



**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS**

**Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court.**

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of May 10, 2003, there were 5,821,211 shares of the issuer's common stock  
outstanding.

Transitional Small Business Disclosure Format (check one):

Yes  No

**PART I**  
**FINANCIAL INFORMATION**

## Item 1. Financial Statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	March 31, 2003	December 31, 2002	
	-----	-----	
<b>ASSETS</b>			
Current Assets			
Cash	\$ 18,757	\$ 234,770	
Accounts receivable, less allowance for doubtful accounts of \$56,390 (2003) and \$65,000 (2002)		303,905	507,920
Investments	5,600	3,685	
Prepaid expenses and other current assets		29,200	64,817
Other loans receivable	-	33,649	
	-----	-----	
<b>TOTAL CURRENT ASSETS</b>		<b>357,462</b>	<b>844,841</b>
	-----	-----	
Property and equipment, at cost			
Office equipment	13,228	230,660	
Equipment - capital leases	-	58,567	
Vehicles	-	16,743	
Furniture and fixtures	-	98,376	
	-----	-----	
	13,228	404,346	
Less: Accumulated depreciation		3,882	141,140
	-----	-----	
<b>NET PROPERTY AND EQUIPMENT</b>		<b>9,346</b>	<b>263,206</b>
	-----	-----	
Other Assets			
Notes Receivable	750,000	-	
Security Deposits	61,850	60,904	
	-----	-----	
<b>TOTAL OTHER ASSETS</b>		<b>811,850</b>	<b>60,904</b>
	-----	-----	
<b>TOTAL ASSETS</b>	<b>\$ 1,178,658</b>	<b>\$ 1,168,951</b>	

=====      =====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

## Current Liabilities

Book Overdraft	\$ -	\$ 90,946	
Accounts payable and accrued expenses		576,746	1,782,184
Obligation under capital lease, current portion		-	25,672
Unearned income	105,861	93,237	
Loans payable to affiliates	-	9,744	
Loans payable-other	23,491	36,103	
	-----	-----	
<b>TOTAL CURRENT LIABILITIES</b>		<b>706,098</b>	<b>2,037,886</b>
	-----	-----	

## Noncurrent Liabilities

Obligation under capital lease, less current portion		-	7,404
	-----	-----	
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>-</b>	<b>7,404</b>
	-----	-----	

## Stockholders' Equity (Deficit)

Preferred stock, \$.001 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-	
Common stock, \$.001 par value; <R> 100,000,000 </R> shares authorized, 5,761,211 (2003) and 5,701,211 (2002) shares issued and outstanding		5,761	5,701
Additional paid-in capital	4,071,079	3,956,739	
Common stock subscribed	44,500	60,000	
Accumulated deficit	(3,623,780)	(4,873,779)	
	-----	-----	
	497,560	(851,339)	
Less Treasury stock, 10,000 common shares at cost		(25,000)	(25,000)
	-----	-----	
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>		<b>472,560</b>	<b>(876,339)</b>
	-----	-----	

<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		<b>\$ 1,178,658</b>	<b>\$ 1,168,951</b>
	=====	=====	

Note: The balance sheet at December 31, 2002 has been derived from audited financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles in the United States.

See notes to consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the Three Months Ended March 31,	
	2003	2002
	-----	-----
<b>Revenues</b>		
Telecommunications revenue	\$ 612,592	-
Other	10,000	76,409
	-----	-----
	622,592	76,409
	-----	-----
<b>Operating Expenses</b>		
Resale and wholesale line charges	297,191	-
Payroll and payroll taxes	161,117	108,751
Advertising and promotion	71,164	7,857
Professional and consulting fees	112,762	172,563
Depreciation	1,248	437
Insurance	18,066	5,084
Office expense	8,578	2,166
Telephone	13,769	1,606
Rent and building maintenance	13,771	6,000
Other selling, general and administrative	94,603	8,222
	-----	-----
	792,269	312,686
	-----	-----
<b>Operating Loss</b>	(169,677)	(236,277)
	-----	-----
<b>Other Income (Expenses)</b>		
Income (loss) on investments	2,800	(31,343)
Other income	3,633	-
Interest expense	(337)	(727)
	-----	-----
	6,096	(32,070)
	-----	-----
<b>Loss From Continuing Operations</b>	(163,581)	(268,347)
	-----	-----

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Income (Loss) from Discontinued Operations		
Loss from operations of discontinued segments	(140,726)	(339,175)
Gain on disposal	1,554,306	-
	-----	-----
	1,413,580	(339,175)
	-----	-----
Net Income (Loss)	\$ 1,249,999	\$ (607,522)
	=====	=====
Income (Loss) per Share	\$ 0.22	\$ (0.11)
	=====	=====
Weighted Average Shares Outstanding	5,722,537	5,461,713
	=====	=====

See notes to consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

For the Three Months Ended  
March 31,  
2003      2002  
-----

## Cash Flows From Operating Activities

Net income (loss)	\$ 1,249,999	\$(607,522)	
Adjustments to reconcile net loss to net cash used by operations			
(Gain) on disposal of subsidiaries	(1,554,308)	-	
(Gain) loss on investments	(2,800)	52,349	
Consulting expense	60,400	136,509	
Professional fees	-	11,000	
Depreciation expense	1,249	24,941	
Non cash expenses of discontinued business segments		13,919	-
(Increase) decrease in assets			
Accounts receivable	36,409	(110,398)	
Prepaid expenses and other current assets		(21,111)	(36,698)
Security deposits	(28,085)	-	
Increase (decrease) in liabilities			
Book overdraft	182,236	-	
Accounts payable and accrued expenses		(95,388)	526,253
Unearned income	179,290	259,451	
	-----	-----	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>21,810</b>	<b>255,885</b>
	-----	-----	

## Cash Flows From Investing Activities

(Increase) in loans receivable from affiliates	(9,104)	(157,334)	
Decrease in loans receivable from affiliates	1,750	128,500	
Decrease in cash of sold subsidiaries	(241,055)	-	
Proceeds from sale of investments	-	26,546	
Decrease in securities sold but not purchased	-	(66,790)	
Purchase of property and equipment	(5,419)	(66,336)	
	-----	-----	
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>		<b>(253,828)</b>	<b>(135,414)</b>
	-----	-----	

## Cash Flows From Financing Activities

Proceeds from issuance and subscription of common stock		38,500	35,000
Payment of capital lease obligation	(9,884)	(4,531)	
Payment of notes payable	-	(993)	
Proceeds from loans payable to affiliates		-	9,000



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Payment of loans payable to affiliates	-	-
Proceeds from other loans payable	25,468	10,599
Payment of loans payable other	(38,079)	-
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES		16,005 49,075
	-----	-----
Increase (Decrease) in Cash	(216,013)	169,546
Cash, Beginning	234,770	185,348
	-----	-----
Cash, Ending	\$ 18,757	\$ 354,894
	=====	=====

See notes to condensed consolidated financial statements.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2003

Note 1: Basis of Presentation

Our unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-QSB and do not include all of the information and disclosures required by generally accepted accounting principles. Therefore, these financial statements should be read in conjunction with the financial statements and related footnotes included in our Annual Report on Form 10-KSB for the most recent year-end. These financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly state the results for the interim periods reported. The results of operations for the three-month period ended March 31, 2003 are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include our accounts and the accounts of Cordia Communications Corp. for the years ended December 31, 2002 and for the three months ended March 31, 2003 and 2002. The consolidated financial statements also include the accounts of its discontinued business ISG Group, Inc. ("ISG") and its subsidiaries (Universal Recoveries, Inc. and U.L.A.E., Inc., both wholly-owned) as of December 31, 2002, and for the three months ended March 31, 2002 and the period January 1, 2003 through March 3, 2003 (date of disposal). The consolidated financial statements also include the accounts of our discontinued business segment, RiderPoint, Inc. ("RiderPoint") and subsidiary, for the three months ended March 31, 2002. All material intercompany balances and transactions have been eliminated.

Note 2: Investments

At March 31, 2003 and December 31, 2002, investments included common shares of eLEC Communications Corp. ("eLEC"). All investments are classified as trading securities and accordingly, stated at fair value, which is based on market quotes. Adjustments to fair value of the equity securities are recorded as an increase or decrease in investment income in the accompanying statements of operations.

During June 2002, we sold all of our common shares of RiderPoint and its subsidiary, RP Insurance Agency Inc. ("RP Insurance Agency"), and our entire membership interest in Webquill Internet Services, LLC ("Webquill") for \$1,000. We recognized a gain of \$322,796 in connection with such sale. The results of operations of RiderPoint, RP Insurance Agency and Webquill are presented as losses from operations of discontinued segments in the accompanying condensed consolidated statements of operations.

On March 3, 2003, we sold our equity interests in ISG to West Lane Group Inc. ("West Lane Group"), a company owned by the then-current management of ISG. The \$750,000 selling price of ISG is evidenced by a promissory note bearing interest at the rate of 6% per annum. The principal obligation of \$750,000 under the note is payable on or before March 3, 2005, and is secured by 700,000 shares of our common stock owned by West Lane Group.

NOTE 3: Sale of Business Segments

Sale of RiderPoint, Inc. and its subsidiary:

On June 27, 2002, we sold for \$1,000 in cash, (a) our common stock equity interests in RiderPoint, and its subsidiary, RP Insurance Agency, and (b) our entire membership interest in Webquill. RiderPoint had focused on the development of technological systems, solutions and processes that would allow it to become a nationwide distributor of insurance products through the internet and traditional insurance agents. RP Insurance Agency, Inc. acted as an insurance broker for individuals purchasing property and liability insurance for power sports vehicles. Webquill

provided internet hosting services to businesses and individuals. We recognized a gain of \$337,793 on the sale of these interests. As a result of the sale of these business segments, our net operating loss for Federal income tax reporting purposes decreased by approximately \$1,940,000.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
 March 31, 2003

## Note 3: Sale of Business Segments (cont'd)

The following is a summary of the sale transaction:

	RiderPoint, and subsidiary	Webquill	Total
	-----	-----	-----
Assets sold	\$(25,189)	\$(2,763)	\$(27,952)
Liabilities sold	412,917	15,701	428,618
Cash payment received	500	500	1,000
Write-off of inter-company receivables and payables	(63,873)	-0-	(63,873)
	-----	-----	-----
Gain on sale	\$324,355	\$13,438	\$337,793
	=====	=====	=====

## Sale of ISG:

The following is a summary of the sale transaction of ISG (unaudited):

Assets sold	\$ (778,529)
Liabilities sold	1,658,917
Note received	750,000
Write-off of inter-company receivables and payables	(76,082)
	-----
Gain on sale, before income taxes	\$1,554,306
	=====

Our net operating losses are expected to offset the gain on the sale of ISG.

As a result of the sale of ISG, (a) employee stock options to purchase 83,000 of our common shares at \$7.50 per share expired, and (b) our net operating loss carry-forward for Federal income tax reporting purposes, on a pro-forma basis giving retroactive effect to the sale of ISG as of December 31, 2002, would have been approximately \$2,220,000.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2003

Note 3: Sale of Business Segments (cont'd)

The accompanying consolidated balance sheet at December 31, 2002 include the following assets and liabilities of the ISG discontinued business segments:

	<b>2002</b>	
	----	
Current Assets		
Cash	\$ 164,527	
Accounts receivable, net	377,568	
Investments	886	
Prepaid expenses and other current assets	17,512	
Loans receivable from affiliates	31,899	
Loans receivable from parent and subsidiaries*	-	
	-----	
Total current assets	592,392	
	-----	
Property and equipment		
Office equipment	218,015	
Equipment - capital leases	58,567	
Vehicles	16,743	
Furniture and fixtures	98,376	
	-----	
	<b>391,701</b>	
Less: Accumulated depreciation	138,506	
	-----	
	<b>253,195</b>	
	-----	
Other assets		
Security deposits	27,139	
	-----	
Total assets	\$ 872,726	
	=====	
Current Liabilities		
Book overdraft	\$ 90,946	
Accounts payable and accrued expenses	1,319,207	
Obligation under capital lease, current portion	25,672	
Unearned income	83,333	
Loans payable to affiliates	9,744	
Loans payable to parent and subsidiaries*	76,082	
	-----	

Total current liabilities	1,604,984
	-----
Obligation under capital lease, less current portion	7,404
	-----
Accumulated deficit	(739,662)
	-----
Total liabilities and accumulated deficit	\$ 872,726
	=====

\*Eliminated in consolidation.

#### License Agreement

On March 3, 2003, we entered into a licensing agreement with ISG whereby ISG purchased an unlimited license to certain of our software. The license agreement provides for ISG to pay us \$100,000 on execution of the license agreement, plus \$6,000 per month (including interest) for a period of twenty-five months. We agreed to provide software updates and maintenance as necessary, during this twenty-five month period.

Loss from operations of discontinued business segments includes the following:

	Three months ended March 31,	
	2003	2002
	-----	-----
Revenues:		
Subrogation Service Revenue, net	\$ 631,361	\$ 559,695
Claims Administration income	197,667	667,374
Other	-	(761)
	-----	-----
Total Revenues:	\$ 829,028	\$1,226,308
	=====	=====
Loss before income taxes	\$ 140,726	\$ 339,175
	=====	=====

The accompanying 2002 statement of operations was reclassified to show the results of operations for the RiderPoint and ISG business segments as discontinued.

**CORDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2003

Note 4: Stockholders' Equity

During June 2002, we approved a 5-for-1 reverse split of our common stock with no change in its par value of \$.001. All references in the consolidated financial statements and in the notes to consolidated financial statements with respect to the number of common shares and per share amounts have been restated to reflect the stock split.

During September 2000, we issued warrants to purchase 22,400 shares of our common stock. The warrants had an exercise price of \$12.50 per share and expired during the period from July through September 2002. No warrants were exercised prior to expiration.

Effective January 5, 2001, we established our 2001 Equity Incentive Plan (the "Plan"). The total number of shares of our common stock issuable under the Plan is 1,000,000, subject to adjustment for events such as stock dividends and stock splits. The Plan is administered by a committee of the Board of Directors having full and final authority and discretion to determine when and to whom awards should be granted. The committee will also determine the terms, conditions and restrictions applicable to each award.

Transactions under the Plan are summarized as follows giving retroactive effect to the reverse stock split:

	Stock Options -----	Exercise Price -----
Balance, December 31, 2002	146,000	\$ 7.50 to 11.25
Granted:	615,000	\$ .60
Exercised	-	\$
Expired	(83,000)	\$ 7.50
	-----	-----
Balance, March 31, 2003	678,000	\$ .60 to 11.25

Note 5: Commitments

We have no commitments for annual rentals under noncancelable operating leases.

ferred Stock      714

Balance, end of period

\$702   \$714

**Share Capital   Series B Convertible Participating Non-Voting Perpetual Preferred Stock**

Balance, beginning of period

\$      \$

Issue of stock

714

Convert to Series E Non-Voting Convertible Ordinary Shares

(714)



Balance, end of period

\$ \$

**Treasury Shares**

Balance, beginning and end of period

\$(421,559) \$(421,559)

**Additional Paid-in Capital**

Balance, beginning of period

\$1,321,715 \$962,145

Issue of shares and warrants, net

911 353,832

Amortization of equity incentive plan

2,821 1,525

Equity attributable to Enstar Group Limited on acquisition of noncontrolling shareholders interest in subsidiaries

39,569

Balance, end of period

\$1,365,016 \$1,317,502

**Accumulated Other Comprehensive Income Attributable to Enstar Group Limited**

Balance, beginning of period

\$(12,686) \$13,978

Currency translation adjustment

Balance, beginning of period

(2,779) 14,264

Change in currency translation adjustment

(10,227) 4,791

Purchase of noncontrolling shareholders' interest in subsidiaries

2,937

Balance, end of period

(10,069) 19,055

Defined benefit pension liability

Balance, beginning and end of period

(7,726) (2,249)

Unrealized (losses) gains on investments

Balance, beginning of period

(2,181) 1,963

Change in unrealized (losses) gains on investments, net of tax

(1,809) 101

Purchase of noncontrolling shareholders' interest in subsidiaries

312

Balance, end of period

(3,678) 2,064

Balance, end of period

\$(21,473) \$18,870

**Retained Earnings**

Balance, beginning of period

\$1,395,206 \$1,181,457

Net earnings attributable to Enstar Group Limited

59,392 81,380

Balance, end of period

\$1,454,598 \$1,262,837

**Noncontrolling Interest**

Balance, beginning of period

\$217,970 \$222,000

Sale of noncontrolling shareholders interest in subsidiaries

(182,819)

Return of capital

(9,980)

Contribution of capital

680 35,699

Dividends Paid

(323)

Reallocation to redeemable noncontrolling interest

1,028

Net earnings attributable to noncontrolling interest\*

291 7,460

Foreign currency translation adjustments

(1,558) 1,993

Net movement in unrealized holding losses on investments

(123) (156)

Balance, end of period

\$34,118 \$258,044

\*Excludes net loss attributable to redeemable noncontrolling interest. See Note 11 to the unaudited condensed consolidated financial statements.

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents**ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Month Periods Ended June 30, 2015 and 2014**

	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(expressed in thousands of U.S. dollars)</b>	
<b>OPERATING ACTIVITIES:</b>		
Net earnings	\$ 71,699	\$ 87,721
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Net realized and unrealized investment losses (gains)	2,847	(38,596)
Net realized and unrealized gains from other investments	(34,618)	(34,388)
Other items	5,553	158
Depreciation and amortization	2,744	2,019
Net amortization of premiums and discounts	25,518	28,144
Net movement of trading securities held on behalf of policyholders	1,728	(164)
Sales and maturities of trading securities	1,669,290	1,699,428
Purchases of trading securities	(2,299,395)	(1,188,935)
Changes in assets and liabilities:		
Reinsurance balances recoverable	210,401	240,415
Funds held by reinsured companies	20,773	101,571
Other assets	(113,235)	(48,924)
Losses and loss adjustment expenses	(188,793)	(363,957)
Policy benefits for life and annuity contracts	(14,028)	(31,244)
Insurance and reinsurance balances payable	33,828	(127,555)
Unearned premiums	26,505	12,367
Accounts payable and accrued liabilities	111,531	(10,906)
Other liabilities	(10,393)	(2,957)
Net cash flows (used in) provided by operating activities	(478,045)	324,197
<b>INVESTING ACTIVITIES:</b>		
Acquisitions, net of cash acquired	56,369	37,540
Sales and maturities of available-for-sale securities	97,733	78,967
Purchase of available-for-sale securities	(48,548)	(71,025)
Maturities of held-to-maturity securities	5,246	311
Movement in restricted cash and cash equivalents	242,365	(94,022)
Purchase of other investments	(133,411)	(120,768)
Redemption of other investments	42,415	10,692
Other investing activities	(2,016)	(9)



Net cash flows provided by (used in) investing activities	260,153	(158,314)
<b>FINANCING ACTIVITIES:</b>		
Distribution of capital to noncontrolling interest		(9,980)
Contribution by redeemable noncontrolling interest	15,728	254,635
Contribution by noncontrolling interest	680	35,699
Dividends paid to noncontrolling interest	(7,433)	
Receipt of loans	374,700	70,000
Repayment of loans	(46,000)	(133,250)
Net cash flows provided by financing activities	337,675	217,104
<b>EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS</b>		
	(6,226)	1,327
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,557	384,314
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	963,402	643,841
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,076,959	\$ 1,028,155
<b>Supplemental Cash Flow Information</b>		
Net income taxes paid	\$ 13,343	\$ 17,018
Interest paid	\$ 7,952	\$ 10,236

See accompanying notes to the unaudited condensed consolidated financial statements

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2015 and December 31, 2014**

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

**(unaudited)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Preparation and Consolidation*

The Company's condensed consolidated financial statements have not been audited. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. Results of operations for subsidiaries acquired are included from the dates of their acquisition by the Company. The results of operations for any interim period are not necessarily indicative of the results for a full year. Inter-company accounts and transactions have been eliminated. In these notes, the terms we, us, our, or the Company refer to Enstar Group Limited and its direct and indirect subsidiaries.

The preparation of these unaudited condensed 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 unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the unaudited condensed 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;

impairment charges, including the other-than-temporary impairment of the carrying value of available-for-sale investment securities and the impairment of investments in life settlements;

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 New Accounting Policies***

As a result of the acquisition of the life settlement contracts from Wilton Re Limited ( Wilton Re ) as described in Note 2 Acquisitions and the completion of the transaction with Voya Financial, Inc. ( Voya ) as described in Note 3 Significant New Business and Transactions, the Company has adopted certain significant new accounting policies during the three months ended June 30, 2015. Other than the policies described below, there have been no material changes to the Company s significant accounting policies from those described in Note 2 to the consolidated financial statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

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**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****(a) Life Settlements***

Investments in life settlements are accounted for under the investment method whereby the Company recognizes its initial investment in the life settlement contracts at the transaction price plus all initial direct external costs. Continuing costs to keep the policy in force, primarily life insurance premiums, increase the carrying amount of the investment. The Company recognizes income on individual investments in life settlements when the insured dies, at an amount equal to the excess of the investment proceeds over the carrying amount of the investment at that time. The investments are subject to quarterly impairment review on a contract-by-contract basis. Impaired contracts are written down to their estimated fair value with the impairment charges included within net realized and unrealized (losses) gains.

***(b) Retroactive reinsurance***

Retroactive reinsurance policies provide indemnification of losses and loss adjustment expenses with respect to past loss events, and related claims are generally expected to be paid over long periods of time. At the inception of a contract, a deferred charge asset is recorded for the excess, if any, of the estimated ultimate losses payable over the premiums received. Deferred charges are amortized over the estimated ultimate claim payment period with the periodic amortization reflected in earnings as a component of losses and loss adjustment expenses. Deferred charge balances are adjusted periodically to reflect new estimates of the amount and timing of remaining loss payments. Significant changes in the estimated amount and the timing of payments of unpaid losses may have a significant effect on the unamortized deferred reinsurance charges and the amount of periodic amortization. Deferred charges are evaluated for recoverability quarterly on an individual contract basis with reference to anticipated future investment income.

***Recently Issued Accounting Pronouncements Not Yet Adopted******Accounting Standards Update ( ASU ) 2015-09, Disclosures about Short-Duration Contracts***

In May 2015, the Financial Accounting Standards Board ( FASB ) issued ASU No. 2015-09, which makes targeted improvements to disclosure requirements for insurance companies that issue short-duration contracts. The ASU requires enhanced disclosures, on an annual basis, related to the reserve for losses and loss expenses which include (1) net incurred and paid claims development information by accident year, (2) a reconciliation of incurred and paid claims development information to the aggregate carrying amount of the reserve for losses and loss expenses, (3) for each accident year presented of incurred claims development, information about claim frequency (unless impracticable), and the amounts of incurred but not reported (IBNR) liabilities, including expected development on reported claims included in the reserve for losses and loss expenses, (4) a description of, and any significant changes to, the methods for determining both IBNR and expected development on reported claims, and (5) for each accident year presented of incurred claims development, quantitative information about claims frequency, as well as a description of methodologies used for determining claim frequency information. The ASU is effective for annual periods beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the

impact of the adoption of this guidance on its consolidated financial statement disclosures.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value or its Equivalent*

In May 2015, the FASB issued ASU No. 2015-07, which will eliminate the requirement to categorize investments in the fair value hierarchy if their fair value is measured at the net asset value ( NAV ) per share (or its equivalent) using the practical expedient in the FASB's fair value measurement guidance. Instead, an entity is required to include those investments as a reconciling line item so that the total fair value amount of investments in the disclosure is consistent with the amount on the balance sheet. In addition, the scope of current disclosure requirements for investments eligible to be measured at NAV is limited to investments for which the practical expedient is applied. Reporting entities are required to adopt the ASU retrospectively. The ASU is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact of this guidance, however it does not expect the adoption of the guidance to have a material impact on its consolidated financial statement disclosures.

**2. ACQUISITIONS**

*Nationale Suisse Assurance S.A.*

On February 5, 2015, the Company's wholly-owned subsidiary, Harper Holding 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 third quarter of 2015.

*Wilton Re Life Settlements*

On May 5, 2015, the Company, through its wholly owned subsidiary, Guillamene Holdings Limited ( Guillamene ), completed the acquisitions of two Delaware companies from subsidiaries of Wilton Re that own interests in life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions.

The total consideration for the transaction was \$173.1 million, which will be paid in two installments. The first installment of \$89.1 million was paid on closing and was financed in part by borrowings under the Company's revolving credit facility (the EGL Revolving Credit Facility ). The second installment of \$83.9 million, due on the first anniversary of closing, is expected to be funded from cash on hand.

Purchase price	\$ 173,058
Net assets acquired at fair value	\$ 173,058
Excess of purchase price over fair value of net assets acquired	\$

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

The purchase price was allocated to the acquired assets and liabilities of the two companies acquired based on estimated fair values at the acquisition date.

Results related to Guillamene are included within the Company's life and annuities segment.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed at the acquisition date.

	<b>Guillamene</b>
<b>ASSETS</b>	
Other investments	142,182
Cash and cash equivalents	5,043
Other assets	26,376
<b>TOTAL ASSETS</b>	<b>\$ 173,601</b>
<b>TOTAL LIABILITIES</b>	<b>543</b>
<b>NET ASSETS ACQUIRED AT FAIR VALUE</b>	<b>\$ 173,058</b>

From the date of acquisition to June 30, 2015, the Company recorded \$1.4 million in net earnings attributable to Enstar Group Limited in its consolidated statement of earnings related to Guillamene's life settlement contract business.

