Security Agent may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it:

(i) if it considers that appointment to be in the interests of the Secured Parties;

(ii) for the purposes of conforming to any legal requirement, restriction or condition which the Security Agent deems to be relevant; or

(iii) for obtaining or enforcing any judgment in any jurisdiction,

and the Security Agent shall give prior notice to the Borrower and the other Finance Parties of that appointment.

(b) Any person so appointed shall have the rights, powers, authorities and discretions (not exceeding those given to the Security Agent under or in connection with the Finance Documents) and the duties, obligations and responsibilities that are given or imposed by the instrument of appointment.

(c) The remuneration that the Security Agent may pay to that person, and any costs and expenses (together with any applicable VAT) incurred by that person in performing its functions pursuant to that appointment shall, for the purposes of this agreement, be treated as costs and expenses incurred by the Security Agent.

23. **Acceptance of Title**

The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, any right and title that any Obligor may have to any of the Charged Property and shall not be liable for, or bound to require any Obligor to remedy, any defect in its right or title.

24. **Winding up of Trust**

If the Security Agent, with the approval of each Lender, determines that:

(a) all of the obligations secured by the Transaction Security Documents have been fully and finally discharged; and

(b) no Secured Party is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Obligor pursuant to the Finance Documents,

then:

(i) the trusts set out in this agreement shall be wound up and the Security Agent shall release, without recourse or warranty, all of the Transaction Security and the rights of the Security Agent under each of the Transaction Security Documents; and

(ii) any Security Agent which has resigned pursuant to clause 12 of this schedule 10 (Resignation of the Security Agent) shall release, without recourse or warranty, all of its rights under each Transaction Security Document.

25. **Powers Supplemental to Trustee Acts**

The rights, powers, authorities and discretions given to the Security Agent under or in connection with the Finance Documents shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Agent by law or regulation or otherwise.

26. **Disapplication of Trustee Acts**

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Agent in relation to the trusts constituted by this agreement. Where there are any inconsistencies between the Trustee Act 1925 or the Trustee Act 2000 and the provisions of this agreement, the provisions of this agreement shall, to the extent permitted by law and regulation, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this agreement shall constitute a restriction or exclusion for the purposes of that Act.

27. **Power of Attorney**

Each other Finance Party and Obligor by way of security for its obligations under this agreement irrevocably appoints the Security Agent to be its attorney to do anything which that Finance Party or Obligor has authorised the Security Agent or any other Party to do under this agreement or is itself required to do under this agreement but has failed to do (and the Security Agent may delegate that power on such terms as it sees fit).

28. **Release of Security**

(a) The Security Agent may at its sole discretion and without reference to any other Finance Party take such action as it deems necessary or advisable to release any assets from the Security constituted by the Transaction Security Documents to the extent that their disposal or release is:

(i) permitted or required by the terms of this Agreement including pursuant to any instructions given to it in accordance with clause 2 (Instructions) of this schedule 10; or

(ii) permitted or required by the original form of any other Finance Document and will not result or could not reasonably be expected to result in any breach of the terms of this Agreement.

(b) If:

(i) all of the shares in the capital of any member of the Group are to be disposed of, which would result in any Obligor ceasing to be a member of the Group; or

(ii) any asset which is the subject of a Transaction Security Document is to be disposed of to a person outside (and which will remain outside) the Group,

and in any such case:

(iii) the Majority Lenders agree to such disposal; or

(iv) the Security Agent has received instructions from the relevant Finance Parties that comply with clause 2 (Instructions) instructing it to release the relevant Security and/or Guarantees over such asset; or

(v) the disposal is permitted by the terms of the relevant Finance Document and will not result or could not reasonably be expected to result in any breach of any of the terms of this Agreement; or

(vi) the disposal is being made at the request of the Security Agent in circumstances where any Security created by the Transaction Security Documents has become enforceable; or

(vii) the disposal is being effected by enforcement of a Transaction Security Document,

then, in the case of a disposal contemplated by paragraph (a) above, the Security provided by that Obligor over its assets under the Transaction Security Documents and any related guarantees given by, or in respect of, such Obligor will be released and in the case of a disposal contemplated by paragraph (b) above those assets will be released from such Security, in each case at the expense of the relevant Obligor.

