Enstar Group Limited

Industry need for restructuring mechanisms

NAIC Presentation
August 4th, 2019
About Enstar
A Global Group

With 35 offices across 15 countries, and 1,300+ staff
Enstar Group offers global solutions

Canada
Active

United States
Run-off, Active, Life
13 Offices

Bermuda
Executive Team, Run-off & Active

Europe
Run-off, Active, Life
Belgium
France
Germany
Ireland
Italy
Liechtenstein
Netherlands
Switzerland
UK

Australia
Run-off, Active
About Enstar
Company Overview

Enstar Group Limited, formed in 2001, is a Bermuda-based holding company, listed on NASDAQ:

- Common Shares (ESGR)
- Preferred Shares (ESGRO, ESGRP)

Enstar is a multi-faceted insurance group that provides:

- Innovative risk transfer solutions
- Specialty underwriting capabilities

Enstar’s core segment, Non-Life Run-Off, acquires and manages run-off insurance and reinsurance liabilities

1 Includes total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held
2 Reflects losses and loss adjustment expenses for non-life run-off and active underwriting and policy benefits for life contracts
3 Total capital attributable to Enstar includes shareholders’ equity and debt obligations and excludes noncontrolling interest and redeemable noncontrolling interest

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>$18.1bn</td>
<td></td>
</tr>
<tr>
<td><strong>Market Capitalization</strong></td>
<td>$3.8bn</td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders’ Equity</strong></td>
<td>$4.3bn</td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>$13.8bn</td>
<td></td>
</tr>
<tr>
<td><strong>Investable Assets</strong></td>
<td>$10.2bn</td>
<td></td>
</tr>
<tr>
<td><strong>Over $22bn Gross Reserves</strong></td>
<td>$22.8bn</td>
<td></td>
</tr>
<tr>
<td><strong>Debt to Capital Ratio</strong></td>
<td>20.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Credit Ratings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td>$10.2bn</td>
<td></td>
</tr>
<tr>
<td><strong>Net Earnings (Three Months)</strong></td>
<td>$358.8m</td>
<td></td>
</tr>
</tbody>
</table>

1 \[\text{Includes total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held}\]
2 \[\text{Reflects losses and loss adjustment expenses for non-life run-off and active underwriting and policy benefits for life contracts}\]
3 \[\text{Total capital attributable to Enstar includes shareholders’ equity and debt obligations and excludes noncontrolling interest and redeemable noncontrolling interest}\]
Non-Life Run-off
Acquisitions – The Cornerstone of our Business

98
total acquisitive transactions/new business since formation

50
companies acquired through stock purchase or merger

48
portfolios of insurance or reinsurance business

Dedicated, cross-functional acquisition review teams

Secure business partner

Focused on execution
### Why do Companies Restructure?

<table>
<thead>
<tr>
<th>Desire to use capital more efficiently</th>
<th>Focused management of non-core lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Ability to divest non-core business and redeploy capital more strategically</td>
<td>- Specialized live or run-off carrier can handle the business more efficiently</td>
</tr>
<tr>
<td>- Saves costs and protects financial solvency of seller entity</td>
<td>- Better policyholder service can be provided through transfer of business</td>
</tr>
<tr>
<td>- Internal reorganization can reduce management and other costs</td>
<td></td>
</tr>
</tbody>
</table>
Current Restructuring Options in the US

• Companies are broadly limited to sale, reinsurance/loss portfolio transfers, or novation when restructuring

• Non-core or run-off business remains embedded with the ongoing business, with no effective option to segregate the business

• Frequently, companies use loss portfolio transfers to transfer blocks of business, but ultimately, liability remains with the original insurer

• The only way to effectively transfer a block of business across the US is by way of a policy novation process, but the current process of novating policies is inconsistent among the states, cumbersome, time-consuming and expensive

• In most instances it will be impossible to obtain positive consent to a novation from all policyholders, especially on older books of business
Most jurisdictions have similar methodologies to enable business to be placed into run-off:

<table>
<thead>
<tr>
<th>Method</th>
<th>Bermuda</th>
<th>USA</th>
<th>UK</th>
<th>Europe</th>
<th>All Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Acquisition (stock purchase / merger)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Reinsurance Loss Portfolio Transfer / RITC</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Direct Claims Transfer</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Scheme of Arrangement</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Insurance Business Transfer (limited to certain states)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Part VII Transfer</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Various, under the ‘Change of Control’ Directive</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Varies by Jurisdiction</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
Overseas Legislation

• In the European Union, member states are required to have mechanisms for the transfer of insurance business, many of which have been used successfully for a number of years

• For example, a UK Part VII transfer:
  
  • Allows for the transfer of a block of business by way of a statutory novation
  
  • Transfers outwards reinsurance with the policies (as well as other assets and liabilities where required)
  
  • Needs UK regulator approval
  
  • Requires court approval and independent expert report
Part VII Transfers
A Practical Application

Enstar Group (BM)

Kenmare HLD (BM)

Company

River Thames
Bosworth
Brampton
Knapton
Marlon
Mercantile
Unionamerica
River Thames

Number of policyholders
13,208
1,930
33,788
19,943
45,807
4,950
27,877

% Direct
25%
0%
94%
79%
89%
78%
79%

% Reinsurance
75%
100%
6%
21%
11%
22%
21%


Direct Subsidiary
Indirect Subsidiary

Direct Reinsurance

ILU Guaranteed
No ILU Guaranteed

HLD = Holdings LTD = Limited BM = Bermuda

Trust fund supporting entity’s liabilities
Part VII Transfers
A Practical Application

Results achieved by Transfers:
- Simplified governance
- Consolidated regulatory supervision
- Operational cost savings
- Solvency capital benefits

<table>
<thead>
<tr>
<th>Entity</th>
<th>Available Capital ($000s)</th>
<th>Required Capital ($000s)</th>
<th>Capital Cover Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Transfer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated Entity</td>
<td>323,533</td>
<td>240,876</td>
<td>134%</td>
</tr>
<tr>
<td>Pre Transfer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>River Thames</td>
<td>50,659</td>
<td>41,760</td>
<td>121%</td>
</tr>
<tr>
<td>Bosworth</td>
<td>14,108</td>
<td>1,028</td>
<td>1373%</td>
</tr>
<tr>
<td>Brampton</td>
<td>20,718</td>
<td>17,079</td>
<td>121%</td>
</tr>
<tr>
<td>Knapton</td>
<td>49,849</td>
<td>40,170</td>
<td>124%</td>
</tr>
<tr>
<td>Marlon</td>
<td>40,148</td>
<td>32,591</td>
<td>123%</td>
</tr>
<tr>
<td>Mercantile</td>
<td>5,127</td>
<td>462</td>
<td>1111%</td>
</tr>
<tr>
<td>Unionamerica</td>
<td>142,923</td>
<td>119,859</td>
<td>119%</td>
</tr>
</tbody>
</table>

The non-life legacy market is large and growing. Global run off liabilities are estimated at $730bn.

Thank you

For further discussion, please write to Paul.Brockman@EnstarGroup.com