Canada Pension Plan Investment Board ( CPPIB ), together with management of Wilton Re, own 100% of the common stock of Wilton Re. Subsequent to the closing of the Company's transaction with Wilton Re, CPPIB separately acquired certain voting and non-voting shares of the Company pursuant to the CPPIB-First Reserve Transaction, as described in Note 3 Significant New Business and Transactions .

***Sussex Insurance Company (formerly known as Companion)***

On January 27, 2015, the Company and Sussex Holdings, Inc. ( Sussex Holdings ), a wholly owned subsidiary of the Company, completed the 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 in cash, which was financed 50% through borrowings under a Term Facility Agreement with National Australia Bank Limited and Barclays Bank PLC (the Sussex Facility )



and 50% from cash on hand.

The Company changed the name of Companion to Sussex Insurance Company ( Sussex ) following the acquisition and is operating the company as part of its non-life run-off business.

Purchase price	\$ 218,000
Net assets acquired at fair value	\$ 218,000
Excess of purchase price over fair value of net assets acquired	\$

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

The purchase price was allocated to the acquired assets and liabilities of Sussex based on estimated fair values at the acquisition date.

The Company has not completed the process of determining the fair value of its losses and loss adjustment expense reserves acquired in the Sussex acquisition. The valuation will be completed within the measurement period, which cannot exceed 12 months from the acquisition date. As a result, the fair value recorded is a provisional estimate and may be subject to adjustment. Once completed, any adjustments resulting from the valuations may impact the individual amounts recorded for assets acquired and liabilities assumed.

Results related to Sussex are included within the Company's non-life run-off segment.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed at the acquisition date.

	<b>Sussex</b>
<b>ASSETS</b>	
Short-term investments, trading, at fair value	\$ 85,309
Fixed maturities, trading, at fair value	523,227
Equities, trading, at fair value	31,439
<b>Total investments</b>	<b>639,975</b>
Cash and cash equivalents	358,458
Restricted cash and cash equivalents	15,279
Accrued interest receivable	3,984
Premiums receivable	35,279
Reinsurance balances recoverable	486,570
Prepaid reinsurance premiums	28,751
Other assets	47,143
<b>TOTAL ASSETS</b>	<b>\$ 1,615,439</b>
<b>LIABILITIES</b>	
Losses and loss adjustment expenses	\$ 1,255,040
Insurance and reinsurance balances payable	3,030
Unearned premium	85,505
Funds withheld	42,090
Other liabilities	11,774

TOTAL LIABILITIES	1,397,439
NET ASSETS ACQUIRED AT FAIR VALUE	\$ 218,000

From the date of acquisition to June 30, 2015, the Company earned premiums of \$36.5 million, recorded net increase in ultimate losses and loss adjustment expense liabilities of \$37.2 million on those earned premiums, and recorded \$1.5 million in net losses attributable to Enstar Group Limited in its consolidated statement of earnings related to Sussex's non-life run-off business.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. SIGNIFICANT NEW BUSINESS AND TRANSACTIONS*****JCF II Funds***

On June 30, 2015, the Company entered into a Sale and Purchase Agreement with J.C. Flowers II L.P., J.C. Flowers II-A L.P., J.C. Flowers II-B, L.P. and Financial Service Opportunities L.P., collectively, the JCF II Funds, pursuant to which the Company will purchase all of the non-voting preference shares of Cumberland Holdings Ltd. and Courtenay Holdings Ltd., which represents all of the noncontrolling interest owned directly by the JCF II Funds in the Company, for an aggregate price of \$140.0 million. The purchase and sale transaction is scheduled to close no later than October 1, 2015 and the closing is not subject to any material conditions. Immediately prior to the repurchase, the JCF II Funds' noncontrolling interest totaled \$182.8 million.

***CPPIB Investment***

On June 3, 2015, CPPIB purchased 1,501,211 voting ordinary shares of the Company and 404,771 shares of Series E non-voting convertible ordinary shares of the Company from 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, and the transaction, the CPPIB-First Reserve Transaction), which resulted in CPPIB owning a 9.5% voting interest and a 9.9% aggregate economic interest in the Company. In connection with the CPPIB-First Reserve Transaction, the Company and CPPIB entered into a Shareholder Rights Agreement granting CPPIB contractual shareholder rights that are substantially similar to those rights previously held by First Reserve. Simultaneously, First Reserve waived all of its rights under the Shareholder Rights Agreement, dated April 1, 2014, among the Company, First Reserve and Corsair Specialty Investors, L.P. (Corsair), including its right to designate a representative to the Company's Board of Directors.

The new Shareholder Rights Agreement grants CPPIB the right to designate one representative to the Company's Board of Directors. This designation right terminates if CPPIB ceases to beneficially own at least 75% of the total number of voting and non-voting shares acquired in the CPPIB-First Reserve Transaction. Pursuant to this contractual right, CPPIB expects to designate a representative to the Company's Board of Directors at a future time. First Reserve also assigned to CPPIB substantially all of its rights under the Registration Rights Agreement, dated April 1, 2014, among the Company, First Reserve and Corsair, other than certain rights related to the Company's resale shelf registration statement filed with the Securities and Exchange Commission on April 29, 2014.

***Voya Financial***

On May 27, 2015, the Company, through its wholly owned subsidiary Fitzwilliam Insurance Limited (Fitzwilliam), entered into two 100% reinsurance agreements and related administration services agreements with a subsidiary of Voya, pursuant to which Fitzwilliam reinsured all of the run-off workers compensation and occupational accident assumed reinsurance business of the Voya subsidiary and that of its Canadian branch. Pursuant to the transaction, the Voya subsidiary transferred assets into two reinsurance collateral trusts securing the obligations of Fitzwilliam under the coinsurance agreements. Fitzwilliam assumed reinsurance reserves of \$572.4 million, received total assets of \$307.0 million and recorded a deferred charge of \$265.4 million included within other assets.

The Company transferred approximately \$67.2 million of additional funds to the trusts to further support the obligations under the reinsurance agreements, which the Company funded through a draw



**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. SIGNIFICANT NEW BUSINESS AND TRANSACTIONS (Continued)**

on the EGL Revolving Credit Facility. In addition to the trusts, the Company provided a limited parental guarantee supporting certain obligations of Fitzwilliam initially in the amount of \$58.0 million.

***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 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 insurance reserves of approximately £17.2 million (approximately \$26.9 million) for cash consideration of an equal amount.

**4. INVESTMENTS**

The Company holds: (i) trading portfolios of fixed maturity investments, short-term investments, equities and other investments, carried at fair value; (ii) a held-to-maturity portfolio of fixed maturity investments carried at amortized cost; (iii) available-for-sale portfolios of fixed maturity investments carried at fair value; and (iv) other investments carried at cost.

***Trading***

The estimated fair values of the Company's fixed maturity investments, short-term investments and equities classified as trading securities were as follows:

	<b>June 30 2015</b>	<b>December 31, 2014</b>
U.S. government and agency	\$ 808,811	\$ 744,660
Non-U.S. government	338,026	368,945
Corporate	2,605,138	1,986,873
Municipal	117,883	25,607
Residential mortgage-backed	429,877	308,621

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Commercial mortgage-backed	204,036	139,907
Asset-backed	723,558	388,194
Total fixed maturity and short-term investments	5,227,329	3,962,807
Equities U.S.	105,972	106,895
Equities International	23,304	43,235
	\$ 5,356,605	\$ 4,112,937

Included within residential and commercial mortgage-backed securities as at June 30, 2015 were securities issued by U.S. governmental agencies with a fair value of \$386.4 million (as at December 31, 2014: \$263.4 million).

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

Included within the corporate securities as at June 30, 2015 were senior secured loans of \$75.4 million (as at December 31, 2014: \$33.5 million).

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.

<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
One year or less	\$ 945,331	\$ 928,833	17.8%
More than one year through two years	799,988	794,281	15.2%
More than two years through five years	1,576,115	1,574,989	30.1%
More than five years through ten years	506,853	500,832	9.6%
More than ten years	75,409	70,923	1.4%
	3,903,696	3,869,858	74.1%
Residential mortgage-backed	430,924	429,877	8.2%
Commercial mortgage-backed	204,560	204,036	3.9%
Asset-backed	721,476	723,558	13.8%
	\$ 5,260,656	\$ 5,227,329	100.0%

<b>As at December 31, 2014</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
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%



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:

<b>As at June 30, 2015</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 1,823,334	34.9%
AA	848,336	16.2%
A	1,725,866	33.0%
BBB	648,686	12.4%
Non-Investment Grade	177,855	3.4%
Not Rated	3,252	0.1%
	<b>\$ 5,227,329</b>	<b>100.0%</b>

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

<b>As at December 31, 2014</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
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%
	<b>\$ 3,962,807</b>	<b>100.0%</b>

**Held-to-maturity**

The Company holds a portfolio of held-to-maturity securities to support the annuity business acquired with Pavonia Holdings (US) Inc. ( Pavonia ). The amortized cost and estimated fair values of the Company's fixed maturity investments classified as held-to-maturity were as follows:

<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses Non-OTTI</b>	<b>Fair Value</b>
U.S. government and agency	\$ 20,075	\$ 12	\$ (434)	\$ 19,653
Non-U.S. government	38,293	177	(651)	37,819
Corporate	744,227	3,689	(17,285)	730,631
	<b>\$ 802,595</b>	<b>\$ 3,878</b>	<b>\$ (18,370)</b>	<b>\$ 788,103</b>

<b>As at December 31, 2014</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses Non-OTTI</b>	<b>Fair Value</b>
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 June 30, 2015 and December 31, 2014, 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.

<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
One year or less	\$ 20,792	20,834	2.6%
More than one year through two years	18,678	18,694	2.4%
More than two years through five years	65,825	66,225	8.4%
More than five years through ten years	100,563	99,232	12.6%
More than ten years	596,737	583,118	74.0%
	\$ 802,595	\$ 788,103	100.0%

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## ENSTAR GROUP LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. INVESTMENTS (Continued)

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%

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 June 30, 2015	Amortized Cost	Fair Value	% of Total Fair Value
AAA	\$ 65,406	\$ 64,367	8.2%
AA	167,775	162,490	20.6%
A	507,058	499,397	63.3%
BBB	56,599	55,960	7.1%
Non-Investment Grade	5,445	5,575	0.7%
Not Rated	312	314	0.1%
	\$ 802,595	\$ 788,103	100.0%

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%

*Available-for-sale*

The amortized cost and estimated fair values of the Company's fixed maturity investments classified as available-for-sale were as follows:

<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses Non-OTTI</b>	<b>Fair Value</b>
U.S. government and agency	\$ 25,481	\$ 199	\$ (10)	\$ 25,670
Non-U.S. government	36,454	56	(3,210)	33,300
Corporate	117,513	1,060	(2,487)	116,086
Municipal	264	2		266
Residential mortgage-backed	2,439	82	(134)	2,387
Asset-backed	7,921	17		7,938
	<b>\$ 190,072</b>	<b>\$ 1,416</b>	<b>\$ (5,841)</b>	<b>\$ 185,647</b>

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## ENSTAR GROUP LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. INVESTMENTS (Continued)

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

Included within residential mortgage-backed securities as at June 30, 2015 were securities issued by U.S. governmental agencies with a fair value of \$1.0 million (as at December 31, 2014: \$1.1 million).

The following tables summarize the Company's fixed maturity 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:

As at June 30, 2015	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency	\$	\$	\$ 5,375	\$ (10)	\$ 5,375	\$ (10)
Non-U.S. government	1,784	(306)	24,063	(2,904)	25,847	(3,210)
Corporate	7,934	(61)	51,043	(2,426)	58,977	(2,487)
Residential mortgage-backed	753	(4)	588	(130)	1,341	(134)
	\$ 10,471	\$ (371)	\$ 81,069	\$ (5,470)	\$ 91,540	\$ (5,841)

As at December 31, 2014	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency	\$ 528	\$	\$ 3,678	\$ (6)	\$ 4,206	\$ (6)

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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)

As at June 30, 2015 and December 31, 2014, the number of securities classified as available-for-sale in an unrealized loss position was 159 and 212, respectively, with a fair value of \$91.5 million and \$149.6 million, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 19 and 120, respectively. As of June 30, 2015, none of these securities were considered to be other than temporarily impaired.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

The contractual maturities of the Company's fixed maturity 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.

<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
One year or less	\$ 32,587	\$ 30,763	16.5%
More than one year through two years	62,134	61,416	33.1%
More than two years through five years	80,542	78,917	42.5%
More than five years through ten years	4,449	4,226	2.3%
	179,712	175,322	94.4%
Residential mortgage-backed	2,439	2,387	1.3%
Asset-backed	7,921	7,938	4.3%
	\$ 190,072	\$ 185,647	100.0%

  

<b>As at December 31, 2014</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
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%

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 available-for-sale:



<b>As at June 30, 2015</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 73,246	\$ 70,245	37.8%
AA	38,071	36,810	19.9%
A	54,183	54,218	29.2%
BBB	24,572	24,374	13.1%
	\$ 190,072	\$ 185,647	100.0%

<b>As at December 31, 2014</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
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%

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)***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 six months ended June 30, 2015, the Company did not recognize any other-than-temporary impairment losses due to required sales. The Company determined that, as at June 30, 2015, no credit losses existed.

*Other Investments, at fair value*

The estimated amounts of the Company's other investments carried at fair value were as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Private equities and private equity funds	\$ 204,324	\$ 197,269
Fixed income funds	335,917	335,026
Fixed income hedge funds	97,812	59,627
Equity funds	159,494	150,053
Real estate debt fund	76,216	33,902
CLO equities	67,475	41,271
CLO equity fund	16,432	16,022
Other	1,613	3,698
	<b>\$ 959,283</b>	<b>\$ 836,868</b>

*Private equities and private equity funds*

This class comprises several private equities and private equity funds that invest primarily in the financial services industry. All of the Company's investments in private equities and 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 June 30, 2015 and December 31, 2014, the Company had \$204.3 million and \$197.3 million, respectively, of other investments recorded in private equities and private equity funds. 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.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. INVESTMENTS (Continued)**

*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.

*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*

As at June 30, 2015, 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. Previously included within this class was a catastrophe bond acquired as part of the Company's acquisition of Torus

Insurance Holdings Limited and its subsidiaries ( Torus ) on April 1, 2014. This catastrophe bond matured during the three months ended March 31, 2015.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)***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 June 30, 2015, the Company had \$12.5 million of investments subject to gates/side-pockets (\$13.0 million as of December 31, 2014). As of June 30, 2015, management has not made any adjustments to the fair value estimate reported by the fund managers for the gate/side-pocketed investments.

The following tables present the fair value, unfunded commitments and redemption frequency for the funds included within other investments at fair value. These investments are all valued at net asset value as at June 30, 2015 and December 31, 2014:

	<b>Total Fair Value</b>	<b>Gated/Side Pocket Investments</b>	<b>Investments without Gates or Side Pockets</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>
<b>June 30, 2015</b>					
Private equity funds	\$ 199,324	\$	\$ 199,324	\$ 88,805	Not eligible
Fixed income funds	335,917		335,917		Daily, monthly and quarterly
Fixed income hedge funds	97,812	1,294	96,518	9,352	Quarterly after lock-up periods expire
Equity funds	159,494		159,494		Bi-monthly
Real estate debt fund	76,216		76,216		Monthly

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CLO equity funds	16,432	11,202	5,230		Quarterly after lock-up periods expire
Other	1,299		1,299		Not eligible
	\$ 886,494	\$ 12,496	\$ 873,998	\$ 98,157	

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## ENSTAR GROUP LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. INVESTMENTS (Continued)

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	11,022	5,000		Quarterly after lock-up periods expire
Other	1,363		1,363		Not eligible
	\$ 793,262	\$ 12,980	\$ 780,282	\$ 99,885	

*Other Investments, at cost*

The Company's other investments carried at cost were as follows:

	June 30, 2015	December 31, 2014
Life settlements	\$ 140,375	\$

*Investments in Life Settlements*

Investments in life settlements are accounted for under the investment method, whereby we recognize our initial investment in life settlements at the transaction price plus all initial direct external costs. Continuing costs to keep the policy in force, primarily life insurance premiums, increase the carrying amount of the investment. We recognize income on individual investments in life settlements when the insured dies, at an amount equal to the excess of the investment proceeds over the carrying amount of the investment at that time. These investments are subject to impairment review, as discussed below.

During the three and six month periods ended June 30, 2015, the amount of net investment income included in earnings attributable to investments in life settlements was \$2.0 million. For 2014 the Company did not have an



investment in life settlements.

*Impairment of Investments in Life Settlements*

Impairment to investments in life settlement contracts may occur in the future due to the fact that continued payment of premiums required to maintain policies will cause the expected lifetime undiscounted cash flows for some policies to become negative in future reporting periods, even in the absence of future changes to the mortality assumptions. Impairment may also occur due to our future sale or lapse of select policies at a value that is below carrying amount.

Our investments in life settlements are monitored for impairment on a contract-by-contract basis quarterly. An investment in life settlements is considered impaired if the undiscounted cash flows resulting from the expected proceeds from the investment in life settlements would not be sufficient to

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. INVESTMENTS (Continued)**

recover our estimated future carrying amount of the investment in life settlements, which is the current carrying amount for the investment in life settlements plus anticipated undiscounted future premiums and other capitalizable future costs, if any. Impaired investments in life settlements are written down to their estimated fair value which is determined on a discounted cash flow basis, incorporating current market longevity assumptions and market yields. Impairment charges, if any, are included in net realized and unrealized gains. There were no impairment charges recognized in the period.

***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.

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.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. INVESTMENTS (Continued)**

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.

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 June 30, 2015, the Company had no corporate securities 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.

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**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

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 June 30, 2015, 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 an external advisor. 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.

*Other investments, at fair value*

The Company has ongoing due diligence processes with respect to the other investments 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 other investment and in determining whether such information continues to be reliable or whether further review is warranted. Certain other investments do not provide full transparency of their underlying holdings; however, the Company obtains the audited financial statements annually, and regularly reviews and discusses the performance with the 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 June 30, 2015, there were no material adjustments made to the reported net asset value.

For its investments in private equities and private equity funds, the Company measures fair value by obtaining the most recently provided capital statement from the external manager or third-party administrator. The capital statements calculate the net asset value on a fair value basis. For all publicly-traded companies, 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 equities and private equity funds as Level 3.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. INVESTMENTS (Continued)**

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.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

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.

***Fair Value Measurements***

In accordance with the provisions of the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification (ASC) 820, the Company has categorized its investments that are recorded at fair value among levels as follows:

	<b>June 30, 2015</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
U.S. government and agency	\$	\$ 834,481	\$	\$ 834,481
Non-U.S. government		371,326		371,326
Corporate		2,721,224		2,721,224
Municipal		118,149		118,149
Residential mortgage-backed		432,264		432,264
Commercial mortgage-backed		204,036		204,036
Asset-backed		731,496		731,496
Equities U.S.	90,464	15,508		105,972
Equities International	15,220	8,084		23,304
Other investments, at fair value		495,378	463,905	959,283
<b>Total investments</b>	<b>\$ 105,684</b>	<b>\$ 5,931,946</b>	<b>\$ 463,905</b>	<b>\$ 6,501,535</b>

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

	<b>December 31, 2014</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
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, at fair value		487,078	349,790	836,868
<b>Total investments</b>	<b>\$ 121,207</b>	<b>\$ 4,714,469</b>	<b>\$ 355,240</b>	<b>\$ 5,190,916</b>

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 June 30, 2015 and December 31, 2014:

	<b>June 30, 2015</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
U.S. government and agency	\$	\$ 19,653	\$	\$ 19,653
Non-U.S. government		37,819		37,819
Corporate		730,631		730,631
<b>Total investments</b>	<b>\$</b>	<b>\$ 788,103</b>	<b>\$</b>	<b>\$ 788,103</b>

December 31, 2014

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
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

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

During the six months ended June 30, 2015 and the year ended December 31, 2014, 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 three months ended June 30, 2015:

	<b>Fixed Maturity Investments</b>	<b>Other Investments</b>	<b>Equity Securities</b>	<b>Total</b>
Level 3 investments as of April 1, 2015	\$	\$ 427,362	\$	\$ 427,362
Purchases		54,407		54,407
Sales		(28,533)		(28,533)
Total realized and unrealized gains through earnings		10,669		10,669
Net transfers into and/or (out of) Level 3				
Level 3 investments as of June 30, 2015	\$	\$ 463,905	\$	\$ 463,905

The amount of net gains for the three months ended June 30, 2015 included in earnings attributable to the fair value of changes in assets still held at June 30, 2015 was \$10.7 million. All of this amount was included in net realized and unrealized gains.

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 three months ended June 30, 2014.

	<b>Fixed Maturity Investments</b>	<b>Other Investments</b>	<b>Equity Securities</b>	<b>Total</b>
Level 3 investments as of April 1, 2014	\$ 607	\$ 296,651	\$ 4,750	\$ 302,008
Purchases		28,461		28,461
Sales		(7,709)		(7,709)
Total realized and unrealized gains through earnings	3	10,761	125	10,889

Net transfers into and/or (out of)  
Level 3

Level 3 investments as of June 30, 2014	\$ 610	\$ 328,164	\$ 4,875	\$ 333,649
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The amount of net gains for the three months ended June 30, 2014 included in earnings attributable to the fair value of changes in assets still held at June 30, 2014 was \$10.9 million. All of this amount was included in net realized and unrealized gains.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (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 six months ended June 30, 2015:

	<b>Fixed Maturity Investments</b>	<b>Other Investments</b>	<b>Equity Securities</b>	<b>Total</b>
Level 3 investments as of January 1, 2015	\$ 600	\$ 349,790	\$ 4,850	\$ 355,240
Purchases		136,385		136,385
Sales	(600)	(42,415)	(5,000)	(48,015)
Total realized and unrealized gains through earnings		20,145	150	20,295
Net transfers into and/or (out of) Level 3				
Level 3 investments as of June 30, 2015	\$	\$ 463,905	\$	\$ 463,905

The amount of net gains for the six months ended June 30, 2015 included in earnings attributable to the fair value of changes in assets still held at June 30, 2015 was \$20.3 million. All of this amount was included in net realized and unrealized gains.

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 six months ended June 30, 2014:

	<b>Fixed Maturity Investments</b>	<b>Other Investments</b>	<b>Equity Securities</b>	<b>Total</b>
Level 3 investments as of January 1, 2014	\$ 609	\$ 265,569	\$ 4,725	\$ 270,903
Purchases		51,753		51,753
Sales		(10,692)		(10,692)
Total realized and unrealized gains through earnings	1	21,534	150	21,685
Net transfers into and/or (out of) Level 3				

Level 3 investments as of June 30, 2014	\$ 610	\$ 328,164	\$ 4,875	\$ 333,649
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The amount of net gains for the six months ended June 30, 2014 included in earnings attributable to the fair value of changes in assets still held at June 30, 2014 was \$21.7 million. All of this amount was included in net realized and unrealized gains.

***Fair Value Measurements for Life Settlements***

The Company measures the fair value of its investments in life settlements (acquired in the Guillamene transaction on May 5, 2015), carried at cost, on a non-recurring basis, generally quarterly,



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Impaired investments in life settlements are written down to their estimated fair value and the impairment charges are included in net realized and unrealized (losses) gains. For the three and six months ended June 30, 2015, no impairment charges attributable to life settlements were included in net realized and unrealized (losses) gains.

The estimated fair value of investments in life settlements at June 30, 2015 was \$146.8 million (December 31, 2014 - \$nil). The fair value estimates use unobservable inputs and as such are classified within level 3 in the fair value hierarchy.