(c) The Security Agent is authorised by each other Finance Party to execute (on behalf of itself and each such Finance Party) all releases of any Security or any guarantee resulting from any disposal contemplated in clauses 28(a) and 28(b) above of this schedule 10, without the need for any further referral to, or authority from, any other Party, including any formal release of any asset which the Security Agent in its absolute discretion considers necessary or desirable in connection with that disposal.

SCHEDULE 11

U.S. TAX COMPLIANCE CERTIFICATE

Part 1

For Foreign Lenders that are not Partnerships for U.S. Federal Income Tax Purposes

Reference is hereby made to the Credit Agreement dated as of [ ] (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among [ ], and each lender from time to time party thereto.

Pursuant to the provisions of clause 14 (Tax Gross Up and Indemnities) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Obligor within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Obligor as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Obligor with a certificate of its non-U.S. Person status on IRS Form W-8BEN or W-8BEN-E. By executing this certificate, the undersigned agrees that if the information provided on this certificate changes, the undersigned shall promptly so inform the Obligor and the Agent.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: ______________________________

Name:

Title:

Date: , 20[ ]

Part 2

For Foreign Participants that are not Partnerships for U.S. Federal Income Tax Purposes

Reference is hereby made to the Credit Agreement dated as of [ ] (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among [ ], and each lender from time to time party thereto.

Pursuant to the provisions of clause 14 (Tax Gross Up and Indemnities) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Obligor within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Obligor as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or W-8BEN-E. By executing this certificate, the undersigned agrees that if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: ______________________________

Name:

Title:

Date: , 20[ ]

Part 3

For Foreign Participants that are Partnerships for U.S. Federal Income Tax Purposes

Reference is hereby made to the Credit Agreement dated as of [ ] (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among [ ], and each lender from time to time party thereto.

Pursuant to the provisions of clause 14 (Tax Gross Up and Indemnities) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Obligor within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Obligor as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: ______________________________

Name:

Title:

Date: , 20[ ]

Part 4

For Foreign Lenders that are Partnerships for U.S. Federal Income Tax Purposes

Reference is hereby made to the Credit Agreement dated as of [ ] (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among [ ], and each lender from time to time party thereto.

Pursuant to the provisions of clause 14 (Tax Gross Up and Indemnities) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Finance Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Obligor within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Obligor as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Agent and the Obligor with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that if the information provided on this certificate changes, the undersigned shall promptly so inform the Obligor and the Agent.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: ____________________________________

Name:

Title:

Date: , 20[ ]

The Borrower

Executed as a deed	)	
by	)	
SUSSEX HOLDINGS, INC	)	
acting by:	)	/s/ Robert Redpath
Name		Robert Redpath
Title		Senior Vice President

In the presence of

	Witness sign here:
Witness signature	/s/ Diane Hartman
Witness name:	Diane Hartman
Witness address:	168 Georgetown Road
	Weston, CT 06883
Witness occupation:	Accountant

The Original Guarantor

Executed as a deed	)	
by	)	
SUSSEX HOLDINGS, INC	)	
acting by:	)	/s/ Robert Redpath
Name		Robert Redpath
Title		Senior Vice President

In the presence of

	Witness sign here:
Witness signature	/s/ Diane Hartman
Witness name:	Diane Hartman
Witness address:	168 Georgetown Road
	Weston, CT 06883
Witness occupation:	Accountant

The Original Lenders

Executed as a deed)
by)
NATIONAL AUSTRALIA BANK LIMITED ABN 12004044937)
acting by:)

)	/s/ Eoin Naughton
Name	Eoin Naughton
Title	Director

In the presence of

Witness sign here:

Witness signature	/s/ Aimee Carroll-Hewitt
Witness name:	Aimee Carroll-Hewitt
Witness address:	Ashurst LLP, Broadwalk House
	5 Appold Street
	London EC2A 2HA
Witness occupation:	Trainee Solicitor

Executed as a deed)
by)
BARCLAYS BANK PLC)
acting by:)