***Net Realized and Unrealized (Losses) Gains***

Components of net realized and unrealized (losses) gains for the three and six months ended June 30, 2015 and 2014 were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Gross realized gains on available-for-sale securities	\$ 39	\$ 253	\$ 153	\$ 279
Gross realized losses on available-for-sale securities	(1)		(9)	(145)
Net realized gains on trading securities	7,055	12,010	19,638	17,927
Net unrealized (losses) gains on trading securities	(29,398)	8,757	(22,629)	20,535
Net realized and unrealized gains on other investments	11,056	17,391	34,618	34,388
Net realized and unrealized (losses) gains	\$ (11,249)	\$ 38,411	\$ 31,771	\$ 72,984
Proceeds from sales and maturities of available-for-sale securities	\$ 48,492	\$ 26,179	\$ 97,733	\$ 78,967

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)***Net Investment Income*

Major categories of net investment income for the three and six months ended June 30, 2015 and 2014 are summarized as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Interest from fixed maturity investments	\$ 41,466	\$ 39,644	\$ 80,318	\$ 73,850
Interest from cash and cash equivalents and short-term investments	1,387	1,800	4,106	3,425
Net amortization of bond premiums and discounts	(12,915)	(15,682)	(25,518)	(28,144)
Dividends from equities	1,315	1,626	2,996	3,030
Other investments	3,558	648	4,440	740
Interest on other receivables	358	656	639	882
Other income	11,714	7,164	14,617	7,186
Net income from investments in life settlements	1,959		1,959	
Interest on deposits held with clients	139	292	619	1,022
Policy loan interest	272	304	565	615
Investment expenses	(2,760)	(2,803)	(4,355)	(4,609)
	\$ 46,493	\$ 33,649	\$ 80,386	\$ 57,997

*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 \$612.4 million and \$535.0 million, as of June 30, 2015 and December 31, 2014 was as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Collateral in trust for third party agreements	\$ 3,098,311	\$ 2,630,259
Assets on deposit with regulatory authorities	1,091,505	653,192
Collateral for secured letter of credit facility	262,243	300,468
	\$ 4,452,059	\$ 3,583,919

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. REINSURANCE BALANCES RECOVERABLE**

The following table provides the total reinsurance balances recoverable as at June 30, 2015 and December 31, 2014:

	<b>June 30, 2015</b>				<b>Total</b>
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Life and Annuities</b>	
Recoverable from reinsurers on:					
Outstanding losses	\$ 684,305	\$ 6,520	\$ 191,193	\$ 24,048	\$ 906,066
Losses incurred but not reported	515,797	16,317	105,189	449	637,752
Fair value adjustments	(22,049)	3,174	(9,333)		(28,208)
<b>Total reinsurance reserves recoverable</b>	<b>1,178,053</b>	<b>26,011</b>	<b>287,049</b>	<b>24,497</b>	<b>1,515,610</b>
Paid losses recoverable	77,233	770	19,585	424	98,012
	<b>\$ 1,255,286</b>	<b>\$ 26,781</b>	<b>\$ 306,634</b>	<b>\$ 24,921</b>	<b>\$ 1,613,622</b>

	<b>December 31, 2014</b>				<b>Total</b>
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Life and Annuities</b>	
Recoverable from reinsurers on:					
Outstanding losses	\$ 568,386	\$ 9,582	\$ 181,067	\$ 25,125	\$ 784,160
Losses incurred but not reported	278,696	14,565	154,850	467	448,578
Fair value adjustments	(46,373)	4,131	(10,708)		(52,950)
<b>Total reinsurance reserves recoverable</b>	<b>800,709</b>	<b>28,278</b>	<b>325,209</b>	<b>25,592</b>	<b>1,179,788</b>
Paid losses recoverable	129,750	1,289	19,845	883	151,767
	<b>\$ 930,459</b>	<b>\$ 29,567</b>	<b>\$ 345,054</b>	<b>\$ 26,475</b>	<b>\$ 1,331,555</b>

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 Atrium Underwriting Group Limited and its subsidiaries ( Atrium ) and Torus 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.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. REINSURANCE BALANCES RECOVERABLE (Continued)**

As of June 30, 2015 and December 31, 2014, the Company had reinsurance balances recoverable of \$1.61 billion and \$1.33 billion, respectively. The increase of \$282.0 million in reinsurance balances recoverable was primarily a result of the Companion acquisition, partially offset by commutations and cash collections made during the six months ended June 30, 2015 in the Company's non-life run-off and Torus segments.

***Top Ten Reinsurers***

The following table shows, for each segment, the total reinsurance balances recoverable by reinsurer as at June 30, 2015 and December 31, 2014:

	As at June 30, 2015						% of Total
	Reinsurance Balances Recoverable						
	Non-life run-off	Atrium	Torus	Life and annuities	Total		
Top ten reinsurers	\$ 882,658	\$ 21,365	\$ 121,542	\$ 14,564	\$ 1,040,129		64.5%
Other reinsurers balances > \$1 million	357,401	4,856	179,497	10,219	551,973		34.2%
Other reinsurers balances < \$1 million	15,227	560	5,595	138	21,520		1.3%
Total	\$ 1,255,286	\$ 26,781	\$ 306,634	\$ 24,921	\$ 1,613,622		100.0%

	As at December 31, 2014						% of Total
	Reinsurance Balances Recoverable						
	Non-life run-off	Atrium	Torus	Life and annuities	Total		
Top ten reinsurers	\$ 667,325	\$ 23,635	\$ 158,117	\$ 15,089	\$ 864,166		64.9%
Other reinsurers balances > \$1 million	256,929	4,917	181,196	10,692	453,734		34.1%
Other reinsurers balances < \$1 million	6,205	1,015	5,741	694	13,655		1.0%
Total	\$ 930,459	\$ 29,567	\$ 345,054	\$ 26,475	\$ 1,331,555		100.0%

At June 30, 2015 and December 31, 2014, the top ten reinsurers of the Company's business accounted for 64.5% and 64.9%, respectively, of total reinsurance balances recoverable (which includes total reinsurance reserves and paid losses recoverable) and included \$464.8 million and \$310.9 million, respectively, of incurred but not reported (IBNR)

reserves recoverable. With the exception of three non-rated reinsurers from which \$400.2 million was recoverable (December 31, 2014: \$175.2 million related to one reinsurer), the other top ten reinsurers, as at June 30, 2015 and December 31, 2014, were all rated A- or better.

As at June 30, 2015, reinsurance balances recoverable with a carrying value of \$175.3 million were associated with one reinsurer that represented 10% or more of total reinsurance balances recoverable. 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 total reinsurance balances recoverable.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. REINSURANCE BALANCES RECOVERABLE (Continued)***Provisions for Uncollectible Reinsurance Balances Recoverable*

The following table shows the total reinsurance balances recoverable by rating of reinsurer along with the Company's provisions for uncollectible reinsurance balances recoverable (provisions for bad debt) as at June 30, 2015 and December 31, 2014. The provisions for bad debt all relate to the non-life run-off segment.

	<b>As at June 30, 2015</b>		
	<b>Reinsurance Balances Recoverable</b>		
	<b>Provisions</b>		
	<b>for Bad</b>		
	<b>Gross</b>	<b>Debt</b>	<b>Net</b>
Reinsurers rated A- or above	\$ 1,122,408	\$ 53,911	\$ 1,068,497
Reinsurers rated below A-, secured (trust funds or letters of credit)	471,033		471,033
Reinsurers rated below A-, unsecured	277,522	203,430	74,092
Total	\$ 1,870,963	\$ 257,341	\$ 1,613,622
Provisions for bad debt as a percentage of gross reinsurance balances recoverable		13.8%	

	<b>As at December 31, 2014</b>		
	<b>Reinsurance Balances Recoverable</b>		
	<b>Provisions</b>		
	<b>for Bad Debt</b>		
	<b>Gross</b>		<b>Net</b>
Reinsurers rated A- or above	\$ 1,126,944	\$ 80,995	\$ 1,045,949
Reinsurers rated below A-, secured (trust funds or letters of credit)	204,544		204,544
Reinsurers rated below A-, unsecured	289,976	208,914	81,062
Total	\$ 1,621,464	\$ 289,909	\$ 1,331,555
Provisions for bad debt as a percentage of gross reinsurance balances recoverable		17.9%	

**6. LOSSES AND LOSS ADJUSTMENT EXPENSES**



The following table provides the total losses and loss adjustment expense liabilities as at June 30, 2015 and December 31, 2014:

	<b>June 30, 2015</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Outstanding	\$ 2,996,468	\$ 69,261	\$ 437,776	\$ 3,503,505
Incurred but not reported	2,218,816	115,215	438,356	2,772,387
Fair value adjustment	(151,147)	21,023	(2,297)	(132,421)
Total	\$ 5,064,137	\$ 205,499	\$ 873,835	\$ 6,143,471

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>December 31, 2014</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Outstanding	\$ 2,202,187	\$ 73,803	\$ 387,171	\$ 2,663,161
Incurred but not reported	1,406,420	113,149	477,264	1,996,833
Fair value adjustment	(173,597)	25,659	(2,635)	(150,573)
<b>Total</b>	<b>\$ 3,435,010</b>	<b>\$ 212,611</b>	<b>\$ 861,800</b>	<b>\$ 4,509,421</b>

The overall increase in losses and loss adjustment expense liabilities for the Company between December 31, 2014 and June 30, 2015 was primarily attributable to the Company's acquisition of Companion and the completion of the Voya transaction.

Refer to Note 8 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for more information on establishing reserves for losses and loss adjustment expense liabilities.

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 three and six months ended June 30, 2015 and 2014 was as follows:

	<b>Three Months Ended June 30, 2015</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Net losses paid	\$ 164,440	\$ 12,121	\$ 39,415	\$ 215,976
Net change in case and LAE reserves	(104,330)	136	46,729	(57,465)
Net change in IBNR reserves	(75,957)	5,186	(5,690)	(76,461)
(Reduction) increase in estimates of net ultimate losses	(15,847)	17,443	80,454	82,050
Reduction in provisions for bad debt	(625)			(625)
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(7,711)	(8)	1,053	(6,666)
Amortization of fair value adjustments	(4,687)	(3,678)	(494)	(8,859)
<b>Net (reduction) increase in ultimate losses and loss adjustment expense liabilities</b>	<b>\$ (28,870)</b>	<b>\$ 13,757</b>	<b>\$ 81,013</b>	<b>\$ 65,900</b>



**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Three Months Ended June 30, 2014</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Net losses paid	\$ 116,575	\$ 12,008	\$ 14,249	\$ 142,832
Net change in case and LAE reserves	(78,421)	2,241	42,264	(33,916)
Net change in IBNR reserves	(54,730)	2,329	23,727	(28,674)
(Reduction) increase in estimates of net ultimate losses	(16,576)	16,578	80,240	80,242
Paid loss recoveries on bad debt provisions	(11,206)			(11,206)
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(12,874)	33		(12,841)
Amortization of fair value adjustments	3,454		100	3,554
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (37,202)	\$ 16,611	\$ 80,340	\$ 59,749

	<b>Six Months Ended June 30, 2015</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Net losses paid	\$ 229,700	\$ 24,032	\$ 91,563	\$ 345,295
Net change in case and LAE reserves	(111,330)	(883)	44,943	(67,270)
Net change in IBNR reserves	(113,235)	1,376	20,049	(91,810)
Increase in estimates of net ultimate losses	5,135	24,525	156,555	186,215
Reduction in provisions for bad debt	(20,439)			(20,439)
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(21,686)	(70)	1,711	(20,045)
Amortization of fair value adjustments	(4,980)	(3,678)	(1,037)	(9,695)
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (41,970)	\$ 20,777	\$ 157,229	\$ 136,036

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Six Months Ended June 30, 2014</b>			
	<b>Non-life Run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Total</b>
Net losses paid	\$ 204,262	\$ 24,843	\$ 14,249	\$ 243,354
Net change in case and LAE reserves	(140,819)	3,016	42,264	(95,539)
Net change in IBNR reserves	(92,078)	5,798	23,727	(62,553)
(Reduction) increase in estimates of net ultimate losses	(28,635)	33,657	80,240	85,262
Paid loss recoveries on bad debt provisions	(11,206)			(11,206)
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(26,233)	85		(26,148)
Amortization of fair value adjustments	(309)		100	(209)
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (66,383)	\$ 33,742	\$ 80,340	\$ 47,699

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

The table below provides a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the three months ended June 30, 2015 and 2014 of the non-life run-off segment (losses incurred and paid are reflected net of reinsurance balances recoverable):

	<b>Non-life Run-off Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Balance as at April 1	\$ 4,693,262	\$ 3,821,878
Less: total reinsurance reserves recoverable	1,210,933	1,028,162
	3,482,329	2,793,716
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	22,547	10,209
Prior periods	(51,417)	(47,411)
Total net reduction in ultimate losses and loss adjustment expense liabilities	(28,870)	(37,202)

Net losses paid:		
Current period	(9,434)	(260)
Prior periods	(155,006)	(105,108)
<b>Total net losses paid</b>	<b>(164,440)</b>	<b>(105,368)</b>
Effect of exchange rate movement	25,876	8,032
Acquired on purchase of subsidiaries		386,074
Assumed business	305,763	
<b>Net balance as at June 30</b>	<b>3,620,658</b>	<b>3,045,252</b>
Plus: total reinsurance reserves recoverable	1,178,053	935,319
Plus: total deferred charge on retroactive reinsurance	265,426	
<b>Balance as at June 30</b>	<b>\$ 5,064,137</b>	<b>\$ 3,980,571</b>

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

Total net losses paid for the three months ended June 30, 2014 are shown net of paid loss recoveries on bad debt provisions of \$11.2 million.

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities in the non-life run-off segment for the three months ended June 30, 2015 and 2014 was as follows:

	<b>Non-Life Run-off</b>		
	<b>Three Months Ended June 30, 2015</b>		
	<b>Prior</b>	<b>Current</b>	<b>Total</b>
	<b>Period</b>	<b>Period</b>	
Net losses paid	\$ 155,006	\$ 9,434	\$ 164,440
Net change in case and LAE reserves	(108,819)	4,489	(104,330)
Net change in IBNR reserves	(84,581)	8,624	(75,957)
(Reduction) increase in estimates of net ultimate losses	(38,394)	22,547	(15,847)
Reduction in provisions for bad debt	(625)		(625)
Reduction in provisions for unallocated loss adjustment expense liabilities	(7,711)		(7,711)
Amortization of fair value adjustments	(4,687)		(4,687)
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (51,417)	\$ 22,547	\$ (28,870)

	<b>Non-Life Run-off</b>		
	<b>Three Months Ended June 30, 2014</b>		
	<b>Prior</b>	<b>Current</b>	<b>Total</b>
	<b>Period</b>	<b>Period</b>	
Net losses paid	\$ 116,315	\$ 260	\$ 116,575
Net change in case and LAE reserves	(78,596)	175	(78,421)
Net change in IBNR reserves	(64,504)	9,774	(54,730)
(Reduction) increase in estimates of net ultimate losses	(26,785)	10,209	(16,576)
Paid loss recoveries on bad debt provisions	(11,206)		(11,206)
Reduction in provisions for unallocated loss adjustment expense liabilities	(12,874)		(12,874)

Amortization of fair value adjustments	3,454		3,454
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (47,411)	\$ 10,209	\$ (37,202)

Net change in case and loss adjustment expense ( LAE ) reserves comprises the movement during the period 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 reserves represents the change in the Company's actuarial estimates of losses incurred but not reported, less amounts recoverable.



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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

*Three Months Ended June 30, 2015*

The net reduction in ultimate losses and loss adjustment expense liabilities for the three months ended June 30, 2015 of \$28.9 million included incurred losses of \$22.5 million related to current period earned premium of \$17.2 million, related primarily to the portion of the run-off business acquired with Sussex. Excluding current period incurred losses of \$22.5 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$51.4 million, which was attributable to a reduction in estimates of net ultimate losses of \$38.4 million, reduction in provisions for bad debt of \$0.6 million, reduction in provisions for unallocated loss adjustment expense liabilities of \$7.7 million, relating to 2015 run-off activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$4.7 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$38.4 million was primarily related to:

- (i) the Company's review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of approximately \$6.4 million;
- (ii) a reduction in IBNR reserves of \$23.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and
- (iii) favorable claims settlements during the three months ended June 30, 2015 resulting in a reduction in estimates of net ultimate losses of approximately \$9.0 million.

*Three Months Ended June 30, 2014*

The net reduction in ultimate losses and loss adjustment expense liabilities for the three months ended June 30, 2014 of \$37.2 million included incurred losses of \$10.2 million related to current period earned premium, related primarily to the portion of the run-off business acquired with Torus. Excluding current period incurred losses of \$10.2 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$47.4 million, which was attributable to a reduction in estimates of net ultimate losses of \$26.8 million, paid loss recoveries on bad debt provisions of \$11.2 million and a reduction in provisions for unallocated loss adjustment expense liabilities of \$12.9 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 \$3.5 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$26.8 million was primarily related to:

- (i) the Company's review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of approximately \$6.8 million;
- (ii) a reduction in IBNR reserves of \$10.0 million primarily as a result of the application, on a basis consistent with the assumptions applied in the prior period, of the Company's actuarial

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

methodologies to revised historical loss development data to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and

- (iii) favorable claims settlements during the three months ended June 30, 2014 resulting in a reduction in estimates of net ultimate losses of approximately \$12.8 million.

Six Months Ended June 30, 2015 and 2014

The table below provides a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the six months ended June 30, 2015 and 2014 of the non-life run-off segment (losses incurred and paid are reflected net of reinsurance balances recoverable):

	<b>Non-Life Run-off Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Balance as at January 1	\$ 3,435,010	\$ 4,004,513
Less: total reinsurance reserves recoverable	800,709	1,121,533
	2,634,301	2,882,980
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	43,273	11,641
Prior periods	(85,243)	(78,024)
Total net reduction in ultimate losses and loss adjustment expense liabilities	(41,970)	(66,383)
Net losses paid:		
Current period	(14,005)	(792)
Prior periods	(215,695)	(192,263)
Total net losses paid	(229,700)	(193,055)
Effect of exchange rate movement	(12,362)	7,006
Acquired on purchase of subsidiaries	774,758	386,074

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Assumed business	495,631	28,630
Net balance as at June 30	3,620,658	3,045,252
Plus: total reinsurance reserves recoverable	1,178,053	935,319
Plus: total deferred charge on retroactive reinsurance	265,426	
Balance as at June 30	\$ 5,064,137	\$ 3,980,571

Total net losses paid for the six months ended June 30, 2014 are shown net of paid loss recoveries on bad debt provisions of \$11.2 million.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities in the non-life run-off segment for the six months ended June 30, 2015 and 2014 was as follows:

	<b>Non-Life Run-off</b>		
	<b>Six Months Ended June 30, 2015</b>		
	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>
Net losses paid	\$ 215,695	\$ 14,005	\$ 229,700
Net change in case and LAE reserves	(118,813)	7,483	(111,330)
Net change in IBNR reserves	(135,020)	21,785	(113,235)
(Reduction) increase in estimates of net ultimate losses	(38,138)	43,273	5,135
Reduction in provisions for bad debt	(20,439)		(20,439)
Reduction in provisions for unallocated loss adjustment expense liabilities	(21,686)		(21,686)
Amortization of fair value adjustments	(4,980)		(4,980)
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (85,243)	\$ 43,273	\$ (41,970)

	<b>Non-Life Run-off</b>		
	<b>Six Months Ended June 30, 2014</b>		
	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>
Net losses paid	\$ 203,470	\$ 792	\$ 204,262
Net change in case and LAE reserves	(141,845)	1,026	(140,819)
Net change in IBNR reserves	(101,901)	9,823	(92,078)
(Reduction) increase in estimates of net ultimate losses	(40,276)	11,641	(28,635)
Paid loss recoveries on bad debt provisions	(11,206)		(11,206)
Reduction in provisions for unallocated loss adjustment expense liabilities	(26,233)		(26,233)
Amortization of fair value adjustments	(309)		(309)
	\$ (78,024)	\$ 11,641	\$ (66,383)

Net (reduction) increase in ultimate losses and  
loss adjustment expense liabilities

*Six Months Ended June 30, 2015*

The net reduction in ultimate losses and loss adjustment expense liabilities for the six months ended June 30, 2015 of \$42.0 million included incurred losses of \$43.3 million related to current period earned premium of \$35.8 million primarily related to the portion of the run-off business acquired with Sussex. Excluding current period incurred losses of \$43.3 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$85.2 million, which was attributable to a reduction in estimates of net ultimate losses of \$38.1 million, reduction in provisions for bad debt of \$20.4 million, a reduction in provisions for unallocated loss adjustment expense liabilities of \$21.7 million, relating to

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

2015 run-off activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$5.0 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$38.1 million was related primarily to:

- (i) the Company's review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of approximately \$6.4 million;
- (ii) a reduction in IBNR reserves of \$23.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and
- (iii) favorable claims settlements during the six months ended June 30, 2015 resulting in a reduction in estimates of net ultimate losses of approximately \$8.7 million.

The reduction in provisions for bad debt of \$20.4 million for the six months ended June 30, 2015 resulted from the cash collection and commutation of certain reinsurance receivables against which bad debt provisions had been provided for in earlier periods.

*Six Months Ended June 30, 2014*

The net reduction in ultimate losses and loss adjustment expense liabilities for the six months ended June 30, 2014 of \$66.4 million included incurred losses of \$11.6 million related to current period earned premium of \$17.3 million primarily related to the portion of the run-off business acquired with Torus. Excluding current period incurred losses of \$11.6 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$78.0 million, which was attributable to a reduction in estimates of net ultimate losses of \$40.3 million, paid loss recoveries on bad debt provisions of \$11.2 million and a reduction in provisions for unallocated loss adjustment expense liabilities of \$26.2 million, relating to 2014 run-off activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$0.3 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$40.3 million was related primarily to:

- (i) the Company's review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of approximately \$13.6 million;
- (ii) a reduction in IBNR reserves of \$10.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and

- (iii) favorable claims settlements during the six months ended June 30, 2014 resulting in a reduction in estimates of net ultimate losses of approximately \$19.5 million.

***Atrium Segment***

The tables below provide a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the three months ended June 30, 2015 and 2014 for the Atrium segment (losses incurred and paid are reflected net of reinsurance recoverables):

	<b>Atrium</b>	
	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Balance as at April 1	\$ 202,873	\$ 220,252
Less: total reinsurance reserves recoverable	26,629	25,626
	176,244	194,626
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	17,495	18,904
Prior periods	(3,738)	(2,293)
Total net increase in ultimate losses and loss adjustment expense liabilities	13,757	16,611
Net losses paid:		
Current period	(4,538)	(5,132)
Prior periods	(7,583)	(6,876)
Total net losses paid	(12,121)	(12,008)
Effect of exchange rate movement	1,608	698
Net balance as at June 30	179,488	199,927
Plus: total reinsurance reserves recoverable	26,011	26,993
Balance as at June 30	\$ 205,499	\$ 226,920



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Atrium Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Balance as at January 1	\$ 212,611	\$ 215,392
Less: total reinsurance reserves recoverable	28,278	25,055
	184,333	190,337
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	32,373	40,218
Prior periods	(11,596)	(6,476)
Total net increase in ultimate losses and loss adjustment expense liabilities	20,777	33,742
Net losses paid:		
Current period	(7,408)	(9,816)
Prior periods	(16,624)	(15,027)
Total net losses paid	(24,032)	(24,843)
Effect of exchange rate movement	(1,590)	691
Net balance as at June 30	179,488	199,927
Plus: total reinsurance reserves recoverable	26,011	26,993
Balance as at June 30	\$ 205,499	\$ 226,920

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities for the Atrium segment for the three and six months ended June 30, 2015 and 2014 was as follows:

	<b>Atrium Three Months Ended June 30,</b>					
	<b>2015</b>			<b>2014</b>		
	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>
Net losses paid	\$ 7,583	\$ 4,538	\$ 12,121	\$ 6,876	\$ 5,132	\$ 12,008

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Net change in case and LAE reserves	(3,946)	4,082	136	(3,857)	6,098	2,241
Net change in IBNR reserves	(3,560)	8,746	5,186	(5,019)	7,348	2,329
Increase (reduction) in estimates of net ultimate losses	77	17,366	17,443	(2,000)	18,578	16,578
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(137)	129	(8)	(293)	326	33
Amortization of fair value adjustments	(3,678)		(3,678)			
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (3,738)	\$ 17,495	\$ 13,757	\$ (2,293)	\$ 18,904	\$ 16,611

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Atrium</b>					
	<b>Six Months Ended June 30,</b>					
	<b>Prior Period</b>	<b>2015 Current Period</b>	<b>Total</b>	<b>Prior Period</b>	<b>2014 Current Period</b>	<b>Total</b>
Net losses paid	\$ 16,624	\$ 7,408	\$ 24,032	\$ 15,027	\$ 9,816	\$ 24,843
Net change in case and LAE reserves	(7,657)	6,774	(883)	(7,842)	10,858	3,016
Net change in IBNR reserves	(16,553)	17,929	1,376	(13,420)	19,218	5,798
(Reduction) increase in estimates of net ultimate losses	(7,586)	32,111	24,525	(6,235)	39,892	33,657
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(332)	262	(70)	(241)	326	85
Amortization of fair value adjustments	(3,678)		(3,678)			
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (11,596)	\$ 32,373	\$ 20,777	\$ (6,476)	\$ 40,218	\$ 33,742

***Torus Segment***

The tables below provide a reconciliation of the beginning and ending reserves for losses and loss adjustment expenses for the three months ended June 30, 2015 and 2014 for the Torus segment (losses incurred and paid are reflected net of reinsurance recoverables):

	<b>Torus</b>	
	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Balance as at April 1	\$ 828,488	\$
Less: total reinsurance reserves recoverable	280,540	
	547,948	
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	81,293	80,340
Prior periods	(280)	

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Total net increase in ultimate losses and loss adjustment expense liabilities	81,013	80,340
Net losses paid:		
Current period	(7,518)	(2,851)
Prior periods	(31,896)	(11,398)
Total net losses paid	(39,414)	(14,249)
Effect of exchange rate movement	(2,761)	(114)
Acquired on purchase of subsidiaries		515,373
Net balance as at June 30	586,786	581,350
Plus: total reinsurance reserves recoverable	287,049	336,150
Balance as at June 30	\$ 873,835	\$ 917,500

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Torus</b>	
	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014<sup>(1)</sup></b>
Balance as at January 1	\$ 861,800	\$
Less: total reinsurance reserves recoverable	325,209	
	536,591	
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:		
Current period	158,703	80,340
Prior periods	(1,474)	
Total net increase in ultimate losses and loss adjustment expense liabilities	157,229	80,340
Net losses paid:		
Current period	(11,241)	(2,851)
Prior periods	(80,322)	(11,398)
Total net losses paid	(91,563)	(14,249)
Effect of exchange rate movement	(15,471)	(114)
Acquired on purchase of subsidiaries		515,373
Net balance as at June 30	586,786	581,350
Plus: total reinsurance reserves recoverable	287,049	336,150
Balance as at June 30	\$ 873,835	\$ 917,500

(1) The Company began reporting with respect to its Torus segment following the acquisition of Torus in the second quarter of 2014.