)	/s/ Arti Sugunan
Name	Arti Sugunan
Title	Assistant Vice President

In the presence of

Witness sign here:

Witness signature	/s/ Javkhaa Chuluunbaatar
Witness name:	Javkhaa Chuluunbaatar
Witness address:	1 Churchill Place
	Canary Wharf
	E14 5HP
Witness occupation:	Banker

The Arrangers

Executed as a deed)
by)
NATIONAL AUSTRALIA BANK LIMITED ABN 12004044937)
acting by:)

) /s/ Eoin Naughton

Name Eoin Naughton

Title Director

In the presence of

Witness sign here:

Witness signature /s/ Aimee Carroll-Hewitt

Witness name: Aimee Carroll-Hewitt

Witness address: Ashurst LLP, Broadwalk House

5 Appold Street

London EC2A 2HA

Witness occupation: Trainee Solicitor

Executed as a deed)
by)
BARCLAYS BANK PLC)
acting by:) /s/ Arti Sugunan

Name Arti Sugunan

Title Assistant Vice President

In the presence of

Witness sign here:

Witness signature /s/ Javkhaa Chuluunbaatar

Witness name: Javkhaa Chuluunbaatar

Witness address: 1 Churchill Place

Canary Wharf

E14 5HP

Witness occupation: Banker

The Agent

Executed as a deed)
by)
NATIONAL AUSTRALIA BANK LIMITED ABN 12004044937)
acting by:)
) /s/ Eoin Naughton

Name Eoin Naughton

Title Director

In the presence of

Witness sign here:

Witness signature /s/ Aimee Carroll-Hewitt

Witness name: Aimee Carroll-Hewitt

Witness address: Ashurst LLP, Broadwalk House
5 Appold Street
London EC2A 2HA

Witness occupation: Trainee Solicitor

The Security Agent

Executed as a deed)
by)
NATIONAL AUSTRALIA BANK LIMITED ABN 12004044937)
acting by:)
) /s/ Eoin Naughton

Name Eoin Naughton

Title Director

In the presence of

Witness sign here:

Witness signature /s/ Aimee Carroll-Hewitt

Witness name: Aimee Carroll-Hewitt

Witness address: Ashurst LLP, Broadwalk House
5 Appold Street
London EC2A 2HA

Witness occupation: Trainee Solicitor

RESTRICTED STOCK AWARD AGREEMENT
UNDER THE ENSTAR GROUP LIMITED 2006 EQUITY INCENTIVE PLAN
([ ] YEAR VESTING)

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

WITNESSETH THAT:

WHEREAS, the Company maintains the Enstar Group Limited 2006 Equity Incentive Plan (the "Plan"), which is incorporated into and forms a part of this Agreement;

WHEREAS, the Participant is a member of the Company's Board of Directors; and

WHEREAS, as a non-employee director, the Participant is eligible to receive a portion of his annual director retainer in the form of a Restricted Stock Award under the Plan.

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

1. Terms of Award.

(a) The "Participant" is ______.

(b) The "Grant Date" is ______.

(c) The number of ordinary shares of the Company ("Common Shares") granted under this Agreement is **shares** (the "Restricted Stock").

2. Award. Subject to the terms of this Agreement and the Plan, the Participant is hereby granted the Restricted Stock as described in paragraph 1.

3. Vesting Schedule.

(a) Notwithstanding anything in the terms of the Plan to the contrary, the Participant shall become vested in the Restricted Stock on the [[ ]-year anniversary of the Grant Date] (the "Vesting Date").

(b) The Restricted Stock shall not become vested on a Vesting Date if the Participant's Termination of Service occurs on or before such Vesting Date.

(c) Notwithstanding the foregoing provisions, the Restricted Stock shall vest as follows:

(x) The Participant shall become fully vested in the Restricted Stock as of the Participant's Termination of Service if the Participant's Termination of Service occurs by reason of the Participant's death or disability.

(y) The Participant shall become fully vested in the Restricted Stock upon a Change in Control.

4. Legend on Stock Certificates. The Company may require that certificates for shares distributed to the Participant pursuant to this Agreement bear any legend that counsel to the Company believes is necessary or desirable to facilitate compliance with applicable securities laws. The Company shall not be obligated to transfer any stock to the Participant free of the restrictive legend described in this Section 4 or of any other restrictive legend, if such transfer, in the opinion of counsel for the Company, would violate any applicable law or any applicable regulation or requirement of any securities exchange or similar entity.

5. Transferability. The Participant shall not transfer or assign, in whole or in part, Restricted Stock subject to this Agreement in which the Participant is not vested, other than (a) by will or by the laws of descent and distribution, or (b) by designation, in a manner established by the Company, of a beneficiary or beneficiaries to exercise the rights of the Participant and to receive any property distributable with respect to this Agreement upon the death of the Participant upon satisfaction of the vesting conditions described in paragraph 3(a) above.

6. Withholding. Any tax consequences arising from the grant of this Award shall be borne solely by the Participant. The Company and/or its Related Corporations may withhold, or require the Participant to pay or reimburse the Company and/or its Related Corporations for, any taxes which the Company determines are required to be withheld under any law in connection with the grant or vesting of the Restricted Stock. The Participant will not be entitled to receive from the Company any Common Shares hereunder prior to the full payment of the Participant's tax liabilities relating to this Award. The Committee, may, in its discretion, permit the Participant to elect, subject to such conditions as the Committee shall impose, (a) to have Common Shares otherwise issuable under the Plan withheld by the Company or (b) to deliver to the Company previously acquired Common Shares (through actual tender or attestation), in either case for the greatest number of whole shares having a Fair Market Value on the date immediately preceding the date of vesting not in excess of the amount required to satisfy any applicable withholding tax obligations.

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

8. Administration. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of

the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all parties. Any inconsistency between this Agreement and the Plan shall be resolved in favor of the Plan.

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

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

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

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

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

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Restricted Stock Award Agreement on , .

ENSTAR GROUP LIMITED

By: ____________________________
Name:
Title:

____
Participant

Address:

Exhibit 21.1

ENSTAR GROUP LIMITED
LISTING OF SUBSIDIARIES

Name	% of Voting Securities	City	State	Jurisdiction
Enstar Group Limited	N/A	Hamilton	Pembroke	Bermuda
A. Cumberland Holdings Limited	100%	Hamilton	Pembroke	Bermuda
1) Enstar Australia Holdings Pty Limited	100%	Sydney	NSW	Australia
a) Enstar Australia Limited	100%	Sydney	NSW	Australia
i) Cranmore (Australia) Pty Limited	100%	Sydney	NSW	Australia
b) AG Australia Holdings Limited	100%	Sydney	NSW	Australia
i) Gordian Runoff Limited	100%	Sydney	NSW	Australia
c) Shelly Bay Holdings Limited	100%	Sydney	NSW	Australia
i) Harrington Sound Limited	100%	Sydney	NSW	Australia
B. Enstar Limited	100%	Hamilton	Pembroke	Bermuda
1) Enstar (EU) Holdings Limited	100%	Guildford	Surrey	England
a) Enstar (EU) Limited	100%	Guildford	Surrey	England
b) Cranmore (UK) Limited	100%	London		England
c) Enstar (EU) Finance Limited	100%	Guildford	Surrey	England
2) Cranmore (Bermuda) Limited	100%	Hamilton	Pembroke	Bermuda
a) Cranmore (Asia) Limited	100%	Hamilton	Pembroke	Bermuda
i) Cranmore (Asia) Pte Limited	100%			Singapore
3) Enstar Brokers Limited	100%	Hamilton	Pembroke	Bermuda
4) Castlewood Limited	100%	Hamilton	Pembroke	Bermuda
5) Bantry Holdings Ltd.	50%	Hamilton	Pembroke	Bermuda
a) Blackrock Holdings Ltd.	30%	Hamilton	Pembroke	Bermuda
i) Kinsale Brokers Limited	100%	Guildford	Surrey	England
6) Enstar Insurance Management Services Ireland Limited	100%	Dublin		Ireland
7) Enstar Investment Management Limited	100%	Hamilton	Pembroke	Bermuda
8) Cranmore Insurance & Reinsurance Services Europe Limited	100%	Dublin		Ireland
9) B.H. Acquisition Limited	100%(2)	Hamilton	Pembroke	Bermuda
a) Brittany Insurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
b) Paget Holdings GmbH Limited	100%	Vienna		Austria
C. Kenmare Holdings Limited	100%	Hamilton	Pembroke	Bermuda
1) Fitzwilliam Insurance Limited	100%	Hamilton	Pembroke	Bermuda
2) Revir Limited	100%	Hamilton	Pembroke	Bermuda
a) River Thames Insurance Company	100%	Guildford	Surrey	England
i) Hillcot Underwriting Management Limited	100%	Guildford	Surrey	England
b) Overseas Reinsurance Corporation Limited	100%	Hamilton	Pembroke	Bermuda
c) Regis Agencies Limited	100%	Guildford	Surrey	England
3) Hudson Reinsurance Company Limited	100%	Hamilton	Pembroke	Bermuda
a) Global Legacy Acquisition LP	98%(7)	Hamilton	Pembroke	Bermuda
b) Chatsworth Limited	100%	Hamilton	Pembroke	Bermuda
4) Harper Holding Sarl	100%			Luxembourg
a) Harper Insurance Limited	100%	Zurich		Switzerland
b) Enstar Holdings (US) Inc.	100%			Delaware
i) Enstar (US) Inc.	100%			Delaware
A) Enstar New York, Inc	100%			New York
ii) Cranmore (US) Inc.	100%			Delaware
iii) Enstar Investments, Inc.	100%			Delaware
A) Sun Gulf Holdings, Inc.	100%			Delaware
I) Capital Assurance Services, Inc.	100%			Florida
B) CLIC Holdings, Inc.	100%			Delaware
C) PWAC Holdings, Inc.	100%			Delaware
I) PW Acquisition Co.	100%	Warwick		Rhode Island
x) Providence Washington Insurance Company	100%	Warwick		Rhode Island
D) Clarendon Holdings, Inc.	100%			Delaware
I) Clarendon National Insurance Company	100%			Illinois
x) Clarendon America Insurance Company	100%			Illinois
E) SeaBright Holdings, Inc.	100%			Delaware
I) SeaBright Insurance Company	100%			Illinois
II) Paladin Managed Care Services, Inc.	100%			California
III) Point Sure Insurance Services, Inc.	100%			Washington
F) Sussex Holdings, Inc.	100%			Delaware
I) Sussex Insurance Company	100%			South Carolina
x) Sussex Specialty Insurance Company	100%			District of Columbia
5) Mercantile Indemnity Company Limited	100%	Guildford	Surrey	England
6) Virginia Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
a) Seaton Insurance Company	100%	Warwick		Rhode Island
b) Cavell Holdings Limited	100%	Guildford	Surrey	England
7) Courtenay Holdings Ltd	100%	Hamilton	Pembroke	Bermuda

a) Enstar Acquisitions Limited	100%	Guildford	Surrey	England
i) Goshawk Insurance Holdings Limited	99.54%(3)	Guildford	Surrey	England
A) Goshawk Holdings (Bermuda) Limited	100%	Hamilton	Pembroke	Bermuda
I) Rosemont Reinsurance Ltd	100%	Hamilton	Pembroke	Bermuda
B) Goshawk Dedicated Limited	100%	Guildford	Surrey	England
b) Simcoe Holdings Limited	100%	Hamilton	Pembroke	Bermuda
i) Electricity Producers Insurance Company (Bermuda) Limited	100%	Hamilton	Pembroke	Bermuda
c) Royston Holdings Limited	100%	Hamilton	Pembroke	Bermuda
i) Royston Run-off Ltd	100%	Guildford	Surrey	England
A) Unionamerica Holdings Limited	100%	London		England
I) Unionamerica Acquisition Company Limited	100%	London		England
x) Unionamerica Insurance Company Limited	100%	London		England
d) Rombalds Limited	100%	Guildford	Surrey	England
8) Comox Holdings Ltd	50.1%	Hamilton	Pembroke	Bermuda
a) Bosworth Run-Off Limited	100%	Guildford	Surrey	England
9) Sundown Holdings Ltd	100%	Hamilton	Pembroke	Bermuda
10) Oceania Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
a) Inter-Ocean Holdings Ltd	100%	Hamilton	Pembroke	Bermuda
i) Inter-Ocean Reinsurance Company Ltd.	100%	Hamilton	Pembroke	Bermuda
A) Inter-Ocean Reinsurance (Ireland) Ltd.	100%(1)	Dublin		Ireland
11) Flatts Limited	100%	Guildford	Surrey	England
a) Marlon Insurance Company Limited	100%	Guildford	Surrey	England
i) The Copenhagen Reinsurance Company (UK) Limited	100%			England
12) Shelbourne Group Limited	100%	London		England
a) SGL No 1 Ltd.	100%	London		England
b) SGL No 3 Ltd.	100%	London		England
c) Shelbourne Syndicate Services Limited	100%	London		England
13) Northshore Holdings Limited	58.92%	Hamilton	Pembroke	Bermuda
a) Arden Reinsurance Ltd	100%	Hamilton	Pembroke	Bermuda
b) Alopuc Limited	100%	UK	Surrey	England