The net (reduction) increase in ultimate losses and loss adjustment expense liabilities for the Torus segment for the three and six months ended June 30, 2015 and 2014 was as follows:

	<b>Torus</b>	
	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>

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	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Total</b>
Net losses paid	\$ 31,896	\$ 7,518	\$ 39,414	\$ 11,398	\$ 2,851	\$ 14,249
Net change in case and LAE reserves	6,397	40,332	46,729	34,414	7,850	42,264
Net change in IBNR reserves	(38,584)	32,894	(5,690)	(45,812)	69,539	23,727
(Reduction) increase in estimates of net ultimate losses	(291)	80,744	80,453		80,240	80,240
Increase (reduction) in provisions for unallocated loss adjustment expense liabilities	506	549	1,055			
Amortization of fair value adjustments	(495)		(495)		100	100
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (280)	\$ 81,293	\$ 81,013	\$	\$ 80,340	\$ 80,340



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. LOSSES AND LOSS ADJUSTMENT EXPENSES (Continued)**

	<b>Torus</b>					
	<b>Six Months Ended June 30,</b>					
	<b>Prior Period</b>	<b>2015 Current Period</b>	<b>Total</b>	<b>Prior Period</b>	<b>2014 Current Period</b>	<b>Total</b>
Net losses paid	\$ 80,322	\$ 11,241	\$ 91,563	\$ 11,398	\$ 2,851	\$ 14,249
Net change in case and LAE reserves	(3,934)	48,877	44,943	34,414	7,850	42,264
Net change in IBNR reserves	(76,262)	96,311	20,049	(45,812)	69,539	23,727
Increase in estimates of net ultimate losses	126	156,429	156,555		80,240	80,240
(Reduction) increase in provisions for unallocated loss adjustment expense liabilities	(563)	2,274	1,711			
Amortization of fair value adjustments	(1,037)		(1,037)		100	100
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (1,474)	\$ 158,703	\$ 157,229	\$	\$ 80,340	\$ 80,340

**7. POLICY BENEFITS FOR LIFE AND ANNUITY CONTRACTS**

Policy benefits for life and annuity contracts as at June 30, 2015 and December 31, 2014 were as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Life	\$ 333,486	\$ 344,215
Annuities	929,959	938,121
	1,263,445	1,282,336
Fair value adjustments	(57,314)	(61,472)
	\$ 1,206,131	\$ 1,220,864

Refer to Note 9 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for more information on establishing policy benefit reserves.



**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. 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 three and six month periods ended June 30, 2015 and 2014:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned	Premiums Written	Premiums Earned
<b><u>Non-life run-off</u></b>								
Gross	\$ 14,797	\$ 53,184	\$ 6,720	\$ 22,406	\$ 24,914	\$ 78,157	\$ 8,039	\$ 25,174
Ceded	(39,590)	(35,886)	(904)	(5,322)	(39,867)	(42,367)	(1,180)	(5,563)
Net	\$ (24,793)	\$ 17,298	\$ 5,816	\$ 17,084	\$ (14,953)	\$ 35,790	\$ 6,859	\$ 19,611
<b><u>Atrium</u></b>								
Gross	\$ 35,786	\$ 37,913	\$ 39,857	\$ 38,142	\$ 84,699	\$ 76,067	\$ 87,434	\$ 76,299
Ceded	(3,966)	(3,956)	(3,868)	(4,145)	(8,521)	(8,238)	(9,720)	(9,663)
Net	\$ 31,820	\$ 33,957	\$ 35,989	\$ 33,997	\$ 76,178	\$ 67,829	\$ 77,714	\$ 66,636
<b><u>Torus</u></b>								
Gross	\$ 241,057	\$ 195,963	\$ 170,646	\$ 185,753	\$ 431,754	\$ 364,495	\$ 170,646	\$ 185,753
Ceded	(59,692)	(58,267)	(40,205)	(47,514)	(125,566)	(103,177)	(40,205)	(47,514)
Net	\$ 181,365	\$ 137,696	\$ 130,441	\$ 138,239	\$ 306,188	\$ 261,318	\$ 130,441	\$ 138,239
<b><u>Life and annuities</u></b>								
Life	\$ 22,922	\$ 23,072	\$ 27,189	\$ 27,596	\$ 45,655	\$ 45,992	\$ 53,185	\$ 54,088
<b>Total</b>	<b>\$ 211,314</b>	<b>\$ 212,023</b>	<b>\$ 199,435</b>	<b>\$ 216,916</b>	<b>\$ 413,068</b>	<b>\$ 410,929</b>	<b>\$ 268,199</b>	<b>\$ 278,574</b>

**9. GOODWILL, INTANGIBLE ASSETS AND DEFERRED CHARGE**

The following table shows the Company's goodwill, intangible assets and deferred charge as at June 30, 2015 and December 31, 2014:

	<b>Goodwill</b>	<b>Intangible assets with a definite life- Other</b>	<b>Intangible assets with an indefinite life</b>	<b>Total</b>	<b>Intangible assets with a definite life - FVA</b>	<b>Deferred charge</b>
Balance as at December 31, 2014	\$ 73,071	\$ 41,048	\$ 87,031	\$ 201,150	\$ 159,095	\$
Acquired during the period					(2,759)	265,426
Intangible assets amortization		(2,995)		(2,995)	5,191	
Balance as at June 30, 2015	\$ 73,071	\$ 38,053	\$ 87,031	\$ 198,155	\$ 161,527	\$ 265,426

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. GOODWILL, INTANGIBLE ASSETS AND DEFERRED CHARGE (Continued)**

Refer to Note 11 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for more information on intangible assets with a definite and an indefinite life. Refer to Note 1 – Significant Accounting Policies (b) Retroactive reinsurance above for more information on deferred charge.

Intangible asset amortization for the three and six month periods ended June 30, 2015 was \$(4.9) million and \$(2.2) million, respectively, as compared to \$7.9 million and \$6.7 million for the comparative periods in 2014.

The gross carrying value, accumulated amortization and net carrying value of intangible assets by type at June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015			December 31, 2014		
	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 expenses	\$ 429,063	\$ (296,642)	\$ 132,421	\$ 449,986	\$ (299,413)	\$ 150,573
Reinsurance balances recoverable	(175,453)	147,245	(28,208)	(193,617)	140,667	(52,950)
Policy benefits for life and annuity contracts	86,332	(29,018)	57,314	\$ 86,332	\$ (24,860)	\$ 61,472
	\$ 339,942	\$ (178,415)	\$ 161,527	\$ 342,701	\$ (183,606)	\$ 159,095
Other:						
Distribution channel	\$ 20,000	\$ (2,111)	\$ 17,889	20,000	(1,444)	18,556
Technology	15,000	(4,686)	10,314	15,000	(3,125)	11,875
Brand	12,000	(2,150)	9,850	12,000	(1,383)	10,617
	\$ 47,000	\$ (8,947)	\$ 38,053	\$ 47,000	\$ (5,952)	\$ 41,048
Intangible assets with an indefinite life:						
Lloyd's syndicate capacity	\$ 37,031		37,031	37,031		37,031
Licenses	19,900		19,900	19,900		19,900

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Management contract	30,100		30,100	30,100		30,100
	\$ 87,031	\$	\$ 87,031	\$ 87,031	\$	\$ 87,031
Deferred charge on retroactive reinsurance	\$ 265,426	\$	\$ 265,426	\$	\$	\$

As at June 30, 2015 and 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.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**10. LOANS PAYABLE**

The Company's long-term debt consists of its EGL Revolving Credit Facility, which can be used for permitted acquisitions and for general corporate purposes, and the Sussex Facility, an acquisition term loan facility used to partially finance the Company's acquisition of Companion on January 27, 2015.

The EGL Revolving Credit Facility was entered into on September 16, 2014. On February 27, 2015, the EGL Revolving Credit Facility was amended and restated primarily in order to: (1) increase the size of the facility from \$500 million to \$665 million; (2) add Lloyd's Bank plc as a new lender within the facility, and (3) reallocate the amounts provided by each of the four lenders under the facility such that each lender agreed to provide an equal amount of \$166.25 million, on and subject to the terms of the restated facility agreement.

On December 24, 2014, Sussex Holdings, a wholly-owned subsidiary of the Company, as borrower and guarantor, entered into the Sussex Facility with National Australia Bank Limited and Barclays Bank PLC. The Sussex Facility provides for a four-year term loan facility pursuant to which Sussex Holdings 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 Holdings fully drew down on the Sussex Facility and completed the acquisition of Companion on January 27, 2015.

Borrowings and repayments under the Company's loan facilities during the six months ended June 30, 2015 are described below.

*EGL Revolving Credit Facility*

The Company's borrowings under the facility increased from \$319.6 million as at December 31, 2014 to \$544.3 million as at June 30, 2015. The increase of \$224.7 million was attributable to the following drawdowns:

- (i) a total of \$149.7 million related to the Wilton Re life settlements acquisition and the Voya transaction;
- (ii) \$50.0 million to capitalize a newly-formed Bermuda registered wholly-owned reinsurance company; and
- (iii) \$25.0 million for general corporate purposes.

*Sussex Facility*

On May 5, 2015, the Company repaid \$5.0 million of the outstanding principal of the Sussex Facility, reducing the outstanding principal to \$104.0 million as at June 30, 2015.

As of June 30, 2015, all of the covenants relating to the EGL Revolving Credit Facility and the Sussex Facility were met.





**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. LOANS PAYABLE (Continued)**

Amounts of loans payable outstanding, and accrued interest, as of June 30, 2015 and December 31, 2014 total \$650.5 million and \$320.0 million, respectively, and comprise:

<b>Facility</b>	<b>Date of Facility</b>	<b>Facility Term</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
EGL Revolving Credit Facility	September 16, 2014	5 Years	\$ 544,250	\$ 319,550
Sussex Facility	December 24, 2014	4 Years	104,000	
Total long-term bank debt			648,250	319,550
Accrued interest			2,257	491
Total loans payable			\$ 650,507	\$ 320,041

**11. REDEEMABLE NONCONTROLLING INTEREST**

Refer to Note 13 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for more information on redeemable noncontrolling interest ( RNCI ).

A reconciliation of the beginning and ending carrying amount of the equity attributable to the RNCI is as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Redeemable noncontrolling interest</b>		
Balance as at beginning of period	\$ 374,619	\$ 100,859
Capital contributions	15,728	272,722
Dividends paid	(7,110)	
Net earnings attributable to RNCI	12,016	4,059
Accumulated other comprehensive income attributable to RNCI	(223)	(1,993)
Transfer of net loss from noncontrolling interest		(1,028)
Balance at end of period	\$ 395,030	\$ 374,619

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. EARNINGS PER SHARE**

The following table sets forth the comparison of basic and diluted earnings per share for the three and six month periods ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Basic earnings per ordinary share:</b>				
Net earnings attributable to Enstar Group Limited	\$ 14,545	\$ 51,793	\$ 59,392	\$ 81,380
Weighted average ordinary shares outstanding basic	19,252,359	18,636,085	19,244,951	17,605,808
Net earnings per ordinary share attributable to Enstar Group Limited basic	\$ 0.76	\$ 2.78	\$ 3.09	\$ 4.62
<b>Diluted earnings per ordinary share:</b>				
Net earnings attributable to Enstar Group Limited	\$ 14,545	\$ 51,793	\$ 59,392	\$ 81,380
Weighted average ordinary shares outstanding basic	19,252,359	18,636,085	19,244,951	17,605,808
Share equivalents:				
Unvested shares	39,524	64,564	38,017	53,152
Restricted share units	13,620	21,543	12,031	21,012
Preferred shares		549,242		276,138
Warrants	78,250	56,082	69,776	48,763
Weighted average ordinary shares outstanding diluted	19,383,753	19,327,516	19,364,775	18,004,873
Net earnings per ordinary share attributable to Enstar Group Limited diluted	\$ 0.75	\$ 2.68	\$ 3.07	\$ 4.52

**13. EMPLOYEE BENEFITS**

The Company's share-based compensation plans provide for the grant of various awards to its employees and to members of the Board of Directors. These are described in Note 16 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. The information below includes both the employee and director components of the Company's share based compensation.



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. EMPLOYEE BENEFITS (Continued)*****2006 Equity Incentive Plan***

The employee share awards for the six months ended June 30, 2015 and 2014 are summarized as follows:

	<b>Six Months Ended June 30,</b>			
	<b>2015</b>			<b>2014</b>
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>Shares</b>	<b>Average</b>	<b>Shares</b>	<b>Average</b>
		<b>Fair Value</b>		<b>Fair Value</b>
		<b>of</b>		<b>of</b>
		<b>the Award</b>		<b>the Award</b>
Nonvested beginning of period	101,181	\$ 15,470	115,159	\$ 15,997
Granted	42,395	5,852	27,418	3,666
Forfeited	(2,932)	448		
Vested	(54,441)	7,851	(45,559)	6,091
Nonvested end of period	86,203	\$ 13,357	97,018	\$ 14,624

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 June 30, 2015 and 2014 was \$7.0 million and \$6.5 million, respectively. The total unrecognized compensation cost as of June 30, 2015 is expected to be recognized over the next 1.8 years which is the weighted average contractual life of the awards. Compensation costs of \$1.5 million and \$2.7 million relating to these share awards were recognized in the Company's statement of earnings for the three and six months ended June 30, 2015, respectively, as compared to costs of \$0.8 million and \$1.5 million for the comparative periods in 2014.

For the six months ended June 30, 2015 and 2014, 36,020 and 24,412 shares, respectively, were awarded to non-executive officer employees under the Equity Plan.

***Cash-Settled Stock Appreciation Rights***

Refer to Note 16 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for more information on cash-settled stock appreciation rights (SARs).

During the six months ended June 30, 2015 and 2014, the Company granted 190,000 and 373,315 SARs, respectively, to certain employees pursuant to the terms of the Equity Plan. Compensation costs of \$5.7 million and \$5.8 million relating to these share awards were recognized in the Company's statement of earnings for the three and six months ended June 30, 2015, respectively, as compared to costs of \$1.0 million and \$1.0 million for the comparative periods

in 2014.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. EMPLOYEE BENEFITS (Continued)**

The following table sets forth the assumptions used to estimate the fair value of the Company's outstanding SARs using the Black-Scholes option valuation model as at June 30, 2015:

	<b>As at June 30, 2015</b>
Weighted average fair value of the SARs	\$ 33.72
Weighted average volatility	20.24
Weighted average risk-free interest rate	0.53%
Dividend yield	

The following table summarizes SARs activity for the six months ended June 30, 2015:

	<b>June 30, 2015</b>			
	<b>Number of SARs</b>	<b>Weighted Average Exercise Price per SAR</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value</b>
Balance, beginning of period	1,068,001	\$ 140.53	2.39	\$ 13,199
Granted	190,000			
Exercised	(32,933)			
Forfeited	(14,040)			
Balance, end of period	1,211,028	\$ 140.59	1.81	\$ 15,819 <sup>(1)</sup>

- (1) The aggregate intrinsic value as of June 30, 2015 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 \$154.95 on that day.

***2011-2015 Annual Incentive Compensation Program***

The accrued expense relating to the Enstar Group Limited 2011-2015 Annual Incentive Compensation Program for the three and six months ended June 30, 2015 was \$(0.9) million and \$7.0 million, respectively, as compared to \$9.2 million and \$14.4 million for the comparative periods in 2014.

***Enstar Group Limited Employee Share Purchase Plan***

For each of the three and six months ended June 30, 2015 and 2014, compensation costs of less than \$0.1 million and \$0.2 million, respectively, 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 six months ended June 30, 2015 and 2014, 6,375 and 3,006 shares, respectively, were issued to employees under the Share Plan.

***Northshore Incentive Plans***

Northshore Holdings Limited, a holding company that owns Atrium and its subsidiaries and Arden ( Northshore ), has implemented long-term incentive plans that award 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.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**13. EMPLOYEE BENEFITS (Continued)**

For the three and six months ended June 30, 2015 compensation costs of \$0.2 million and \$1.7 million, respectively, relating to the long-term incentive plans were recorded as part of salaries and benefits within the Company's statement of earnings, as compared to \$1.5 million for each of the comparative periods in 2014.

***Deferred Compensation and Ordinary Share Plan for Non-Employee Directors***

For the six months ended June 30, 2015 and 2014, 3,768 and 2,096 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 three and six months ended June 30, 2015 of \$0.5 million and \$0.6 million, respectively, as compared to \$0.2 million and \$0.3 million for the comparative periods in 2014.

Following the resignations of Kenneth J. LeStrange and Kenneth W. Moore from the Board of Directors, 1,560 and 833 restricted share units, respectively, previously credited to their accounts under the Deferred Compensation Plan were converted into the same number of the Company's ordinary shares on January 2, 2015 and July 3, 2015, respectively, 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 three and six months ended June 30, 2015 were \$2.8 million and \$5.2 million, respectively, as compared to \$3.2 million and \$5.3 million for the comparative periods in 2014.

The Company recorded pension expense relating to the PWAC Plan of \$0.2 million and \$0.4 million for the three and six months ended June 30, 2015, respectively, as compared to \$0.1 million and \$0.3 million for the comparative periods in 2014. The PWAC Plan is described in Note 16 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

**14. TAXATION**

The Company accounts for income taxes using the estimated annual effective tax rate. The Company makes the best estimate of the annual effective tax rate expected to be applicable for the full fiscal year and applies the rate to the year-to-date income. Discrete tax adjustments are recorded in the quarter in which the event occurs.



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. TAXATION (Continued)**

Earnings before income taxes includes the following components:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Domestic (Bermuda)	\$ 17,405	\$ 26,969	\$ (6,804)	\$ 33,979
Foreign	6,618	35,792	95,063	69,470
<b>Total</b>	<b>\$ 24,023</b>	<b>\$ 62,761</b>	<b>\$ 88,259</b>	<b>\$ 103,449</b>

Tax expense (benefit) for income taxes is comprised of:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Current:</b>				
Domestic (Bermuda)	\$	\$	\$	\$
Foreign	9,094	9,715	22,735	19,982
	9,094	9,715	22,735	19,982
<b>Deferred:</b>				
Domestic (Bermuda)				
Foreign	(3,278)	(1,263)	(6,175)	(4,254)
	(3,278)	(1,263)	(6,175)	(4,254)
<b>Total tax expense</b>	<b>\$ 5,816</b>	<b>\$ 8,452</b>	<b>\$ 16,560</b>	<b>\$ 15,728</b>

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.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. TAXATION (Continued)**

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:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Earnings before income tax	\$ 24,023	\$ 62,761	\$ 88,259	\$ 103,449
Expected tax rate	0.0%	0.0%	0.0%	0.0%
Foreign taxes at local expected rates	33.3%	16.8%	17.9%	17.0%
Change in uncertain tax positions	%	%	%	(2.2)%
Change in valuation allowance	(9.7)%	(3.5)%	(4.4)%	0.1%
Prior year true-up	0.1%	%	5.0%	%
Other	0.5%	0.2%	0.3%	0.3%
Effective tax rate	24.2%	13.5%	18.8%	15.2%

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 no unrecognized tax benefits relating to uncertain tax positions as at both June 30, 2015 and December 31, 2014, 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.

**15. 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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**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. RELATED PARTY TRANSACTIONS (Continued)**

In addition, the Company has entered into certain agreements with Trident with respect to Trident's co-investments in the Atrium, Arden, and Torus acquisitions. 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 June 30, 2015, the Company has included \$395.0 million (December 31, 2014: \$374.6 million) as redeemable noncontrolling 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. Trident also has a second representative on these boards who is a Stone Point Capital employee.

As at June 30, 2015, 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 \$249.1 million and \$202.6 million as at June 30, 2015 and December 31, 2014, respectively while the fair value of the Company's investment in the registered investment company was \$25.8 million and \$25.6 million as at June 30, 2015 and December 31, 2014, respectively. For the six months ended June 30, 2015 and 2014, the Company recognized \$5.5 million and \$2.8 million respectively in net realized and unrealized 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 \$0.1 million in management fees for the six months ended June 30, 2015 and 2014, 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 \$41.4 million and \$39.9 million as at June 30, 2015 and December 31, 2014, respectively. For the six months ended June 30, 2015 and 2014, the Company has recognized \$1.6 million and \$0.7 million, respectively, in net realized and unrealized gains in respect of Sound Point Capital investments.

The Company also has a separate account managed by Sound Point Capital pursuant to an arms-length agreement reflecting customary terms and conditions, with respect to which the Company incurred approximately \$0.1 million and \$nil in management fees for the six months ended June 30, 2015 and 2014, respectively.

***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 June 30, 2015 and December, 31, 2014, the Company had investments in two

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**15. RELATED PARTY TRANSACTIONS (Continued)**

funds (carried within other investments) affiliated with entities owned by Goldman Sachs, which had a fair value of \$37.4 million and \$36.3 million, respectively. As of June 30, 2015 and December 31, 2014, the Company had an indirect investment in non-voting interests of two companies affiliated with Hastings Insurance Group Limited which had a fair value of \$27.8 million and \$25.1 million respectively. 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 six months ended June 30, 2015 and 2014, the Company recognized \$2.4 million and \$0.7 million, in net realized and unrealized losses and gains, respectively, 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. 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 and \$nil in management fees for the six months ended June 30, 2015 and 2014, respectively.

**16. COMMITMENTS AND CONTINGENCIES**

***Concentration of Credit Risk***

The Company's portfolio of cash and fixed maturity investments 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 maturity investments.

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 June 30, 2015, the Company's investments are held by 28 different custodians. These custodians are all large financial institutions that are highly regulated. The largest concentration of fixed maturity and equity investments, by fair value, at a single custodian was \$4.6 billion and \$3.6 billion as of June 30, 2015 and December 31, 2014, respectively.

**Investments**

The following table provides a summary of the Company's outstanding unfunded investment commitments as of June 30, 2015 and December 31, 2014:

<b>Original Commitments</b>	<b>June 30, 2015 Commitments</b>		<b>Original Commitments</b>	<b>December 31, 2014 Commitments</b>	
	<b>Funded</b>	<b>Unfunded</b>		<b>Funded</b>	<b>Unfunded</b>
\$305,000	\$ 206,843	\$ 98,157	\$ 311,000	\$ 211,115	\$ 99,885

*Guarantees*

As at June 30, 2015 and December 31, 2014, the Company had, in total, parental guarantees supporting a subsidiary's insurance obligations in the amount of \$290.6 million and \$238.6 million, respectively.



Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****16. COMMITMENTS AND CONTINGENCIES (Continued)***Acquisitions and Significant New Business and Transactions*

As of June 30, 2015, the Company has entered into a definitive agreement with respect to the purchase of NSA which is expected to close in the third quarter of 2015. The NSA acquisition agreement is described in Note 2 Acquisitions. The Company has also entered into a Sale and Purchase Agreement with the JCF II Funds which is scheduled to close no later than October 1, 2015. The JCF II Fund repurchase is described in Note 3 Significant New Business and Transactions.

*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.