ENSTAR GROUP LIMITED
LISTING OF SUBSIDIARIES

Name	% of Voting Securities	City	State	Jurisdiction
i) Atrium Underwriting Group Ltd.	100%	London		England
A) Atrium Risk Management Services (Washington) Ltd.	100%			Washington
B) Atrium Risk Management Services (British Columbia) Ltd.	100%	British Columbia		Canada
C) Atrium Insurance Agency (Asia) PTE	100%			Singapore
D) Atrium 5 Ltd	100%	London		England
E) Atrium Insurance Agency Ltd.	100%	London		England
F) Atrium Group Services Ltd.	100%	London		England
I) Atrium Nominee Limited	100%	London		England
G) Atrium Underwriters Ltd.	100%	London		England
H) Atrium Underwriting Holdings Limited	100%	London		England
I) Atrium 1 Ltd.	100%	London		England
II) Atrium 2 Ltd.	100%	London		England
III) Atrium 3 Ltd.	100%	London		England
IV) Atrium 4 Ltd.	100%	London		England
V) Atrium 6 Ltd.	100%	London		England
VI) Atrium 7 Ltd.	100%	London		England
VII) Atrium 8 Ltd.	100%	London		England
VIII) Atrium 9 Ltd.	100%	London		England
IX) Atrium 10 Ltd.	100%	London		England
X) 609 Capital Limited	100%	London		England
14) Hove Holdings Limited	100%	Hamilton	Pembroke	Bermuda
15) Enstar (EU) Services Asia Limited	100%	Guildford	Surrey	England
16) Knapton Holdings Limited	100%	Guildford	Surrey	England
a) Knapton Insurance Limited	100%	Guildford	Surrey	England
17) New Castle Reinsurance Company Ltd	100%	Hamilton	Pembroke	Bermuda
18) Enstar Financing Ltd	100%	Hamilton	Pembroke	Bermuda
19) DLCM No. 1 Limited	100%	London		England
20) DLCM No. 2 Limited	100%	London		England
21) DLCM No. 3 Limited	100%	London		England
22) Bayshore Holdings Ltd.	58.98%	Hamilton	Pembroke	Bermuda
a) Torus Insurance Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
i) Torus Corporate Capital 2 Ltd.	100%			England
ii) Torus Underwriting Ltd.	100%			England
iii) Torus Corporate Capital Ltd.	100%			Ireland
iv) Torus Corporate Capital 4 Ltd.	100%			England
v) Torus Corporate Capital 5 Ltd.	100%			England
vi) Torus Bermuda Intermediaries Ltd.	100%	Hamilton		Bermuda
vii) Torus Bermuda Services Ltd.	100%	Hamilton		Bermuda
viii) Torus Insurance Holdings AG	100%			Switzerland
ix) Torus Insurance (Bermuda) Ltd.	100%	Hamilton		Bermuda
A) Torus Insurance (Europe) AG	100%			Liechtenstein
B) Torus Underwriting Management Ltd.	100%			England
C) Torus Insurance Marketing Ltd.	100%			England
I) Torus Business Solutions Private Ltd.	100%(4)			India
D) Torus Finance Ltd.	100%			England
I) Torus US Holdings Inc	100%			Delaware
x) Torus Specialty Insurance Company	100%			Delaware
xa) Torus National Insurance Company	100%			Delaware
xb) Torus Specialty Insurance Company Escritorio de Representacao no Brasil Ltda	100%(5)			Brazil
xi) Torus US Services	100%			New Jersey
xa) Torus Insurance Services Inc	100%			California
xb) Torus US Intermediaries Inc	100%			New Jersey
E) Torus Insurance (UK) Ltd.	100%(6)			England
23) Cavello Bay Limited	100%	Hamilton	Pembroke	Bermuda
24) Eastshore Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
D. Hillcot Holdings Ltd	100%	Hamilton	Pembroke	Bermuda
1) Brampton Insurance Company Limited	100%	Guildford	Surrey	England
E. Enstar USA Inc.	100%	Montgomery	Alabama	Georgia
1) Enstar Financial Services Inc.	100%	Montgomery	Alabama	Florida
2) Enstar Group Operations Inc.	100%	Montgomery	Alabama	Georgia
F. Laguna Life Holdings Ltd.	100%	Hamilton	Pembroke	Bermuda
1) Laguna Life Holdings SARL	100%			Luxembourg
1) Pavonia Holdings (US), Inc	100%			Delaware
a) Pavonia Life Insurance Company of Delaware	100%			Delaware
i) Pavonia Life Insurance Company of Arizona	100%			Arizona
ii) Pavonia Life Insurance Company of Michigan	100%			Michigan

I) Pavonia Life Insurance Company of New York	100%		New York
b) Enstar Life (US), Inc.	100%		Delaware
2) Laguna Life Limited	100%	Dublin	Ireland

(1) Inter-Ocean Reinsurance (Ireland) Ltd. is 95% owned by Inter-Ocean Reinsurance Company Limited and 5% owned by Inter-Ocean Holdings Ltd.

(2) B.H. Acquisition Ltd. is 33% owned by Enstar USA, Inc. and 67% owned by Enstar Limited

(3) Goshawk Insurance Holdings plc is 89.44% owned by Enstar Acquisition Ltd. and 10.1% owned by Kenmare Holdings Limited

(4) Torus Business Solutions Private Ltd is 99.99% owned by Torus Insurance Marketing Ltd. and 0.01% owned by Torus Finance Ltd.

(5) Torus Specialty Insurance Company Escritorio de Representacao no Brasil Ltda is 99.994% owned by Torus Specialty Insurance Company and 0.006% owned by Torus US Holdings Inc

(6) Torus Insurance (UK) Ltd. is 75% owned by Torus Insurance (Bermuda) Ltd. and 25% owned by Torus Finance Ltd.

(7) Global Legacy Acquisition L.P. is 97% owned by Hudson Reinsurance Company Limited and 1% owned by Chatsworth Limited

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Enstar Group Limited:

We consent to the incorporation by reference in the registration statements No. 333-149551, 333-148863, 333-148862 and 333-141793 on Form S-8 and registration statements No. 333-195562 and 333-198718 on Form S-3 of Enstar Group Limited of our reports dated March 2, 2015, with respect to the consolidated balance sheets of Enstar Group Limited as of December 31, 2014 and 2013, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and financial statement Schedules I, II, III, IV, and VI, as of December 31, 2014 and 2013 and for each of the three years in the three year period ended December 31, 2014 and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of Enstar Group Limited.

/s/ KPMG Audit Limited

Hamilton, Bermuda
March 2, 2015

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 Annual Report on Form 10-K 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: March 2, 2015

/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, Richard J. Harris, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 2, 2015

/S/ RICHARD J. HARRIS
Richard J. Harris
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 Annual Report of Enstar Group Limited (the "Company") on Form 10-K for the fiscal year ended December 31, 2014, 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: March 2, 2015

/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 Annual Report of Enstar Group Limited (the “Company”) on Form 10-K for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Harris, 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: March 2, 2015

/S/ RICHARD J. HARRIS

Richard J. Harris
Chief Financial Officer