**17. 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 both Note 1 and Note 21 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The Company's total assets by segment were as follows (the elimination items include the elimination of intersegment assets):

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Total assets:		
Non-life run-off	\$ 8,082,050	\$ 5,936,187
Atrium	544,953	598,037
Torus	2,708,497	2,876,734
Life and annuities	1,530,031	1,344,593
Less:		
Eliminations	(533,171)	(818,666)

\$ 12,332,360      \$      9,936,885

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. SEGMENT INFORMATION (Continued)**

The following tables set forth selected and unaudited condensed consolidated statement of earnings results by segment for the three and six months ended June 30, 2015 and 2014 (the elimination items include the elimination of intersegment revenues and expenses):

	Three Months Ended June 30, 2015					Consolidated
	Non-life run-off	Atrium	Torus	Life and annuities	Eliminations	
<b>INCOME</b>						
Net premiums earned	\$ 17,298	\$ 33,957	\$ 137,696	\$ 23,072	\$	\$ 212,023
Fees and commission income	4,892	7,457			(3,218)	9,131
Net investment income	28,444	599	5,361	12,161	(72)	46,493
Net realized and unrealized gains	(4,308)	38	(3,355)	(3,624)		(11,249)
	46,326	42,051	139,702	31,609	(3,290)	256,398
<b>EXPENSES</b>						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(28,870)	13,757	81,013			65,900
Life and annuity policy benefits				28,090		28,090
Acquisition costs	(5,871)	12,301	27,365	3,299		37,094
Salaries and benefits	32,161	1,794	18,235	501		52,691
General and administrative expenses	21,007	4,876	14,656	3,951	(3,218)	41,272
Interest expense	2,826	1,482		640	(72)	4,876
Net foreign exchange losses (gains)	(4,543)	2,213	4,200	582		2,452
	16,710	36,423	145,469	37,063	(3,290)	232,375
<b>EARNINGS BEFORE INCOME TAXES</b>						
TAXES	29,616	5,628	(5,767)	(5,454)		24,023
INCOME TAXES	(6,104)	(2,252)	694	1,846		(5,816)
NET EARNINGS	23,512	3,376	(5,073)	(3,608)		18,207
Less: Net loss (earnings) attributable to noncontrolling interest	(3,761)	(1,982)	2,081			(3,662)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$ 19,751	\$ 1,394	\$ (2,992)	\$ (3,608)	\$	\$ 14,545



**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. SEGMENT INFORMATION (Continued)**

	<b>Six Months Ended June 30, 2015</b>					
	<b>Non-life run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Life and annuities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>INCOME</b>						
Net premiums earned	\$ 35,790	\$ 67,829	\$ 261,318	\$ 45,992	\$	\$ 410,929
Fees and commission income	9,729	16,985	14		(6,117)	20,611
Net investment income	50,348	1,184	7,555	21,531	(232)	80,386
Net realized and unrealized gains (losses)	30,352	129	1,347	(57)		31,771
	126,219	86,127	270,234	67,466	(6,349)	543,697
<b>EXPENSES</b>						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(41,970)	20,777	157,229			136,036
Life and annuity policy benefits				50,937		50,937
Acquisition costs	(7,576)	21,707	51,508	6,005		71,644
Salaries and benefits	64,205	9,963	33,655	2,640		110,463
General and administrative expenses	43,954	8,330	29,449	4,482	(6,117)	80,098
Interest expense	5,346	2,965		800	(232)	8,879
Net foreign exchange losses (gains)	595	(302)	(2,180)	(732)		(2,619)
	64,554	63,440	269,661	64,132	(6,349)	455,438
<b>EARNINGS BEFORE INCOME TAXES</b>						
TAXES	61,665	22,687	573	3,334		88,259
INCOME TAXES	(11,211)	(4,136)	12	(1,225)		(16,560)
<b>NET EARNINGS</b>	<b>50,454</b>	<b>18,551</b>	<b>585</b>	<b>2,109</b>		<b>71,699</b>
Less: Net earnings attributable to noncontrolling interest	(3,357)	(8,710)	(240)			(12,307)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 47,097</b>	<b>\$ 9,841</b>	<b>\$ 345</b>	<b>\$ 2,109</b>	<b>\$</b>	<b>\$ 59,392</b>

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. SEGMENT INFORMATION (Continued)**

	<b>Three Months Ended June 30, 2014</b>					
	<b>Non-life run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Life and annuities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>INCOME</b>						
Net premiums earned	\$ 17,084	\$ 33,997	\$ 138,239	\$ 27,596	\$	\$ 216,916
Fees and commission income	12,218	5,474		13	(10,196)	7,509
Net investment income	22,267	497	1,365	9,952	(432)	33,649
Net realized and unrealized gains	30,926	4	3,218	4,263		38,411
	82,495	39,972	142,822	41,824	(10,628)	296,485
<b>EXPENSES</b>						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(37,202)	16,611	80,340			59,749
Life and annuity policy benefits				27,732		27,732
Acquisition costs	5,652	11,167	29,602	3,958		50,379
Salaries and benefits	31,463	4,226	17,600	2,394		55,683
General and administrative expenses	15,579	3,990	25,043	2,761	(10,196)	37,177
Interest expense	2,325	1,204		432	(432)	3,529
Net foreign exchange (gains) losses	(632)	(435)	620	(78)		(525)
	17,185	36,763	153,205	37,199	(10,628)	233,724
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>						
INCOME TAXES	65,310	3,209	(10,383)	4,625		62,761
INCOME TAXES	(5,223)	(1,280)	(394)	(1,555)		(8,452)
<b>NET EARNINGS (LOSS)</b>	<b>60,087</b>	<b>1,929</b>	<b>(10,777)</b>	<b>3,070</b>		<b>54,309</b>
Less: Net (earnings) loss attributable to noncontrolling interest	(5,574)	(1,293)	4,351			(2,516)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 54,513</b>	<b>\$ 636</b>	<b>\$ (6,426)</b>	<b>\$ 3,070</b>	<b>\$</b>	<b>\$ 51,793</b>

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. SEGMENT INFORMATION (Continued)**

	<b>Six Months Ended June 30, 2014</b>					
	<b>Non-life run-off</b>	<b>Atrium</b>	<b>Torus</b>	<b>Life and annuities</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>INCOME</b>						
Net premiums earned	\$ 19,611	\$ 66,636	\$ 138,239	\$ 54,088	\$	\$ 278,574
Fees and commission income	15,173	10,295		34	(10,995)	14,507
Net investment income	36,600	977	1,365	19,941	(886)	57,997
Net realized and unrealized gains (losses)	60,555	(103)	3,218	9,314		72,984
	131,939	77,805	142,822	83,377	(11,881)	424,062
<b>EXPENSES</b>						
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	(66,383)	33,742	80,340			47,699
Life and annuity policy benefits				54,541		54,541
Acquisition costs	5,652	20,728	29,602	7,558		63,540
Salaries and benefits	57,311	7,759	17,600	4,403		87,073
General and administrative expenses	31,342	8,031	25,936	5,113	(10,995)	59,427
Interest expense	4,887	2,376		886	(886)	7,263
Net foreign exchange losses (gains)	1,498	(986)	625	(67)		1,070
	34,307	71,650	154,103	72,434	(11,881)	320,613
<b>EARNINGS (LOSS) BEFORE</b>						
<b>INCOME TAXES</b>	97,632	6,155	(11,281)	10,943		103,449
<b>INCOME TAXES</b>	(8,874)	(2,619)	(394)	(3,841)		(15,728)
<b>NET EARNINGS (LOSS)</b>	88,758	3,536	(11,675)	7,102		87,721
Less: Net (earnings) loss attributable to noncontrolling interest	(8,645)	(2,403)	4,707			(6,341)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 80,113</b>	<b>\$ 1,133</b>	<b>\$ (6,968)</b>	<b>\$ 7,102</b>	<b>\$</b>	<b>\$ 81,380</b>

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

Enstar Group Limited:

We have reviewed the accompanying condensed consolidated balance sheet of Enstar Group Limited and subsidiaries as of June 30, 2015, and the related condensed consolidated statements of earnings and comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, and the related condensed consolidated statements of changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2015 and 2014. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Enstar Group Limited and subsidiaries as of December 31, 2014, and the related consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the year then ended; and in our report dated March 2, 2015, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG Audit Limited

Hamilton, Bermuda

August 7, 2015



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The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2015 and 2014 should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

**Business 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 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 Underwriting Group Limited and subsidiaries (or Atrium), which manage and underwrite specialist insurance and reinsurance business for Lloyd's Syndicate 609, and Torus Insurance Holdings Limited and subsidiaries (or Torus), an A- rated global specialty insurance group with multiple global



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underwriting platforms. 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 Capital Partners owning a 1.7% interest). In addition, we operate closed life and annuities businesses.

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. We believe that our active underwriting businesses 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.

Overall, 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 table below summarizes the total number of employees we had as at June 30, 2015 and December 31, 2014 by operating segment:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Non-life run-off	654	521
Atrium	163	157
Torus	453	474
Life and annuities	50	49
<b>Total</b>	<b>1,320</b>	<b>1,201</b>

**Key Performance Indicator**

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. We increased our book value per share on a fully diluted basis by \$4.59 from \$119.22 per share as at December 31, 2014 to \$123.80 as at June 30, 2015. The increase was due to the net earnings for the six months ended June 30, 2015 along with the increase in shareholders equity of \$42.8 million attributable to our repurchase of the noncontrolling minority economic interests held by the JCF II Funds in certain of our subsidiaries (described below), which was reflected in shareholders equity as an adjustment to additional paid-in capital and accumulated other comprehensive income.

**Recent Developments**

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 2015 are outlined below, as

well as other transactions.

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### ***Acquisitions***

#### ***Nationale Suisse Assurance***

On February 5, 2015, our wholly-owned subsidiary, Harper Holding 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 is renewing 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 third quarter of 2015.

#### ***Life Settlements (Wilton Re)***

On May 5, 2015, we, through our wholly-owned subsidiary Guillamene Holdings Limited, or Guillamene, completed the acquisitions of two Delaware companies from subsidiaries of Wilton Re Limited, or Wilton Re, that own interests in life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions. The total consideration for the transaction was \$173.1 million, which will be paid in two installments. The first installment of \$89.1 million was paid on closing and was financed by borrowings under the EGL Revolving Credit Facility. The second installment of \$83.9 million, due on the first anniversary of closing, is expected to be funded from cash on hand.

Canada Pension Plan Investment Board, or CPPIB, together with management of Wilton Re, own 100% of the common stock of Wilton Re. Subsequent to the closing of our transaction with Wilton Re, CPPIB separately acquired certain voting and non-voting shares of Enstar pursuant to the CPPIB-First Reserve Transaction, as described in Significant New Business and Transactions below.

#### ***Sussex Insurance Company (formerly known as Companion Property and Casualty Insurance Company)***

On January 27, 2015, we and our wholly-owned subsidiary Sussex Holdings, Inc., or Sussex Holdings, 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. 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. We changed the name of Companion to Sussex Insurance Company, or Sussex, following the acquisition and are operating the company as part of our non-life run-off business. In addition, Torus is renewing certain business from Sussex.

### ***Significant New Business and Transactions***

#### ***JCF II Funds***

On June 30, 2015, we entered into a Sale and Purchase Agreement with J.C. Flowers II L.P., J.C. Flowers II-A L.P., J.C. Flowers II-B, L.P. and Financial Service Opportunities L.P., or collectively, the JCF II Funds, pursuant to which we will purchase all of the non-voting preference shares of Cumberland Holdings Ltd. and Courtenay Holdings Ltd., which represents all of the noncontrolling interest owned directly by

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the JCF II Funds in Enstar, for an aggregate price of \$140.0 million. Immediately prior to the repurchase, the JCF II Funds noncontrolling interest totaled \$182.8 million. The purchase and sale transaction is scheduled to close no later than October 1, 2015 and the closing is not subject to any material conditions.

*CPPIB Investment*

On June 3, 2015, CPPIB purchased 1,501,211 of our voting ordinary shares and 404,771 shares of our Series E non-voting convertible ordinary shares from 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. (or collectively, First Reserve, and the transaction, the CPPIB-First Reserve Transaction), which resulted in CPPIB owning a 9.5% voting interest and a 9.9% aggregate economic interest in us. In connection with the CPPIB-First Reserve Transaction, we and CPPIB entered into a Shareholder Rights Agreement granting CPPIB contractual shareholder rights that are substantially similar to those rights previously held by First Reserve. Simultaneously, First Reserve waived all of its rights under the Shareholder Rights Agreement, dated April 1, 2014, among Enstar, First Reserve and Corsair Specialty Investors, L.P., or Corsair, including its right to designate a representative to our Board of Directors.

The new Shareholder Rights Agreement grants CPPIB the right to designate one representative to our Board of Directors. This designation right terminates if CPPIB ceases to beneficially own at least 75% of the total number of voting and non-voting shares acquired in the CPPIB-First Reserve Transaction. Pursuant to this contractual right, CPPIB expects to designate a representative to the Company's Board of Directors at a future time. First Reserve also assigned to CPPIB substantially all of its rights under the Registration Rights Agreement, dated April 1, 2014, among Enstar, First Reserve and Corsair, other than certain rights related to Enstar's resale shelf registration statement filed with the Securities and Exchange Commission on April 29, 2014.

*Voya Financial Reinsurance*

On May 27, 2015, we, through our wholly owned subsidiary Fitzwilliam Insurance Limited, or Fitzwilliam, entered into two 100% reinsurance agreements and related administration services agreements with a subsidiary of Voya Financial, Inc., or Voya, pursuant to which Fitzwilliam reinsured all of the run-off workers compensation and occupational accident assumed reinsurance business of the Voya subsidiary and that of its Canadian branch. Pursuant to the transaction, the Voya subsidiary transferred assets into two reinsurance collateral trusts securing the obligations of Fitzwilliam under the coinsurance agreements. Fitzwilliam assumed reinsurance reserves of \$572.4 million, received total assets of \$307.0 million and recorded a deferred charge of \$265.4 million included within other assets.

We transferred \$67.2 million of additional funds to the trusts to further support the obligations under the reinsurance agreements, which we funded through a draw on the EGL Revolving Credit Facility. In addition to the trusts, we provided a limited parental guarantee supporting certain obligations of Fitzwilliam initially in the amount of \$58.0 million. The amount of the guarantee will increase or decrease over time under certain circumstances, but will always be subject to an overall maximum cap with respect to reinsurance liabilities. As of June 30, 2015, the amount of the parental guarantee was \$58.0 million.

*Reciprocal of America*

On January 15, 2015, 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 insurance reserves assumed were \$162.1 million, with an equivalent amount of cash and/or investments being received as consideration.





**Table of Contents***Shelbourne RITC Transaction*

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 insurance reserves of £17.2 million (approximately \$26.9 million) for cash consideration of an equal amount.

**Consolidated Results of Operations For the Three and Six Months Ended June 30, 2015 and 2014**

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>(expressed in thousands of U.S. dollars)</b>			
<b>INCOME</b>				
Net premiums earned	\$ 212,023	\$ 216,916	\$ 410,929	\$ 278,574
Fees and commission income	9,131	7,509	20,611	14,507
Net investment income	46,493	33,649	80,386	57,997
Net realized and unrealized (losses) gains	(11,249)	38,411	31,771	72,984
	256,398	296,485	543,697	424,062
<b>EXPENSES</b>				
Net increase in ultimate losses and loss adjustment expense liabilities	65,900	59,749	136,036	47,699
Life and annuity policy benefits	28,090	27,732	50,937	54,541
Acquisition costs	37,094	50,379	71,644	63,540
Salaries and benefits	52,691	55,683	110,463	87,073
General and administrative expenses	41,272	37,177	80,098	59,427
Interest expense	4,876	3,529	8,879	7,263
Net foreign exchange losses (gains)	2,452	(525)	(2,619)	1,070
	232,375	233,724	455,438	320,613
<b>EARNINGS BEFORE INCOME TAXES</b>	24,023	62,761	88,259	103,449
<b>INCOME TAXES</b>	(5,816)	(8,452)	(16,560)	(15,728)
<b>NET EARNINGS</b>	18,207	54,309	71,699	87,721
Less: Net earnings attributable to noncontrolling interest	(3,662)	(2,516)	(12,307)	(6,341)
<b>NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	\$ 14,545	\$ 51,793	\$ 59,392	\$ 81,380



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands of U.S. dollars)			
Segment split of net earnings (losses) attributable to Enstar Group Limited:				
Non-life run-off	\$ 19,751	\$ 54,513	\$ 47,097	\$ 80,113
Atrium	1,394	636	9,841	1,133
Torus	(2,992)	(6,426)	345	(6,968)
Life and annuities	(3,608)	3,070	2,109	7,102
Net earnings attributable to Enstar Group Limited	\$ 14,545	\$ 51,793	\$ 59,392	\$ 81,380

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related footnotes. Some of the information contained in this discussion and analysis includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under

Cautionary Statement Regarding Forward-Looking Statements and in Risk Factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014.

We reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of \$18.2 million and \$71.7 million for the three and six months ended June 30, 2015, respectively, as compared to \$54.3 million and \$87.7 million for the three and six months ended June 30, 2014. Our comparative results were impacted by our 2014 and 2015 acquisitions, among other factors.

We acquired Torus on April 1, 2014 and, therefore, results for the six months ended June 30, 2014 include only three months of operating Torus as compared to six months during 2015. Subsequent to June 30, 2014, we completed the acquisition of Companion (on January 27, 2015), the Wilton Re life settlements business (on May 5, 2015) and the Voya reinsurance transaction (on May 27, 2015). The change in consolidated net earnings for the three and six month periods was attributable primarily to the following:

*Net premiums earned* Combined net premiums earned for our four operating segments were \$212.0 million and \$410.9 million for the three and six months ended June 30, 2015, respectively, as compared to \$216.9 million and \$278.6 million for the three and six months ended June 30, 2014. The significant increase between the six months ended June 30, 2015 and 2014 was due primarily to the increase in net premiums earned by Torus for a full six months in 2015 as compared to three months in 2014.

*Net investment income* Net investment income was \$46.5 million and \$80.4 million for the three and six months ended June 30, 2015 respectively, as compared to \$33.6 million and \$58.0 million for the three and six months ended June 30, 2014. The increase in each of the periods was largely attributable to: (i) net investment income earned on a larger base of cash and fixed maturity investments as a result of the Torus and Sussex transactions; (ii) earnings associated with our life settlements business; and (iii) an increase in other income included as part of net investment income, which was partially offset by lower reinvestment yields on new purchases of fixed maturity investments.



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*Net realized and unrealized (losses) gains* Net realized and unrealized (losses) gains were \$(11.2) million and \$31.8 million for the three and six months ended June 30, 2015, respectively, as compared to \$38.4 million and \$73.0 million for the three and six months ended June 30, 2014. The decrease in net realized and unrealized gains between the 2015 and 2014 periods was primarily attributable to a decrease in realized and unrealized gains on fixed maturity investments due to increases in U.S. investment yields in 2015 (particularly in longer dated fixed maturity investments) as compared to tightening yields in 2014.

*Net increase in ultimate losses and loss adjustment expense liabilities* For the three and six months ended June 30, 2015, net ultimate losses and loss adjustment expense liabilities increased by \$65.9 million and \$136.0 million, respectively, as compared to \$59.7 million and \$47.7 million for the three and six months ended June 30, 2014. The total increase of \$6.2 million for the three months ended June 30, 2015 was due primarily to increases in ultimate losses in our non-life run-off segment of \$8.3 million relating to current period incurred losses related to premiums earned by Sussex. The total increase of \$88.3 million for the six months ended June 30, 2015 was due primarily to incurred losses of \$76.3 million relating to premiums earned by Torus.

*Acquisition costs* Acquisition costs were \$37.1 million and \$71.6 million for the three and six months ended June 30, 2015, respectively, as compared to \$50.4 million and \$63.5 million for the three and six months ended June 30, 2014. The decrease of \$13.3 million for the three months ended June 30, 2015 compared to the comparative period in 2014 was due primarily to lower acquisition costs associated with the net premiums earned by Torus. The increase of \$8.1 million for the six months ended June 30, 2015 compared to the comparative period in 2014 was due primarily to the acquisition costs associated with the net premiums earned by Torus.

*Salaries and benefits* Salaries and benefits were \$52.7 million and \$110.5 million for the three and six months ended June 30, 2015, respectively, as compared to \$55.7 million and \$87.1 million for the three and six months ended June 30, 2014. The increase for the six months ended June 30, 2015 was due predominantly to the salaries and benefits costs associated with the acquisitions of Torus and Sussex.

*General and administrative expenses* General and administrative expenses were \$41.3 million and \$80.1 million for the three and six months ended June 30, 2015, respectively, as compared to \$37.2 million and \$59.4 million for the three and six months ended June 30, 2014. The increases were due principally to general and administrative expenses associated with Torus and Sussex.

*Noncontrolling interest* Noncontrolling interest for the three and six months ended June 30, 2015 increased by \$1.1 million and \$6.0 million, respectively, for the three and six months ended June 30, 2015 respectively, as compared to the same periods in 2014. The increase in 2015 was primarily attributable to increased earnings associated with our Atrium segment (in which there are redeemable noncontrolling interests and noncontrolling interests). As a result of the repurchase of JCF II Funds' interests in Courtenay and Cumberland, we would expect our noncontrolling interest expense for our non-life run-off segment to decrease going forward.

**Table of Contents****Results of Operations by Segment For the Three and Six Months Ended June 30, 2015 and 2014*****Non-life Run-off Segment***

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 Reinsurance Company Ltd., or 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.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>		<b>(in thousands of U.S. dollars)</b>	
<b>INCOME</b>				
Net premiums earned	\$ 17,298	\$ 17,084	\$ 35,790	\$ 19,611
Fees and commission income	4,892	12,218	9,729	15,173
Net investment income	28,444	22,267	50,348	36,600
Net realized and unrealized (losses) gains	(4,308)	30,926	30,352	60,555
	46,326	82,495	126,219	131,939
<b>EXPENSES</b>				
Net reduction in ultimate losses and loss adjustment expense liabilities	(28,870)	(37,202)	(41,970)	(66,383)
Acquisition costs	(5,871)	5,652	(7,576)	5,652
Salaries and benefits	32,161	31,463	64,205	57,311
General and administrative expenses	21,007	15,579	43,954	31,342
Interest expense	2,826	2,325	5,346	4,887
Net foreign exchange (gains) losses	(4,543)	(632)	595	1,498
	16,710	17,185	64,554	34,307
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>29,616</b>	<b>65,310</b>	<b>61,665</b>	<b>97,632</b>
<b>INCOME TAXES</b>	<b>(6,104)</b>	<b>(5,223)</b>	<b>(11,211)</b>	<b>(8,874)</b>
<b>NET EARNINGS</b>	<b>23,512</b>	<b>60,087</b>	<b>50,454</b>	<b>88,758</b>
Less: Net earnings attributable to noncontrolling interest	(3,761)	(5,574)	(3,357)	(8,645)
<b>NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 19,751</b>	<b>\$ 54,513</b>	<b>\$ 47,097</b>	<b>\$ 80,113</b>

***Summary Comparison of Three Months Ended June 30, 2015 and 2014***

In our non-life run-off segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of \$23.5 million and \$60.1 million for the three months ended June 30, 2015 and 2014,

respectively.

The decrease in earnings of \$36.6 million was primarily attributable to the following:

- (i) a \$35.2 million reduction in net realized and unrealized (losses) gains to a loss \$4.3 million for the three months ended June 30, 2015, as compared to gains of \$30.9 million for the comparative period in 2014. The reduction was primarily attributable to a decrease in realized and unrealized gains on fixed maturity investments due to increases in U.S. investment yields during 2015 as compared to tightening yields for the same period in 2014;
- (ii) a decrease in fees and commission income of \$7.3 million related primarily to a reduction in internal management fees charged to the Torus segment; and
- (iii) an increase in general and administrative costs of \$5.4 million attributable primarily to an increase in professional and consulting fees; partially offset by

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(iv) an increase in net investment income of \$6.2 million; and

(v) an increase in net foreign exchange gains of \$3.9 million.

Occasionally we write premium in our non-life run-off segment even though we do not actively seek to issue new policies in this segment. This written premium relates to the obligatory renewal of certain policies that we are in the process of placing into run-off, and the related earned premium tends to be largely or entirely offset by increases in net ultimate losses and loss adjustment expense liabilities related to these current period premiums. For the three months ended June 30, 2015 the total of: (i) net premiums earned of \$17.3 million, plus (ii) negative acquisition costs of \$5.9 million, and less (iii) current period increase in net ultimate losses and loss adjustment expense liabilities of \$22.5 million amounted to \$0.7 million and primarily related to Sussex's run-off business. For the three months ended June 30, 2014, the total of: (i) net premiums earned of \$17.1 million, less (ii) current period increase in net ultimate losses and loss adjustment expense liabilities of \$10.2 million, and less (iii) acquisition costs of \$5.7 million amounted to \$1.2 million and primarily related to the Torus run-off business.

Noncontrolling interest in earnings for the non-life run-off segment decreased by \$1.8 million to \$3.8 million for the three months ended June 30, 2015 as a result of lower earnings in those companies in which there are noncontrolling interests.

Net earnings for the non-life run-off segment attributable to Enstar Group Limited decreased by \$34.7 million from \$54.5 million for the three months ended June 30, 2014 to \$19.8 million for the three months ended June 30, 2015.

*Summary Comparison of Six Months Ended June 30, 2015 and 2014*

In our non-life run-off segment, we reported consolidated net earnings, before net earnings attributable to noncontrolling interest, of \$50.5 million and \$88.8 million for the six months ended June 30, 2015 and 2014, respectively.

The decrease in earnings of \$38.3 million was attributable primarily to the following:

(i) a decrease in net realized and unrealized gains of \$30.2 million;

(ii) an increase in general and administrative expenses of \$12.6 million;

(iii) an increase in salaries and benefits of \$6.9 million; and

(iv) a decrease in fees and commission income of \$5.4 million; partially offset by

(v) an increase in net investment income of \$13.8 million; and

(vi) an increase in net underwriting result of \$5.0 million.



For the six months ended June 30, 2015 the total of: (i) net premiums earned of \$35.8 million, plus (ii) negative acquisition costs of \$7.6 million, less (iii) current period increase in net ultimate losses and loss adjustment expense liabilities of \$43.3 million amounted to \$0.1 million and primarily related to the Sussex run-off business. For the six months ended June 30, 2014 the total of: (i) net premiums earned of \$19.6 million, less (ii) current period increase in net ultimate losses and loss adjustment expense liabilities of \$11.6 million, and less (iii) acquisition costs of \$5.7 million amounted to \$2.3 million and primarily related to the Torus run-off business.

Noncontrolling interest in earnings for the non-life run-off segment decreased by \$5.2 million to \$3.4 million for the six months ended June 30, 2015 as a result of lower earnings in those companies in which there are noncontrolling interests. Net earnings for the non-life run-off segment attributable to

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Enstar Group Limited decreased by \$33.0 million from \$80.1 million for the six months ended June 30, 2014 to \$47.1 million for the six months ended June 30, 2015.

*Net Premiums Earned:*

	Three Months Ended June 30,		Six Months Ended June 30,			
	2015	Variance	2014	2015	Variance	2014
(in thousands of U.S. dollars)						
Gross premiums written	\$ 14,797		\$ 6,720	\$ 24,914		\$ 8,039
Ceded reinsurance premiums written	(39,590)		(904)	(39,867)		(1,180)
Net premiums written	(24,793)	\$ (30,609)	5,816	(14,953)	\$ (21,812)	6,859
Gross premiums earned	53,184		22,406	78,157		25,174
Ceded reinsurance premiums earned	(35,886)		(5,322)	(42,367)		(5,563)
Net premiums earned	\$ 17,298	\$ 214	\$ 17,084	\$ 35,790	\$ 16,179	\$ 19,611

**Premiums Written**

Gross non-life run-off premiums written consist of direct premiums written and premiums assumed primarily by Sussex for 2015 and Torus run-off business for 2014. Sussex was placed into run-off immediately following the acquisition but it is renewing expiring insurance policies when it is obligated to do so by applicable regulations. In future periods, we would expect to have declining levels of gross and net premiums written relating to the Sussex run-off business.

During the three months ended June 30, 2015, Sussex entered into several quota share agreements with Torus to reinsure 100% of select homeowner s and aviation risks. Since the agreements covered in force and renewal business, the initial unearned premium transferred to Torus resulted in negative net written premiums for the three and six months ended June 30, 2015. Sussex s ceded written premium to the Torus segment for the three and six months ending June 30, 2015 was \$38.1 million.

Gross and net non-life run-off premiums written for the three months ended June 30, 2015 totaled \$14.8 million and \$(24.8) million, respectively, as compared to \$6.7 million and \$5.8 million for the same period in 2014. The significant decrease in net non-life run-off premiums written in 2015 predominantly related to the written premium ceded to Torus pursuant to the quota share agreements with Torus described above.

Gross and net non-life run-off premiums written for the six months ended June 30, 2015 totaled \$24.9 million and \$(15.0) million, respectively, as compared to \$8.0 million and \$6.9 million for the same periods in 2014.

**Premiums Earned**

Gross non-life run-off premiums earned for the three months ended June 30, 2015 and 2014 totaled \$53.2 million and \$22.4 million, respectively. Ceded reinsurance premiums earned for the three months ended June 30, 2015 and 2014 totaled \$35.9 million and \$5.3 million, respectively.



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Accordingly, net premiums earned for the three months ended June 30, 2015 and 2014 totaled \$17.3 million and \$17.1 million, respectively. Premiums written and earned in 2015 primarily relate to Sussex whereas premiums written and earned in 2014 related to Torus run-off business. Sussex's ceded earned premium to the Torus segment for the three and six months ended June 30, 2015 was \$14.2 million.

Gross non-life run-off premiums earned for the six months ended June 30, 2015 and 2014 totaled \$78.2 million and \$25.2 million, respectively. Ceded reinsurance premiums earned for the six months ended June 30, 2015 and 2014 totaled \$42.4 million and \$5.6 million, respectively. Accordingly, net premiums earned for the six months ended June 30, 2015 and 2014 totaled \$35.8 million and \$19.6 million, respectively. Premiums written and earned in 2015 primarily relate to Sussex whereas premiums written and earned in 2014 related to Torus run-off business.

With our expectation that premiums written by Sussex will decrease significantly over time, we believe that there will be a similar reduction in premiums earned as policies non-renew. As noted above, net premiums earned in our non-life run-off segment are largely or entirely offset by increases in net ultimate losses and loss adjustment expense liabilities related to policies issued in the current period. See also our discussion of Net Reduction in Ultimate Losses and Loss Adjustment Expense Liabilities below.

*Fees and Commission Income:*

	Three Months Ended June 30,		Six Months Ended June 30,			
	2015	Variance	2014	2015	Variance	2014
(in thousands of U.S. dollars)						
Internal	3,218		10,162	6,118		10,961
External	1,674		2,056	3,611		4,212
<b>Total</b>	<b>\$ 4,892</b>	<b>\$ (7,326)</b>	<b>\$ 12,218</b>	<b>\$ 9,729</b>	<b>\$ (5,444)</b>	<b>\$ 15,173</b>

Our management companies in the non-life run-off segment earned fees and commission income of \$4.9 million and \$12.2 million for the three months ended June 30, 2015 and 2014, respectively. The decrease in fees and commission income of \$7.3 million related primarily to decreases in management fees charged to our Torus segment.

For the six months ended June 30, 2015 and 2014, we earned fees and commission income of \$9.7 million and \$15.2 million, respectively. The decrease in fees and commission income of \$5.4 million related primarily to decreases in management fees charged to our Torus segment.

These inter-segment 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, the core focus of these subsidiaries is providing in-house services to companies within the Enstar group.

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

**Three Months Ended June 30,**  
**Net Investment Income**

	<b>Net Realized and Unrealized (Losses) Gains</b>					
	<b>2015</b>	<i>Variance</i>	<b>2014</b>	<b>2015</b>	<i>Variance</i>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Total	\$ 28,444	\$ 6,177	\$ 22,267	\$ (4,308)	\$ (35,234)	\$ 30,926

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	Six Months Ended June 30,					
	Net Investment Income			Net Realized and Unrealized Gains		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 50,348	\$ 13,748	\$ 36,600	\$ 30,352	\$ (30,203)	\$ 60,555

*Summary for the Three Months Ended June 30, 2015 and 2014*

Net investment income for the non-life run-off segment for the three months ended June 30, 2015 increased by \$6.1 million to \$28.4 million, as compared to \$22.3 million for the three months ended June 30, 2014. The increase was a result of the following:

- (i) an increase of \$4.8 million in other investment income related primarily to higher returns in the second quarter of 2015 as compared to the same period in 2014, along with an increase in recoveries on acquired insolvent debts in excess of their cost; and
- (ii) an increase in investment income of \$1.6 million that arose primarily as a result of a larger portfolio of fixed maturity investments in 2015 as compared to 2014; partially offset by
- (iii) a decrease of \$0.3 million in investment income from equities.

Net realized and unrealized (losses) gains for the non-life run-off segment for the three months ended June 30, 2015 and 2014 were \$(4.3) million and \$30.9 million, respectively. The decrease of \$35.2 million was primarily attributable to:

- (i) a decrease of \$6.5 million in net unrealized and realized gains related to other investments holdings, which was primarily a result of:

a decrease in net realized and unrealized gains on equity funds in 2015 compared to gains in 2014 due to lower global equity returns on underlying portfolios in 2015 compared to those earned in 2014;

a decrease in income earned on our private equities and private equity funds in 2015, due to lower returns earned in 2015 as compared to those earned in 2014; and

lower returns on our senior secured loan fund investments.

- (ii) an increase of \$24.0 million in net realized and unrealized losses related to our fixed maturity investments largely due to an increase in U.S. treasury yields; and

- (ii) a decrease of \$4.7 million in net unrealized and realized gains on our equity portfolio. The decrease between 2015 and 2014 was due mostly to lower gains in our U.S. large capitalization equity exposure for the three months ended June 30, 2015 as compared to the same period in 2014.

*Summary for the Six Months Ended June 30, 2015 and 2014*

Net investment income for the non-life run-off segment for the six months ended June 30, 2015 increased by \$13.7 million to \$50.3 million, as compared to \$36.6 million for the six months ended June 30, 2014. The increase was primarily a result of higher investment balances due to assets acquired in respect of the Sussex acquisition in 2015, higher yields earned on our fixed maturity investments and cash balances, and an increase in other investment income related to recoveries on acquired insolvent debts.

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Net realized and unrealized gains for the non-life run-off segment for the six months ended June 30, 2015 and 2014 were \$30.4 million and \$60.6 million, respectively. The decrease of \$30.2 million was primarily attributable to a combination of the following items:

- (i) an increase of \$22.9 million in net realized and unrealized losses in fixed maturity investments which was largely as a result of increases in interest rates across the U.S. yield curve coupled with marginal widening of spreads in most spread products during the three months ended June 30, 2015 against declines in U.S. interest rates in the same period in 2014; and
- (ii) a decrease of \$1.4 million in realized and unrealized gains on the other investment holdings of the segment; partially offset by
- (iii) a decrease of \$5.9 million in realized and unrealized gains on our equity portfolio. The decrease between 2015 and 2014 was due mostly to lower gains in our U.S. capitalization equity holdings for the six months ended June 30, 2015 as compared to the same period in 2014.

**Annualized Returns**

The below table presents the annualized investment returns (inclusive of net investment income and net realized and unrealized gains (losses)) earned by the non-life run-off segment on its cash and investments for the three and six months ended June 30, 2015 and 2014:

	<b>Three Months Ended June 30,</b>		<b>Average Cash and</b>	
	<b>Annualized Return</b>		<b>Investment Balances</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
			<b>(in thousands of U.S. dollars)</b>	
Cash and fixed maturity investments	0.01%	2.29%	\$ 4,594,492	\$ 3,968,276
Other investments and equities	10.13%	15.01%	946,486	812,552
Combined overall	1.74%	4.45%	5,540,978	4,780,828

	<b>Six Months Ended June 30,</b>		<b>Average Cash and</b>	
	<b>Annualized Return</b>		<b>Investment Balances</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
			<b>(in thousands of U.S. dollars)</b>	
Cash and fixed maturity investments	1.22%	2.21%	\$ 4,219,745	\$ 3,996,896
Other investments and equities	11.91%	13.42%	924,037	788,716
Combined overall	3.14%	4.06%	5,143,782	4,785,612

The average credit ratings by fair value of our fixed maturity investments for our non-life run-off segment as at June 30, 2015 and 2014 were AA-.





**Table of Contents***Net Reduction in Ultimate Losses and Loss Adjustment Expense Liabilities:*

The following table shows the components of the movement in the net reduction in ultimate losses and loss adjustment expense liabilities for the non-life run-off segment for the three and six months ended June 30, 2015 and 2014:

	<b>Three Months Ended June 30,</b>					
	<b>Prior Periods</b>	<b>2015 Current Period</b>	<b>Total</b>	<b>Prior Periods</b>	<b>2014 Current Period</b>	<b>Total</b>
	<b>(in thousands of U.S. dollars)</b>					
Net losses paid	\$ 155,006	\$ 9,434	\$ 164,440	\$ 116,315	\$ 260	\$ 116,575
Net change in case and LAE reserves	(108,819)	4,489	(104,330)	(78,596)	175	(78,421)
Net change in IBNR reserves	(84,581)	8,624	(75,957)	(64,504)	9,774	(54,730)
(Reduction) increase in estimates of net ultimate losses	(38,394)	22,547	(15,847)	(26,785)	10,209	(16,576)
Paid loss recoveries on bad debt provision				(11,206)		(11,206)
Reduction in provisions for bad debt	(625)		(625)			
Reduction in provisions for unallocated loss adjustment expense liabilities	(7,711)		(7,711)	(12,874)		(12,874)
Amortization of fair value adjustments	(4,687)		(4,687)	3,454		3,454
<b>Net (reduction) increase in ultimate losses and loss adjustment expense liabilities</b>	<b>\$ (51,417)</b>	<b>\$ 22,547</b>	<b>\$ (28,870)</b>	<b>\$ (47,411)</b>	<b>\$ 10,209</b>	<b>\$ (37,202)</b>

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

*Three Months Ended June 30, 2015*

The net reduction in ultimate losses and loss adjustment expense liabilities for the three months ended June 30, 2015 of \$28.9 million included incurred losses of \$22.5 million related to current period earned premium of \$17.2 million, primarily related to the run-off business acquired with Sussex. Excluding current period incurred losses of \$22.5 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$51.4 million, which was attributable to a reduction in estimates of net ultimate losses of \$38.4 million, reduction in provisions for bad debt of \$0.6 million, reduction in provisions for unallocated loss adjustment expense liabilities of \$7.7 million, relating to 2015 run-off activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$4.7 million.



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The reduction in estimates of net ultimate losses relating to prior periods of \$38.4 million was primarily related to:

- (i) our review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of \$6.4 million;
- (ii) a reduction in IBNR reserves of \$23.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and
- (iii) favorable claims settlements during the three months ended June 30, 2015 resulting in a reduction in estimates of net ultimate losses of \$9.0 million.

*Three Months Ended June 30, 2014*

The net reduction in ultimate losses and loss adjustment expense liabilities for the three months ended June 30, 2014 of \$37.2 million included incurred losses of \$10.2 million related to current period earned premium of \$15.9 million, primarily related to the portion of the run-off business acquired with Torus. Excluding current period incurred losses of \$10.2 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$47.4 million, which was attributable to a reduction in estimates of net ultimate losses of \$26.8 million, paid loss recoveries on bad debt provisions of \$11.2 million and a reduction in provisions for unallocated loss adjustment expense liabilities of \$12.9 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 \$3.5 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$26.8 million was related primarily to:

- (i) our review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of \$6.8 million;
- (ii) a reduction in IBNR reserves of \$10.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and
- (iii)

favorable claims settlements during the three months ended June 30, 2014 resulting in a reduction in estimates of net ultimate losses of \$12.8 million.

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	Six Months Ended June 30,					
	Prior Periods	2015 Current Period	Total	Prior Periods	2014 Current Period	Total
	(in thousands of U.S. dollars)					
Net losses paid	\$ 215,695	\$ 14,005	\$ 229,700	\$ 203,470	\$ 792	\$ 204,262
Net change in case and LAE reserves	(118,813)	7,483	(111,330)	(141,845)	1,026	(140,819)
Net change in IBNR reserves	(135,020)	21,785	(113,235)	(101,901)	9,823	(92,078)
(Reduction) increase in estimates of net ultimate losses	(38,138)	43,273	5,135	(40,276)	11,641	(28,635)
Paid loss recoveries on bad debt provisions				(11,206)		(11,206)
Reduction in provisions for bad debt	(20,439)		(20,439)			
Reduction in provisions for unallocated loss adjustment expense liabilities	(21,686)		(21,686)	(26,233)		(26,233)
Amortization of fair value adjustments	(4,980)		(4,980)	(309)		(309)
Net (reduction) increase in ultimate losses and loss adjustment expense liabilities	\$ (85,243)	\$ 43,273	\$ (41,970)	\$ (78,024)	\$ 11,641	\$ (66,383)

**Six Months Ended June 30, 2015**

The net reduction in ultimate losses and loss adjustment expense liabilities for the six months ended June 30, 2015 of \$42.0 million included incurred losses of \$43.3 million related to current period earned premium of \$35.8 million primarily related to the run-off business acquired with Sussex. Excluding current period incurred losses of \$43.3 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$85.2 million, which was attributable to a reduction in estimates of net ultimate losses of \$38.1 million, reduction in provisions for bad debt of \$20.4 million, a reduction in provisions for unallocated loss adjustment expense liabilities of \$21.7 million, relating to 2015 run-off activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$5.0 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$38.1 million was related primarily to:

- (i) our review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of \$6.4 million;
- (ii) a reduction in IBNR reserves of \$23.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of

aggregate IBNR liabilities was reduced as a result of the continued favorable trend of loss development compared to prior forecasts; and

- (iii) favorable claims settlements during the six months ended June 30, 2015 resulting in a reduction in estimates of net ultimate losses of \$8.7 million.

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The reduction in provisions for bad debt of \$20.4 million for the six months ended June 30, 2015 resulted from the cash collection and commutation of certain reinsurance receivables against which bad debt provisions had been provided for in earlier periods.

**Six Months Ended June 30, 2014**

The net reduction in ultimate losses and loss adjustment expense liabilities for the six months ended June 30, 2014 of \$66.4 million included incurred losses of \$11.6 million related to current period earned premium of \$17.3 million primarily related to the portion of the run-off business acquired with Torus. Excluding current period incurred losses of \$11.6 million, ultimate losses and loss adjustment expenses relating to prior periods were reduced by \$78.0 million, which was attributable to a reduction in estimates of net ultimate losses of \$40.3 million, paid loss recoveries on bad debt provisions of \$11.2 million and a reduction in provisions for unallocated loss adjustment expense liabilities of \$26.2 million, relating to 2014 runoff activity, and amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to \$0.3 million.

The reduction in estimates of net ultimate losses relating to prior periods of \$40.3 million was related primarily to:

- (i) our review of historic case reserves for which no updated advices had been received for a number of years. This review identified the redundancy of a number of advised case reserves with an estimated aggregate value of \$13.6 million;
- (ii) a reduction in IBNR reserves of \$10.0 million primarily as 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 to estimate loss reserves required to cover liabilities for unpaid loss and loss adjustment expenses relating to non-commuted exposures in Lloyd's Syndicate 2008. The prior period estimate of aggregate net IBNR liabilities was reduced as a result of the continued favorable trend of loss development during the six months ended June 30, 2014 compared to prior forecasts; and
- (iii) favorable claims settlements during the six months ended June 30, 2014 resulting in a reduction in estimates of net ultimate losses of \$19.5 million.

***Acquisition Costs:***

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>			
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ (5,871)	\$ 11,523	\$ 5,652	\$ (7,576)	\$ 13,228	\$ 5,652

Acquisition costs were \$(5.9) million and \$5.7 million for the three months ended June 30, 2015 and 2014, respectively, and \$(7.6) million and \$5.7 million for the six months ended June 30, 2015 and 2014, respectively. For the three and six months ended June 30, 2015, we recorded negative acquisition costs of \$6.3 million relating to ceding commission on the business Sussex ceded to Torus pursuant to the quota share reinsurance agreements described above. These amounts are recorded as acquisition costs in Torus.





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Acquisition costs are directly related to the amount of net premiums earned by us which, for the three and six months ended June 30, 2015, directly related to Sussex's business and, for the same periods in 2014, related to Torus.

*Salaries and Benefits*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 32,161	\$ (698)	\$ 31,463	\$ 64,205	\$ (6,894)	\$ 57,311

Salaries and benefits for the non-life run-off segment, which include expenses relating to our discretionary bonus and employee share plans, were \$32.2 million and \$31.5 million for the three months ended June 30, 2015 and 2014, respectively, and \$64.2 million and \$57.3 million for the six months ended June 30, 2015 and 2014, respectively.

The increase in salaries and benefits was related primarily to:

- (i) an increase in our average head count in our non-life run-off segment from 517 and 520 for the three and six months ended June 30, 2014, respectively, to 648 and 645 for the three and six months ended June 30, 2015, respectively, primarily related to our acquisition of Sussex; and
- (ii) an increase of \$5.4 million and \$5.5 million for the three and six months ended June 30, 2015, respectively, as compared to 2014, in the costs associated with our employee share plans; partially offset by
- (iii) a \$9.9 million and \$6.5 million decrease in our discretionary bonus provision for the three and six months ended June 30, 2015, respectively, largely due to the decrease in net earnings for those periods as compared to 2014. Expenses relating to our discretionary bonus plan will be variable and are dependent on our overall profitability.

*General and Administrative Expenses:*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 21,007	\$ (5,428)	\$ 15,579	\$ 43,954	\$ (12,612)	\$ 31,342

General and administrative expenses increased by \$5.4 million from \$15.6 million for the three months ended June 30, 2014 to \$21.0 million for the three months ended June 30, 2015. The increase in expenses was primarily related to the \$6.4 million of general and administrative expenses related to Sussex.

General and administrative expenses increased by \$12.6 million from \$31.3 million for the six months ended June 30, 2014 to \$44.0 million for the six months ended June 30, 2015. Included within the six months expenses for June 30,

2015 is \$8.0 million of general and administrative expenses related to Sussex (including transaction-related costs), an increase in professional fees of \$1.7 million, and increases in computer and office-related expenses of \$2.9 million.

**Table of Contents***Net Foreign Exchange Gains (Losses):*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>			
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 4,543	\$ 3,911	\$ 632	\$ (595)	\$ 903	\$ (1,498)

We recorded net foreign exchange gains for the non-life run-off segment of \$4.5 million and \$0.6 million for the three months ended June 30, 2015 and 2014, respectively, and net foreign exchange losses of \$(0.6) million and \$(1.5) million for the six months ended June 30, 2015 and 2014, respectively. The increase in net foreign exchange gains for the three and six months ended June 30, 2015 as compared to the same periods for 2014 arose primarily as a result of holding surplus Euro and British pound liabilities at a time when the U.S. dollar was appreciating against the Euro and British pound.

In addition to the net foreign exchange gains (losses) recorded in our consolidated statement of earnings, we recorded in our unaudited condensed consolidated statement of comprehensive income currency translation adjustment gains, net of noncontrolling interest, related to our non-life run-off segment of \$4.7 million and \$2.1 million for the three months ended June 30, 2015 and 2014, respectively, and \$0.6 million and \$5.3 million for the six months ended June 30, 2015 and 2014, respectively. For the three and six months ended June 30, 2015 and 2014, the currency translation adjustments related primarily to our Australian-based subsidiaries. As the functional currency of these subsidiaries are Australian dollars, we record any U.S. dollar gains or losses on the translation of their net Australian dollar assets through accumulated other comprehensive income.

*Income Tax Expense:*

	<b>Three Months Ended</b>			<b>Six Months Ended June 30,</b>		
	<b>June 30,</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>2015</b>			<b>2015</b>		
<b>Total</b>	\$ 6,104	\$ (881)	\$ 5,223	\$ 11,211	\$ (2,337)	\$ 8,874

We recorded income tax expense for the non-life run-off segment of \$6.1 million and \$5.2 million for the three months ended June 30, 2015 and 2014, respectively, and \$11.2 million and \$8.9 million for the six months ended June 30, 2015 and 2014, respectively,

Income tax expense is generated primarily 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 20.6% and 18.2% for the three and six months ended June 30, 2015 compared with 8.0% and 9.1% for the same periods in 2014, associated primarily with us having proportionately higher net income in our tax paying subsidiaries than in the same period for 2014.

*Noncontrolling Interest:*

	<b>Three Months Ended</b>			<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>June 30, Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Total	\$ 3,761	\$ 1,813	\$ 5,574	\$ 3,357	\$ 5,288	\$ 8,645

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We recorded a noncontrolling interest in earnings of the non-life run-off segment of \$3.8 million and \$5.6 million for the three months ended June 30, 2015 and 2014, respectively, and \$3.4 million and \$8.6 million for the six months ended June 30, 2015 and 2014, respectively.

The decrease for the three and six months ended June 30, 2015 was due primarily to the decrease in earnings for those companies in our non-life run-off segment where there exists a noncontrolling interest. As a result of the repurchase of JCF II Funds' interests, we expect our noncontrolling interest expense for our non-life run-off segment to decrease significantly in future periods.

***Atrium Segment***

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

Atrium's wholly-owned subsidiary, Atrium Underwriters Ltd, or AUL, manages and underwrites specialist insurance and reinsurance business for Lloyd's Syndicate 609. Atrium's wholly-owned subsidiary, Atrium 5 Ltd., or Atrium 5, 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 (which is eliminated upon consolidation) and is currently in the process of running off certain other portfolios of run-off business. Results related to Arden's discontinued business are included within our non-life run-off segment.

The following is a discussion and analysis of our results of operations for the Atrium segment for the three and six months ended June 30, 2015 and 2014. The results of Atrium 5 represent its proportionate share of the results of Syndicate 609 (in the Atrium 5 column). The results of 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 relate primarily to amortization of intangible assets (in the Holding Companies column) and Enstar's acquisition financing costs (in the Enstar Specific Expenses column).

**Table of Contents*****Three Months Ended June 30, 2015 and 2014***

The following is a discussion and analysis of our results of operations for our Atrium segment for the three months ended June 30, 2015 and 2014:

	<b>Three Months Ended June 30, 2015</b>						
	<b>Atrium 5</b>	<b>AUL</b>	<b>Elimination</b>	<b>Total Atrium</b>	<b>Holding Companies</b>	<b>Enstar Specific Expenses</b>	<b>Total</b>
	<b>(in thousands of U.S. dollars)</b>						
<b>INCOME</b>							
Net premiums earned	\$ 33,957	\$	\$	\$ 33,957	\$	\$	\$ 33,957
Fees and commission income		9,577	(2,120)	7,457			7,457
Net investment income	509	90		599			599
Net realized and unrealized gains	38			38			38
	34,504	9,667	(2,120)	42,051			42,051
<b>EXPENSES</b>							
Net increase in ultimate losses and loss adjustment expense liabilities	12,162			12,162	1,595		13,757
Acquisition costs	12,301			12,301			12,301
Salaries and benefits		1,794		1,794			1,794
General and administrative expenses	5,797	561	(2,120)	4,238	638		4,876
Interest expense						1,482	1,482
Net foreign exchange losses (gains)	2,241	(168)		2,073	140		2,213
	32,501	2,187	(2,120)	32,568	2,373	1,482	36,423
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>							
INCOME TAXES	2,003	7,480		9,483	(2,373)	(1,482)	5,628
INCOME TAXES	(670)	(1,582)		(2,252)			(2,252)
<b>NET EARNINGS (LOSS)</b>	<b>1,333</b>	<b>5,898</b>		<b>7,231</b>	<b>(2,373)</b>	<b>(1,482)</b>	<b>3,376</b>
Less: Net (earnings) loss attributable to noncontrolling interest	(543)	(2,404)		(2,947)	965		(1,982)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>							
	\$ 790	\$ 3,494	\$	\$ 4,284	\$ (1,408)	\$ (1,482)	\$ 1,394
Loss ratio <sup>(1)*</sup>	35.8%						

Acquisition cost ratio <sup>(2)*</sup>	36.2%
Other operating expense ratio <sup>(3)*</sup>	17.1%
Combined ratio <sup>(4)*</sup>	89.1%

\* See footnotes 1-4 on the next page for information on how we calculate our ratios, some of which include non-GAAP financial measures. See also Non-GAAP Financial Measures on page 88.



**Table of Contents****Three Months Ended June 30, 2014**

	<b>Atrium 5</b>	<b>AUL</b>	<b>Elimination</b>	<b>Total Atrium</b>	<b>Holding Companies</b>	<b>Enstar Specific Expenses</b>	<b>Total</b>
	<b>(in thousands of U.S. dollars)</b>						
<b>INCOME</b>							
Net premiums earned	\$ 33,997	\$	\$	\$ 33,997	\$	\$	\$ 33,997
Fees and commission income		6,944	(1,470)	5,474			5,474
Net investment income	431	93		524	(27)		497
Net realized and unrealized (losses) gains		(91)		(91)	95		4
	34,428	6,946	(1,470)	39,904	68		39,972
<b>EXPENSES</b>							
Net increase in ultimate losses and loss adjustment expense liabilities	16,611			16,611			16,611
Acquisition costs	11,167			11,167			11,167
Salaries and benefits		4,226		4,226			4,226
General and administrative expenses	4,142	657	(1,470)	3,329	661		3,990
Interest expense						1,204	1,204
Net foreign exchange (gains) losses	(481)	46		(435)			(435)
	31,439	4,930	(1,470)	34,898	661	1,204	36,763
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>							
	2,989	2,016		5,006	(593)	(1,204)	3,209
<b>INCOME TAXES</b>	(753)	(527)		(1,280)			(1,280)
<b>NET EARNINGS (LOSS)</b>	2,235	1,490		3,726	(593)	(1,204)	1,929
Less: Net (earnings) loss attributable to noncontrolling interest	(927)	(618)		(1,545)	252		(1,293)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	\$ 1,308	\$ 872	\$	\$ 2,181	\$ (341)	\$ (1,204)	\$ 636
Loss ratio <sup>(1)</sup>	48.9%						
Acquisition cost ratio <sup>(2)</sup>	32.8%						
Other operating expense ratio <sup>(3)</sup>	12.2%						
Combined ratio <sup>(4)</sup>	93.9%						

- (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 for the three months ended June 30, 2015 is a non-GAAP financial measure because it excludes the net increase in ultimate losses and loss adjustment expense liabilities of 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 40.5% for the three months ended June 30, 2015.
- (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 5. 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 19.6% and 24.2% for the three months ended June 30, 2015 and 2014, respectively.
- (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 the holding company and AUL expenses excluded from the loss ratio and other operating expense ratio, which would result in a ratio of 96.4% and 105.9% for the three months ended June 30, 2015 and 2014, respectively. Our historical combined ratio may not be indicative of future underwriting performance.

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### *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 the amortization of our fair value adjustments associated with losses and loss adjustment expense liabilities acquired on acquisition date. Atrium includes all of its fair value purchase accounting adjustments established at date of acquisition as part of the holding companies. 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'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 it is a more meaningful presentation to exclude these costs because they are principally funded by the profit commission fees earned from Syndicate 609.

### *Summary Comparison of the Three Months Ended June 30, 2015 and 2014*

For the Atrium segment, we reported net earnings, before net earnings attributable to noncontrolling interest, of \$3.4 million and \$1.9 million for the three months ended June 30, 2015 and 2014, respectively.

The increase in earnings of \$1.5 million was attributable primarily to:

- (i) an increase in net underwriting result of \$1.7 million (comprised of a \$2.8 million reduction in net increase in ultimate losses and loss adjustment expense liabilities, less a \$1.1 million increase in acquisition costs);
- (ii) an increase in fees and commission income of \$2.0 million; and
- (iii) a decrease in salaries and benefits and general and administrative expenses of \$1.5 million; partially offset by;
- (iv) an increase in foreign exchange losses of \$2.6 million; and
- (v) an increase in income taxes of \$1.0 million.

Net earnings attributable to the noncontrolling interest of the Atrium segment increased by \$0.7 million to \$2.0 million for the three months ended June 30, 2015 as a result of increased Atrium segment earnings during the period.

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Net earnings for the Atrium segment attributable to Enstar Group Limited increased by \$0.8 million from \$0.6 million for the three months ended June 30, 2014 to \$1.4 million for the three months ended June 30, 2015. The noncontrolling interests' share of earnings is greater than their 40.39% share of the Atrium segment's net earnings primarily due to interest expense in respect of borrowings under the EGL Revolving Credit Facility that are recorded within the Atrium segment and 100% attributable to us.

**Six Months Ended June 30, 2015 and 2014**

The following is a discussion and analysis of our results of operations for our Atrium segment for the six months ended June 30, 2015 and 2014:

	<b>Six Months Ended June 30, 2015</b>						
	<b>Atrium 5</b>	<b>AUL</b>	<b>Elimination</b>	<b>Total Atrium</b>	<b>Holding Companies</b>	<b>Enstar Specific Expenses</b>	<b>Total</b>
	<b>(in thousands of U.S. dollars)</b>						
<b>INCOME</b>							
Net premiums earned	\$ 67,829	\$	\$	\$ 67,829	\$	\$	\$ 67,829
Fees and commission income		21,979	(4,994)	16,985			16,985
Net investment income	1,009	175		1,184			1,184
Net realized and unrealized gains	129			129			129
	68,966	22,154	(4,994)	86,126			86,127
<b>EXPENSES</b>							
Net increase in ultimate losses and loss adjustment expense liabilities	19,182			19,182	1,595		20,777
Acquisition costs	21,707			21,707			21,707
Salaries and benefits		9,963		9,963			9,963
General and administrative expenses	10,835	1,204	(4,994)	7,045	1,285		8,330
Interest expense						2,965	2,965
Net foreign exchange (gains) losses	(933)	491		(442)	140		(302)
	50,790	11,659	(4,994)	57,455	3,020	2,965	63,440
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>							
INCOME TAXES	18,177	10,495		28,671	(3,020)	(2,965)	22,687
INCOME TAXES	(2,098)	(2,038)		(4,136)			(4,136)
<b>NET EARNINGS (LOSS)</b>	<b>16,079</b>	<b>8,457</b>		<b>24,535</b>	<b>(3,020)</b>	<b>(2,965)</b>	<b>18,551</b>
Less: Net (earnings) loss attributable to noncontrolling interest	(6,499)	(3,438)		(9,937)	1,227		(8,710)

NET EARNING (LOSS)							
ATTRIBUTABLE TO ENSTAR							
GROUP LIMITED							
	\$ 9,580	\$ 5,019	\$	\$ 14,598	\$ (1,793)	\$ (2,965)	\$ 9,841
Loss ratio <sup>(1)*</sup>	28.3%						
Acquisition cost ratio <sup>(2)*</sup>	32.0%						
Other operating expense ratio <sup>(3)*</sup>	16.0%						
Combined ratio <sup>(4)*</sup>	76.3%						

\* See footnotes 1-4 on the next page for information on how we calculate our ratios, some of which include non-GAAP financial measures. See also [Non-GAAP Financial Measures](#) on page 88.

**Table of Contents****Six Months Ended June 30, 2014**

	<b>Atrium 5</b>	<b>AUL</b>	<b>Elimination</b>	<b>Total Atrium</b>	<b>Holding Companies</b>	<b>Enstar Specific Expenses</b>	<b>Total</b>
	<b>(in thousands of U.S. dollars)</b>						
<b>INCOME</b>							
Net premiums earned	\$ 66,636	\$	\$	\$ 66,636	\$	\$	\$ 66,636
Fees and commission income		13,147	(2,852)	10,295			10,295
Net investment income	750	227		977			977
Net realized and unrealized losses		(103)		(103)			(103)
	67,386	13,271	(2,852)	77,805			77,805
<b>EXPENSES</b>							
Net increase in ultimate losses and loss adjustment expense liabilities	33,742			33,742			33,742
Acquisition costs	20,728			20,728			20,728
Salaries and benefits		7,759		7,759			7,759
General and administrative expenses	7,549	1,505	(2,852)	6,201	1,830		8,031
Interest expense		5		5		2,371	2,376
Net foreign exchange gains	(753)	(233)		(986)			(986)
	61,266	9,036	(2,852)	67,449	1,830	2,371	71,650
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>							
INCOME TAXES	6,120	4,235		10,356	(1,830)	(2,371)	6,155
INCOME TAXES	(1,434)	(1,186)		(2,619)			(2,619)
<b>NET EARNINGS (LOSS)</b>	<b>4,686</b>	<b>3,049</b>		<b>7,737</b>	<b>(1,830)</b>	<b>(2,371)</b>	<b>3,536</b>
Less: Net (earnings) loss attributable to noncontrolling interest	(1,908)	(1,240)		(3,148)	745		(2,403)
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 2,778</b>	<b>\$ 1,809</b>	<b>\$</b>	<b>\$ 4,589</b>	<b>\$ (1,085)</b>	<b>\$ (2,371)</b>	<b>\$ 1,133</b>
Loss ratio <sup>(1)</sup>	50.6%						
Acquisition cost ratio <sup>(2)</sup>	31.1%						
Other operating expense ratio <sup>(3)</sup>	11.3%						
<b>Combined ratio<sup>(4)</sup></b>	<b>93.0%</b>						

(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 for the six months ended June 30, 2015 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 the Atrium holding company expenses, which would result in a ratio of 30.6% for the six months ended June 30, 2015.

- (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 5. 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 27.0% and 23.7% for the six months ended June 30, 2015 and 2014, respectively.
- (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 the holding company and AUL expenses excluded from the loss ratios and other operating expense ratio, which would result in a ratio of 89.6% and 105.4% for the six months ended June 30, 2015 and 2014, respectively. Our historical combined ratio may not be indicative of future underwriting performance.



**Table of Contents***Summary Comparison of the Six Months Ended June 30, 2015 and 2014*

For the Atrium segment, we reported net earnings, before net earnings attributable to noncontrolling interest, of \$18.6 million and \$3.5 million for the six months ended June 30, 2015 and 2014, respectively.

The increase in earnings of \$15.1 million was attributable primarily to:

- (i) an increase in net underwriting result of \$13.2 million (comprised of a \$1.2 million increase in net earned premiums plus a \$13.0 million reduction in net increase in ultimate losses and loss adjustment expense liabilities, less a \$1.0 million increase in acquisition costs); and
- (ii) an increase in fees and commission income of \$6.7 million; partially offset by
- (iii) an increase in salaries and benefits and general and administrative expenses of \$2.5 million;
- (iv) an increase in income taxes of \$1.5 million; and
- (v) an increase in interest expense of \$0.6 million.

Net earnings attributable to the noncontrolling interest of the Atrium segment increased by \$6.3 million to \$8.7 million for the six months ended June 30, 2015 as a result of increased Atrium segment earnings during the period. Net earnings for the Atrium segment attributable to Enstar Group Limited increased by \$8.7 million from \$1.1 million for the six months ended June 30, 2014 to \$9.8 million for the six months ended June 30, 2015. The noncontrolling interests' share of earnings is greater than their 40.39% share of the Atrium segment's net earnings primarily due to interest expense in respect of borrowings under the EGL Revolving Credit Facility that are recorded within the Atrium segment and 100% attributable to us.

*Gross Premiums Written:*

The following table provides gross premiums written by line of business for the Atrium segment for the three and six months ended June 30, 2015 and 2014:

	<b>Gross Premiums Written</b>			
	<b>Three Months Ended June 30, 2015</b>	<b>% of Total Gross Premiums Written</b>	<b>Three Months Ended June 30, 2014</b>	<b>% of Total Gross Premiums Written</b>
	<b>(in thousands of U.S. dollars)</b>			
Marine Property	\$ 4,481	12.5%	\$ 5,877	14.7%
Property and Casualty Binding				
Authorities	7,909	22.1%	6,900	17.3%
Upstream Energy	3,529	9.9%	7,899	19.8%

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Reinsurance	3,441	9.6%	3,032	7.6%
Accident and Health	2,348	6.6%	2,448	6.1%
Non-Marine Direct and Facultative	4,580	12.8%	4,845	12.2%
Liability	5,092	14.2%	4,503	11.3%
Aviation	1,538	4.3%	1,730	4.3%
War and Terrorism	2,868	8.0%	2,623	6.7%
Total	\$ 35,786	100.0%	\$ 39,857	100.0%

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	Six Months Ended June 30, 2015	Gross Premiums Written		Six Months Ended June 30, 2014	% of Total Gross Premiums Written
		% of Total Gross Premiums Written	(in thousands of U.S. dollars)		
Marine Property	\$ 11,598	13.6%	\$ 13,910	15.9%	
Property and Casualty Binding					
Authorities	16,221	19.2%	14,143	16.2%	
Upstream Energy	8,440	10.0%	14,131	16.2%	
Reinsurance	11,653	13.8%	8,843	10.1%	
Accident and Health	7,244	8.6%	8,163	9.3%	
Non-Marine Direct and					
Facultative	8,412	9.9%	8,749	10.0%	
Liability	10,355	12.2%	8,637	9.9%	
Aviation	4,901	5.8%	5,626	6.4%	
War and Terrorism	5,875	6.9%	5,232	6.0%	
Total	\$ 84,699	100.0%	\$ 87,434	100.0%	

Gross written premiums for the Atrium segment for the three and six months ended June 30, 2015 were \$35.8 million and \$84.7 million, respectively, as compared to \$39.9 million and \$87.4 million for the same periods in 2014. The 2015 renewal season for Atrium 5 was challenging for most lines of business, with continued pressure on pricing and overcapacity in many markets.

*Net Premiums Earned:*

The following tables provides net premiums earned by line of business for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30, 2015	Net Premiums Earned		Three Months Ended June 30, 2014	% of Total Net Premiums Earned
		% of Total Net Premiums Earned	(in thousands of U.S. dollars)		
Marine Property	\$ 4,847	14.3%	\$ 5,515	16.2%	
Property and Casualty Binding					
Authorities	7,336	21.6%	6,121	18.0%	
Upstream Energy	3,569	10.5%	4,580	13.5%	
Reinsurance	3,270	9.6%	2,803	8.2%	
Accident and Health	2,915	8.6%	3,056	9.0%	
Non-Marine Direct and Facultative	3,570	10.5%	3,620	10.6%	
Liability	4,970	14.6%	3,901	11.5%	
Aviation	1,494	4.4%	2,200	6.5%	
War and Terrorism	1,986	5.9%	2,201	6.5%	
Total	\$ 33,957	100.0%	\$ 33,997	100.0%	



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	Net Premiums Earned			
	Six Months Ended June 30, 2015	% of Total Net Premiums Earned	Six Months Ended June 30, 2014	% of Total Net Premiums Earned
	(in thousands of U.S. dollars)			
Marine Property	\$ 10,032	14.8%	\$ 10,781	16.2%
Property and Casualty Binding Authorities	14,318	21.1%	11,628	17.5%
Upstream Energy	7,312	10.8%	9,595	14.4%
Reinsurance	6,382	9.4%	5,812	8.7%
Accident and Health	6,130	9.0%	6,998	10.5%
Non-Marine Direct and Facultative	7,196	10.6%	7,276	10.9%
Liability	9,358	13.8%	6,902	10.4%
Aviation	3,262	4.8%	3,966	6.0%
War and Terrorism	3,839	5.7%	3,678	5.5%
<b>Total</b>	<b>\$ 67,829</b>	<b>100.0%</b>	<b>\$ 66,636</b>	<b>100.0%</b>

Net premiums earned for the three and six months ended June 30, 2015 were \$34.0 million and \$67.8 million, respectively, as compared to \$34.0 million and \$66.6 million for the same periods in 2014.

*Fees and Commission Income:*

	Three Months Ended					
	June 30,		Six Months Ended June 30,			
	2015	Variance	2014	2015	Variance	2014
(in thousands of U.S. dollars)						
<b>Total</b>	<b>\$ 7,457</b>	<b>1,983</b>	<b>\$ 5,474</b>	<b>\$ 16,985</b>	<b>6,690</b>	<b>\$ 10,295</b>

The Atrium segment earned fees and commission income of \$7.5 million and \$5.5 million for the three months ended June 30, 2015 and 2014, respectively, and \$17.0 million and \$10.3 million for the six months ended June 30, 2015 and 2014, respectively. The fees represent management and profit commission fees earned by us in relation to Atrium's management of Syndicate 609.

Atrium's fees and commission income increased by \$2.0 million and \$6.7 million for the three and six months ended June 30, 2015, as compared to the same periods in 2014, as a result of the increase in net earnings for Syndicate 609.

*Net Increase in Ultimate Losses and Loss Adjustment Expenses Liabilities:*Three Months Ended June 30, 2015 and 2014:

For the three months ended June 30, 2015, we recorded a net increase in ultimate losses and loss adjustment expense liabilities for the Atrium segment of \$13.8 million, including net favorable prior period reserve development of \$3.7 million principally due to claims improvement and reserve releases related to our professional indemnity, hull, non-marine direct and facultative and upstream energy lines of business. A net increase in ultimate losses and loss

adjustment expense liabilities for the current period of \$17.5 million has been recorded based on expected loss ratios on current period earned premium.

For the three months ended June 30, 2014, we recorded a net increase in ultimate losses and loss adjustment expense liabilities for the Atrium segment of \$16.6 million, including net favorable prior period reserve development of \$2.3 million principally due to claims improvement and reserve releases

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related to our aviation and non-marine direct and facultative lines of business. A net increase in ultimate losses and loss adjustment expense liabilities for the 2014 current period of \$18.9 million was recorded based on expected loss ratios on current period earned premium.

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.

**Six Months Ended June 30, 2015 and 2014:**

For the six months ended June 30, 2015, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities for the Atrium segment of \$20.8 million, including net favorable prior period reserve development of \$11.6 million principally due to claims improvement and reserve releases related to our professional indemnity, marine property, non-marine direct and facultative, aviation and upstream energy lines of business. A net increase in ultimate losses and loss adjustment expense liabilities for the current period of \$32.4 million has been recorded based on expected loss ratios on current period earned premium.

For the six months ended June 30, 2014, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities for the Atrium segment of \$33.7 million, including net favorable prior period reserve development of \$6.5 million principally due to claims improvement and reserve releases related to our aviation and non-marine direct and facultative lines of business. A net increase in ultimate losses and loss adjustment expense liabilities for the 2014 current period of \$40.2 million was recorded based on expected loss ratios on current period earned premium.

***Salaries and Benefits:***

	<b>Three Months Ended</b>			<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>June 30, Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 1,794	2,432	\$ 4,226	\$ 9,963	(2,204)	\$ 7,759

Salaries and benefits for the Atrium segment were \$1.8 million and \$4.2 million for the three months ended June 30, 2015 and 2014, respectively. The decrease in salaries and benefits of \$2.4 million was primarily attributable to a decrease in expenses related to the discretionary bonus plan along with lower retained salary costs by AUL for the three months ended June 30, 2015 as compared to the same period in 2014. Expenses relating to the discretionary bonus plan will be variable and dependent on Atrium's overall profitability.

Salaries and benefits for the Atrium segment were \$10.0 million and \$7.8 million for the six months ended June 30, 2015 and 2014, respectively. The increase in salaries and benefits of \$2.2 million was attributable to an increase of \$2.2 million in expenses related to the discretionary bonus plan.

***General and Administrative Expenses:***

	<b>Three Months Ended</b>	<b>Six Months Ended June 30,</b>
	<b>June 30,</b>	

	<b>2015</b>	<i>Variance</i>	<b>2014</b>	<b>2015</b>	<i>Variance</i>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Total	\$ 4,876	(886)	\$ 3,990	\$ 8,330	(299)	\$ 8,031

General and administrative expenses for the Atrium segment were \$4.9 million and \$4.0 million for the three months ended June 30, 2015 and 2014, respectively. This was comprised of \$4.2 million and



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\$3.3 million for the three months ended June 30, 2015 and 2014, respectively, related to AUL's direct expenses and Atrium's share of the syndicate expenses, and related primarily to office expenses and professional fees. In addition, for both the three months ended June 30, 2015 and 2014, holding company expenses of \$0.6 million and \$0.7 million, respectively, were related to the amortization of the definite-lived intangible assets in the Atrium segment.

General and administrative expenses for the six months ended June 30, 2015 and 2014 were \$8.3 million and \$8.0 million respectively. This was comprised of \$7.0 million and \$6.2 million for the six months ended June 30, 2015 and 2014, respectively, related to AUL's direct expenses and Atrium's share of the syndicate expenses, and related primarily to office expenses and professional fees. In addition, expenses of \$1.3 million and \$1.8 million for the six months ended June 30, 2015 and 2014, respectively, were related to the amortization of the definite-lived intangible assets in the Atrium segment holding companies.

*Net Foreign Exchange Losses (Gains):*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 2,213	(2,648)	\$ (435)	\$ (302)	(684)	\$ (986)

Net foreign exchange losses (gains) for the three months ended June 30, 2015 and 2014 were \$2.2 million and \$(0.4) million, respectively, and \$(0.3) million and \$(1.0) million for the six months ended June 30, 2015 and 2014, respectively. The increase in net foreign exchange losses and decrease in net foreign exchange gains for the three and six months ended June 30, 2015, respectively, were attributable to the holding of British pound assets at a time when the British pound depreciated against the U.S. dollar.

***Torus Segment***

Our Torus segment is comprised of the active underwriting operations and financial results of Bayshore Holdings Limited, or Bayshore, a holding company that owns Torus and its subsidiaries. We acquired our interest in Torus on April 1, 2014.

Torus is an A- rated global specialty insurer with multiple global underwriting platforms, including Lloyd's Syndicate 1301. 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. Results relating to Torus' run-off lines of business are included within our non-life run-off segment.

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The following is a discussion and analysis of our results of operations for the Torus segment for the three and six months ended June 30, 2015 and 2014. These results reflect both the results of Torus Insurance Holdings Limited and its subsidiaries, referred to as Torus or TIHL (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 (in the Holding Companies column).

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Torus	Holding Companies	Total	Torus	Holding Companies	Total
(in thousands of U.S. dollars)						
<b>INCOME</b>						
Net premiums earned	\$ 138,064	\$ (368)	\$ 137,696	\$ 138,239	\$	\$ 138,239
Net investment income	5,361		5,361	1,365		1,365
Net realized and unrealized (losses) gains	(3,355)		(3,355)	3,218		3,218
	140,070	(368)	139,702	142,822		142,822
<b>EXPENSES</b>						
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities	81,507	(494)	81,013	80,340		80,340
Acquisition costs	27,365		27,365	29,602		29,602
Salaries and benefits	18,201	34	18,235	16,970	630	17,600
General and administrative expenses	8,403	6,253	14,656	13,136	11,907	25,043
Net foreign exchange losses	3,888	312	4,200	614	6	620
	139,364	6,105	145,469	140,662	12,543	153,205
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>						
INCOME TAXES	706	(6,473)	(5,767)	2,160	(12,543)	(10,383)
INCOME TAXES	694		694	(394)		(394)
<b>NET EARNINGS (LOSS)</b>	1,400	(6,473)	(5,073)	1,766	(12,543)	(10,777)
Less: Net (earnings) loss attributable to noncontrolling interest	(574)	2,655	2,081	(905)	5,256	4,351
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	\$ 826	\$ (3,818)	\$ (2,992)	\$ 861	\$ (7,287)	\$ (6,426)
Loss ratio <sup>(1)</sup>	59.0%			58.1%		
Acquisition cost ratio <sup>(2)</sup>	19.8%			21.4%		
Other operating expense ratio <sup>(3)</sup>	19.3%			21.8%		

Combined ratio <sup>(4)</sup>	98.1%	101.3%
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- (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 for the three months ended June 30, 2015 is a non-GAAP financial measure because it excludes the net reduction in ultimate losses and loss adjustment expense liabilities of and net premiums earned by 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 58.8% for the three months ended June 30, 2015.

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- (2) Acquisition cost ratio is obtained by dividing acquisition costs by net premiums earned by Torus. Acquisition cost ratio for the three months ended June 30, 2015 is a non-GAAP financial measure because it excludes the net premiums earned by the Torus holding companies. The most directly comparable GAAP financial measure would be to include net premiums earned, which would result in a ratio of 19.9% for the three months ended June 30, 2015.
- (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 and salaries and benefits of, and the net premiums earned by, the Torus holding companies. The most directly comparable GAAP financial measure would be to include these holding company expenses and net premiums earned, which would result in a ratio of 23.9% and 30.8% for the three months ended June 30, 2015 and 2014, respectively.
- (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 102.6% and 110.3% for the three months ended June 30, 2015 and 2014, respectively. 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 costs incurred in managing Torus, the amortization of the definite-lived intangible assets, and acquisition-related expenses for 2014, in each case as incurred at the holding company level.

*Summary Comparison of Three Months Ended June 30, 2015 and 2014:*

For the Torus segment, we reported net losses, before net losses attributable to noncontrolling interest, of \$5.1 million and \$10.8 million for the three months ended June 30, 2015 and 2014, respectively.

The reduction in losses of \$5.7 million was primarily attributable to the following:

- (i) a reduction in general and administrative expenses of \$10.4 million;
- (ii)

an increase in net underwriting result of \$1.0 million (comprised of a \$2.2 million decrease in acquisition costs; partially offset by a decrease of \$0.5 million in net premiums earned, and an increase of \$0.7 million in net ultimate losses and loss adjustment expense liabilities); and

(iii) a decrease in income tax expense by \$1.1 million; partially offset by

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(iv) an increase in net foreign exchange losses of \$3.6 million;

(v) a reduction in net investment income and net realized and unrealized gains of \$2.6 million; and

(vi) an increase in salaries and benefits of \$0.6 million.

Noncontrolling interest in the net loss of the Torus segment decreased by \$2.3 million to \$2.1 million for the three months ended June 30, 2015 as a result of a decrease in net losses. Net loss for the Torus segment attributable to Enstar Group Limited decreased by \$3.4 million from \$6.4 million for the three months ended June 30, 2014 to \$3.0 million for the three months ended June 30, 2015. As of June 30, 2015, Trident and Dowling had a combined 41.02% noncontrolling interest in the Torus segment.

We reported net earnings for TIHL, before net earnings attributable to noncontrolling interest, of \$1.4 million and \$1.8 million for the three months ended June 30, 2015 and 2014, respectively. This excludes the results of the Torus holding companies, which are described above.

**Table of Contents****Six Months Ended June 30, 2015 and 2014**

The following is a discussion and analysis of our results of operations for our Torus segment for the six months ended June 30, 2015 and 2014:

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
	Torus	Holding Companies	Total	Torus	Holding Companies	Total
<b>(in thousands of U.S. dollars)</b>						
<b>INCOME</b>						
Net premiums earned	\$ 263,737	\$ (2,419)	\$ 261,318	\$ 138,239	\$	\$ 138,239
Fees and commission income	14		14			
Net investment income	7,555		7,555	1,365		1,365
Net realized and unrealized gains	1,347		1,347	3,218		3,218
	272,653	(2,419)	270,234	142,822		142,822
<b>EXPENSES</b>						
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities	158,265	(1,036)	157,229	80,340		80,340
Acquisition costs	51,508		51,508	29,602		29,602
Salaries and benefits	33,587	68	33,655	16,970	630	17,600
General and administrative expenses	21,842	7,607	29,449	13,136	12,800	25,936
Net foreign exchange (gains) losses	(2,238)	58	(2,180)	614	11	625
	262,964	6,697	269,661	140,662	13,441	154,103
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>						
INCOME TAXES	9,689	(9,116)	573	2,160	(13,441)	(11,281)
INCOME TAXES	12		12	(394)		(394)
<b>NET EARNINGS (LOSS)</b>	9,701	(9,116)	585	1,766	(13,441)	(11,675)
Less: Net (earnings) loss attributable to noncontrolling interest	(3,978)	3,738	(240)	(905)	5,612	4,707
<b>NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	\$ 5,723	\$ (5,378)	\$ 345	\$ 861	\$ (7,829)	\$ (6,968)
Loss ratio <sup>(1)</sup>	60.0%			58.1%		
Acquisition cost ratio <sup>(2)</sup>	19.5%			21.4%		

Other operating expense ratio <sup>(3)</sup>	21.0%	21.8%
Combined ratio <sup>(4)</sup>	100.5%	101.3%

- (1) Loss ratio is obtained by dividing net increase (reduction) in ultimate losses and loss adjustment expense liabilities by net premiums earned attributable to Torus. Loss ratio for the six months ended June 30, 2015 is a non-GAAP financial measure because it excludes the net reduction in ultimate losses and loss adjustment expense liabilities of and net premiums earned by the Torus holding companies. The most directly comparable GAAP financial measure would be to include these holding company expenses and net premiums earned, which would result in a ratio of 60.2% for the six months ended June 30, 2015.



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- (2) Acquisition cost ratio is obtained by dividing acquisition costs by net premiums earned by Torus. Acquisition cost ratio for the six months ended June 30, 2015 is a non-GAAP financial measure because it excludes the net premiums earned by the Torus holding companies. The most directly comparable GAAP financial measure would be to include the net premiums earned, which would result in a ratio of 19.7% for the six months ended June 30, 2015.
- (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 and salaries and benefits of, and the net premiums earned by, 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 24.1% and 31.5% for the six months ended June 30, 2015 and 2014, respectively.
- (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 and net premiums earned, which would result in a ratio of 104.0% and 111.0% for the six months ended June 30, 2015 and 2014, respectively. Our historical combined ratio may not be indicative of future underwriting performance. See also Non-GAAP Financial Measures on page 97.

**Summary Comparison of Six Months Ended June 30, 2015 and 2014:**

For the Torus segment, we reported net earnings, before net earnings attributable to noncontrolling interest, of \$0.6 million for the six months ended June 30, 2015, compared to net losses, before net loss attributable to noncontrolling interest, of \$(11.7) million for the six months ended June 30, 2014.

The decrease in losses of \$12.3 million was primarily driven by owning Torus for an additional three months in 2015 as compared to 2014, as discussed in more detail below.

Noncontrolling interest in the net result of the Torus segment increased from a loss of \$4.7 million to a profit of \$0.2 million for the six months ended June 30, 2015 as a result of a reduction in net losses. The net result for the Torus segment attributable to Enstar Group Limited increased by \$7.3 million from a loss of \$7.0 million for the six months ended June 30, 2014 to net earnings of \$0.3 million for the six months ended June 30, 2015.

We reported net earnings for TIHL, before net earnings (loss) attributable to noncontrolling interest, of \$9.7 million and \$1.8 million for the six months ended June 30, 2015 and 2014, respectively. The increase of \$7.9 million was primarily driven by owning Torus for an additional three months in 2015 as compared to 2014 combined with reduced general and administrative expenses and an increase in net foreign exchange gains. This excludes the results of the Torus holding companies, which are described above.

**Table of Contents***Gross Premiums Written:*

The following tables provide gross premiums written by line of business for the Torus segment for the three and six months ended June 30, 2015 and 2014:

	<b>Gross Premiums Written</b>			
	<b>Three Months Ended June 30, 2015</b>	<b>% of Total Gross Premiums Written</b>	<b>Three Months Ended June 30, 2014</b>	<b>% of Total Gross Premiums Written</b>
	<b>(in thousands of U.S. dollars)</b>		<b>(in thousands of U.S. dollars)</b>	
Marine and Non-U.S. Excess Casualty	\$ 30,319	12.6%	\$ 31,955	18.7%
Property	103,017	42.7%	45,856	26.9%
Aviation and Space	26,093	10.8%	22,950	13.4%
Workers Compensation	19,694	8.2%	8,495	5.0%
Casualty:				
U.S. Excess Casualty	32,388	13.4%	34,095	20.0%
Healthcare	14,666	6.1%	8,846	5.2%
U.S. Management and Professional Liability	7,195	3.0%	7,360	4.3%
Non-U.S. Management and Professional Liability	3,555	1.5%	8,161	4.8%
Accident and Health	4,130	1.7%	2,928	1.7%
<b>Total Casualty</b>	<b>61,934</b>	<b>25.7%</b>	<b>61,390</b>	<b>36.0%</b>
<b>Total</b>	<b>\$ 241,057</b>	<b>100.0%</b>	<b>\$ 170,646</b>	<b>100.0%</b>

Gross written premiums for the Torus segment for the three months ended June 30, 2015 and 2014 were \$241.1 million and \$170.6 million, respectively. The \$70.5 million increase in the three months ended June 30, 2015 was primarily attributable to: (i) an increase in property business written and assumed as a result of the Companion acquisition; (ii) additional construction premiums written; (iii) an increase in workers compensation premiums written as Torus continued to develop this line of business; and (iv) an increase in healthcare premiums written, partially offset by lower non-U.S. management and professional liability premiums written.

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While soft market conditions continue to impact certain lines of business, Torus has grown several lines of business through Enstar acquisitions and enhanced offerings. Torus workers compensation business continues to grow in part related to expanded maritime business offerings, and Torus is further growing in the U.S. through new lines of business it established following Enstar's acquisition of Companion, including general aviation and certain property business. Torus believes that the fundamentals and opportunities for profitable growth remain in place across the business and will continue to explore opportunities for careful expansion in these challenging market conditions, whilst maintaining its focus on risk management and underwriting returns.

	<b>Six Months Ended June 30, 2015 (in thousands of U.S. dollars)</b>	<b>Gross Premiums Written % of Total Gross Premiums Written</b>	<b>Six Months Ended June 30, 2014 (in thousands of U.S. dollars)</b>	<b>% of Total Gross Premiums Written</b>
Marine and Non-U.S. Excess Casualty	\$ 87,956	20.4%	\$ 31,955	18.7%
Property	139,295	32.3%	45,856	26.9%
Aviation and Space	37,210	8.6%	22,950	13.4%
Workers Compensation	45,537	10.5%	8,495	5.0%
Casualty:				
U.S. Excess Casualty	63,232	14.6%	34,095	20.0%
Healthcare	21,434	5.0%	8,846	5.2%
U.S. Management and Professional Liability	14,061	3.3%	7,360	4.3%
Non-U.S. Management and Professional Liability	12,581	2.9%	8,161	4.8%
Accident and Health	10,448	2.4%	2,928	1.7%
<b>Total Casualty</b>	<b>121,756</b>	<b>28.2%</b>	<b>61,390</b>	<b>36.0%</b>
<b>Total</b>	<b>\$ 431,754</b>	<b>100.0%</b>	<b>\$ 170,646</b>	<b>100.0%</b>

Gross written premiums for the Torus segment for the six months ended June 30, 2015 and 2014 were \$431.8 million and \$170.6 million, respectively. The \$261.2 million increase for the six months ended June 30, 2015 was attributable to the six month period ended June 30, 2014 only including premiums from April 1, 2014, the date we acquired Torus, in addition to the reasons noted above as impacting the three-month comparative period.

**Table of Contents***Net Premiums Earned:*

The following tables provide net premiums earned by line of business for the three and six months ended June 30, 2015 and 2014:

	<b>Net Premiums Earned</b>			
	<b>Three Months Ended June 30, 2015</b>	<b>% of Total Net Premiums Earned</b>	<b>Three Months Ended June 30, 2014</b>	<b>% of Total Net Premiums Earned</b>
	<b>(in thousands of U.S. dollars)</b>		<b>(in thousands of U.S. dollars)</b>	
Marine and Non-U.S. Excess				
Casualty	\$ 28,240	20.5%	\$ 26,869	19.4%
Property	30,066	21.8%	26,008	18.8%
Aviation and Space	16,314	11.8%	17,881	12.9%
Workers Compensation	20,080	14.6%	3,920	2.8%
Other		0.0%	18,621	13.6%
Casualty:				
U.S. Excess Casualty	22,632	16.4%	17,020	12.3%
Healthcare	9,108	6.6%	8,223	5.9%
U.S. Management and Professional Liability	5,701	4.1%	6,884	5.0%
Non-U.S. Management and Professional Liability	2,504	1.8%	10,231	7.4%
Accident and Health	3,051	2.2%	2,582	1.9%
Total Casualty	42,996	31.2%	44,940	32.5%
<b>Total</b>	<b>\$ 137,696</b>	<b>100.0%</b>	<b>\$ 138,239</b>	<b>100.0%</b>

	<b>Net Premiums Earned</b>			
	<b>Six Months Ended June 30, 2015</b>	<b>% of Total Net Premiums Earned</b>	<b>Six Months Ended June 30, 2014</b>	<b>% of Total Net Premiums Earned</b>
	<b>(in thousands of U.S. dollars)</b>		<b>(in thousands of U.S. dollars)</b>	
Marine and Non-U.S. Excess				
Casualty	\$ 52,104	19.9%	\$ 26,869	19.4%
Property	53,910	20.6%	26,008	18.8%
Aviation and Space	35,636	13.6%	17,881	12.9%
Workers Compensation	36,527	14.0%	3,920	2.8%
Other		0.0%	18,621	13.6%

## Casualty:

U.S. Excess Casualty	44,265	16.9%	17,020	12.3%
Healthcare	15,571	6.0%	8,223	5.9%
U.S. Management and Professional Liability	10,930	4.2%	6,884	5.0%
Non-U.S. Management and Professional Liability	7,072	2.7%	10,231	7.4%
Accident and Health	5,303	2.0%	2,582	1.9%
Total Casualty	83,141	31.8%	44,940	32.5%
Total	\$ 261,318	100.0%	\$ 138,239	100.0%

Net premiums earned for the three and six months ended June 30, 2015 were \$137.7 million and \$261.3 million, respectively, as compared to \$138.2 million for each of the three and six months ended June 30, 2014. Included within net earned premiums for the three and six months ended June 30, 2015 were holding company expenses of \$0.4 million and \$2.4 million, respectively, related to the amortization of our fair value adjustments associated with unearned premium reserves acquired on the Torus acquisition date.

**Table of Contents***Net Investment Income and Net Realized and Unrealized Gains:*

	<b>Three Months Ended June 30,</b>					
	<b>Net Investment Income</b>			<b>Net Realized and Unrealized (Losses) Gains</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 5,361	\$ 3,996	\$ 1,365	\$ (3,355)	\$ (6,573)	\$ 3,218

	<b>Six Months Ended June 30,</b>					
	<b>Net Investment Income</b>			<b>Net Realized and Unrealized Gains</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 7,555	\$ 6,190	\$ 1,365	\$ 1,347	\$ (1,871)	\$ 3,218

*Three Months Ended June 30, 2015 and 2014:*

Net investment income for the Torus segment for the three months ended June 30, 2015 and 2014 was \$5.4 million and \$1.4 million, respectively. The increase in net investment income was due to higher returns earned in 2015 as compared to 2014.

Net realized and unrealized (losses) gains for the Torus segment for the three months ended June 30, 2015 and 2014 were \$(3.4) million and \$3.2 million, respectively. The increase of \$6.6 million in net realized and unrealized losses largely related to our fixed maturity investments and was primarily attributable to increases in interest rates across the U.S. yield curve during the three months ended June 30, 2015 compared to decreases in U.S. interest rates for the same period in 2014.

*Six Months Ended June 30, 2015 and 2014:*

Net investment income for the Torus segment for the six months ended June 30, 2015 and 2014 was \$7.6 million and \$1.4 million, respectively. The increase in net investment income was primarily due to the inclusion of two quarters of investment income in 2015 compared to one quarter in 2014.

Net realized and unrealized gains for the Torus segment for the six months ended June 30, 2015 and 2014 were \$1.3 million and \$3.2 million, respectively. The decrease in net realized and unrealized gains was primarily attributable to lower valuations for our fixed maturity investments, largely related to inclines in the longer end of the U.S. yield curve for the six months ended June 30, 2015 as compared to a marginal tightening of the U.S. yield curve for the same period in 2014.

The average credit ratings of our fixed maturity investments in the Torus segment as at both June 30, 2015 and 2014 were AA-.

*Net Increase in Ultimate Losses and Loss Adjustment Expenses Liabilities:*

Three Months Ended June 30, 2015 and 2014:

For the three months ended June 30, 2015 and 2014, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities for the Torus segment of \$81.0 million and \$80.3 million, respectively, primarily attributable to net increases in ultimate losses and loss adjustment expense liabilities for the current period of \$81.3 million and \$80.3 million, respectively, which have been recorded based on expected loss ratios on current period earned premium.

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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.

**Six Months Ended June 30, 2015 and 2014:**

For the six months ended June 30, 2015 and 2014, we recorded an overall net increase in ultimate losses and loss adjustment expense liabilities for the Torus segment of \$157.2 million and \$80.3 million, respectively, primarily attributable to net increases in ultimate losses and loss adjustment expense liabilities for the current period of \$158.7 million and \$80.3 million, respectively, which have been recorded based on expected loss ratios on current period earned premium.

The significant increase for the six months ended June 30, 2015 is primarily due to owning Torus for the full six months in 2015 as compared to only three months in 2014.

***Salaries and Benefits:***

	<b>Three Months Ended June 30,</b>			<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Total	\$ 18,235	(635)	\$ 17,600	\$ 33,655	(16,055)	\$ 17,600

Salaries and benefits costs for the Torus segment for the three months ended June 30, 2015 and 2014 were \$18.2 million and \$17.6 million, respectively. The increase was primarily attributable to severance costs related to the controlled exit and closure of Torus India operations that was initiated in March 2015 along with redundancy payments within Torus European operations, partially offset by a decrease in salary and benefits associated with lower headcount.

Salaries and benefits costs for the Torus segment for the six months ended June 30, 2015 and 2014 were \$33.7 million and \$17.6 million, respectively. The increase was primarily a result of the 2014 comparative period being only three months as compared to six months for 2015.

***General and Administrative Expenses:***

	<b>Three Months Ended June 30,</b>			<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Total	\$ 14,656	10,387	\$ 25,043	\$ 29,449	(3,513)	\$ 25,936

General and administrative expenses for the Torus segment were \$14.7 million and \$25.0 million for the three months ended June 30, 2015 and 2014, respectively. The amounts for the three months ended June 30, 2015 were comprised of \$8.4 million directly incurred by Torus operations and \$6.3 million of holding company costs related to: (i) management fee expenses of \$5.2 million charged by our non-life run-off segment to Bayshore primarily related to our costs incurred in managing Torus, and (ii) expenses of \$1.1 million related to the amortization of definite-lived intangible assets. The amounts for the three months ended June 30, 2014 were comprised of \$13.1 million directly



incurred by Torus operations and \$11.9 million of holding company costs related to: (i) management fee expenses of \$10.0 million, and (ii) \$1.9 million of acquisition-related expenses incurred by Bayshore. The decrease in Torus direct operating expenses was largely attributable to Torus execution of expense management strategies, which have been implemented across many expense categories, including a particular emphasis during the period on reduced consulting fees, IT expenses, and premises costs following the office consolidation with Enstar companies in the United Kingdom. The

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decrease in management fees was primarily attributable to operational improvements within Torus during the integration period following the acquisition.

General and administrative expenses for the Torus segment were \$29.5 million and \$25.9 million for the six months ended June 30, 2015 and 2014, respectively. The amounts for the six months ended June 30, 2015 were comprised of \$21.8 million directly incurred by Torus operations and \$7.6 million of holding company costs related to: (i) management fee expenses of \$5.4 million, and (ii) expenses of \$2.2 million related to the amortization of definite-lived intangible assets. The amounts for the six months ended June 30, 2014 were comprised of \$13.1 million directly incurred by Torus operations and \$12.8 million of holding company costs related to: (i) management fee expenses of \$10.0 million and (ii) \$2.8 million of acquisition-related expenses incurred by Bayshore. The increase in Torus direct expenses for the six months ended June 30, 2015 was primarily attributable to operating Torus for six months in 2015 as compared to three months in 2014.

*Noncontrolling Interest:*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 2,081	2,270	\$ 4,351	\$ (240)	4,947	\$ 4,707

We recorded noncontrolling interest in the net losses (earnings) of the Torus segment of \$2.1 million and \$4.4 million for the three months ended June 30, 2015 and 2014, respectively, and \$(0.2) million and \$4.7 million for the six months ended June 30, 2015 and 2014, respectively, as a result of a decrease in net losses during 2015. As of June 30, 2015, Trident and Dowling held a combined 41.02% noncontrolling interest in the Torus segment.

*Life and Annuities Segment*

Our life and annuities segment consists of the operations of our subsidiaries managing our closed-block of life and annuities business, which primarily consists of the life and annuities operations of HSBC Holdings plc (which we refer to as Pavonia) that we acquired on March 31, 2013. This segment also includes the life settlements business that our wholly-owned subsidiary, Guillamene, acquired on May 5, 2015 from Wilton Re, which owns interests in life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions.

We have also signed a definitive agreement to acquire NSA, which is anticipated to close during the third 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.

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The following is a discussion and analysis of our results of operations for our life and annuities segment for the three and six months ended June 30, 2015.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>			
<b>INCOME</b>				
Net premiums earned	\$ 23,072	\$ 27,596	\$ 45,992	\$ 54,088
Fees and commission income		13		34
Net investment income	12,161	9,952	21,531	19,941
Net realized and unrealized (losses) gains	(3,624)	4,263	(57)	9,314
	31,609	41,824	67,466	83,377
<b>EXPENSES</b>				
Life and annuity policy benefits	28,090	27,732	50,937	54,541
Acquisition costs	3,299	3,958	6,005	7,558
Salaries and benefits	501	2,394	2,640	4,403
General and administrative expenses	3,951	2,761	4,482	5,113
Interest expense	640	432	800	886
Net foreign exchange gains	582	(78)	(732)	(67)
	37,063	37,199	64,132	72,434
<b>(LOSSES) EARNINGS BEFORE INCOME TAXES</b>	<b>(5,454)</b>	<b>4,625</b>	<b>3,334</b>	<b>10,943</b>
<b>INCOME TAXES</b>	<b>1,846</b>	<b>(1,555)</b>	<b>(1,225)</b>	<b>(3,841)</b>
<b>NET (LOSS) EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ (3,608)</b>	<b>\$ 3,070</b>	<b>\$ 2,109</b>	<b>\$ 7,102</b>

*Net Premiums Earned:*

	<b>Three Months Ended June 30,</b>			<b>Six Months Ended June 30,</b>		
	<b>2015</b>	<i>Variance</i>	<b>2014</b>	<b>2015</b>	<i>Variance</i>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
Term life insurance	\$ 6,491	\$ (987)	\$ 7,478	\$ 13,354	\$ (2,069)	\$ 15,423
Assumed life reinsurance	5,511	(718)	6,229	9,951	(546)	10,497
Credit life and disability	11,070	(2,819)	13,889	22,687	(5,481)	28,168
	\$ 23,072		\$ 27,596	\$ 45,992		\$ 54,088

Net premiums earned in our life and annuities segment were \$23.1 million and \$27.6 million for the three months ended June 30, 2015 and 2014, respectively, and \$46.0 million and \$54.1 million for the six months ended June 30,

2015 and 2014, respectively.

The decrease in net premiums earned is the result of the run-off of policies during the period. The premiums in the life and annuities segment are expected to reduce by approximately 15 to 20% per annum as the blocks of business continue to run-off and policies lapse. Acquisition costs for the three months ended June 30, 2015 and 2014 of \$3.3 million and \$4.0 million, respectively, and \$6.0 million and \$7.6 million for the six months ended June 30, 2015 and 2014, respectively, are primarily related to premiums earned in respect of our assumed life insurance business and Pavonia's Canadian operations. Substantially all of the net premiums earned in the three and six months ended June 30, 2015 and 2014 relate to the U.S. and Canadian business of the Pavonia companies.

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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.

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

	<b>Three Months Ended June 30,</b>					
	<b>Net Investment Income</b>			<b>Net Realized and Unrealized</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 12,161	\$ 2,209	\$ 9,952	\$ (3,624)	\$ (7,887)	\$ 4,263

	<b>Six Months Ended June 30,</b>					
	<b>Net Investment Income</b>			<b>Net Realized and Unrealized</b>		
	<b>2015</b>	<b>Variance</b>	<b>2014</b>	<b>2015</b>	<b>Variance</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>					
<b>Total</b>	\$ 21,531	\$ 1,590	\$ 19,941	\$ (57)	\$ (9,371)	\$ 9,314

Net investment income for the life and annuities segment for the three months ended June 30, 2015 and 2014 was \$12.2 million and \$9.9 million, respectively, and for the six months ended June 30, 2015 and 2014 was \$21.5 million and \$19.9 million, respectively. The increase was primarily attributable to the \$2.0 million of net investment income earned relating to our investments in life settlements, which we acquired on May 5, 2015.

Net realized and unrealized (losses) gains for the three months ended June 30, 2015 and 2014 were \$(3.6) million and \$4.3 million, respectively, and \$(0.1) million and \$9.3 million for the six months ended June 30, 2015 and 2014, respectively. The decrease in net realized and unrealized gains of \$7.9 million and \$9.4 million for the three and six month periods, respectively, was primarily attributable to lower valuations for our fixed maturity investments, largely due to inclines in the longer end of the U.S. yield curve coupled with marginal widening of spreads in most spread products during the three months ended June 30, 2015 against declines in US interest rates in the year earlier period.

The current operation of one of the Pavonia companies relates solely to periodic payment annuities, or PPA. 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 71% of the Pavonia investments. As of June 30, 2015, the remaining 29% of the Pavonia investments consists of fixed maturity investments classified as trading securities, which constitute 26% of Pavonia's investments and relate to the nonperiodic payment annuity business, with the remaining 3% of Pavonia's investments held as equities and other investments.



**Table of Contents****Annualized Returns**

The table below presents the annualized investment returns (inclusive of net investment income and net realized and unrealized (losses) gains, earned by the life and annuities segment on its cash and investments for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Annualized Return		Average Cash and Investment Balances		Annualized Return		Average Cash and Investment Balances	
	2015	2014	2015	2014	2015	2014	2015	2014
	(in thousands of U.S. dollars)				(in thousands of U.S. dollars)			
Cash and fixed maturity investments	1.91%	4.29%	\$ 1,221,896	\$ 1,304,140	2.98%	4.27%	\$ 1,234,544	\$ 1,324,532
Other investments and equities	3.59%	5.99%	27,570	15,478	4.78%	14.31%	24,633	13,703
Combined overall	1.94%	4.31%	1,249,466	1,319,618	3.02%	4.37%	1,259,177	1,338,235

The average credit ratings of our fixed maturity investment of our life and annuities segment as at June 30, 2015 and 2014 were A+.

***Life and Annuity Policy Benefits:***

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Periodic payment annuity benefits paid	\$ 10,516	\$ 4,799	\$ 15,315	\$ 21,714	\$ 6,991	\$ 28,705
Reductions in periodic payment annuity benefit reserves	(3,333)	(3,938)	(7,271)	(8,162)	(6,344)	(14,506)
Net change in periodic payment annuity benefit reserves	7,183		8,044	13,552		14,199
Net life claims benefits paid	22,118	(2,683)	19,435	42,530	(660)	41,870
Net change in life claims benefit reserves	(3,884)	244	(3,640)	(10,360)	1,141	(9,219)
Amortization of fair value adjustments	2,673	1,220	3,893	5,215	2,476	7,691
Net ultimate change in life benefit reserves	20,907		19,688	37,385		40,342
	\$ 28,090		\$ 27,732	\$ 50,937		\$ 54,541

Life and annuity policy benefits were \$28.1 million and \$27.7 million for the three months ended June 30, 2015 and 2014, respectively, and \$50.9 million and \$54.5 million for the six months ended June 30, 2015 and 2014, respectively.

Net ultimate change in life benefit reserves of \$20.9 million in the three months ended June 30, 2015 was comprised of net life claims benefits paid of \$22.1 million and amortization of fair value adjustments of \$2.7 million, partially offset by net change in life claims benefit reserves of \$(3.9) million.



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Net ultimate change in life benefit reserves of \$37.4 million in the six months ended June 30, 2015 was comprised of net life claims benefits paid of \$42.5 million and amortization of fair value adjustments of \$5.2 million, partially offset by net change in life claims benefit reserves of \$(10.4) million.

*Salaries and Benefits:*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 501	\$ 1,893	\$ 2,394	\$ 2,640	\$ 1,763	\$ 4,403

Salaries and benefits costs for the life and annuities segment were \$0.5 million and \$2.4 million for the three months ended June 30, 2015 and 2014, respectively, and were \$2.6 million and \$4.4 million for the six months ended June 30, 2015 and 2014, respectively.

The decreases for the three and six months ended June 30, 2015 were largely attributable to lower bonus allocations due to lower net earnings as compared to the same periods for 2014.

*General and Administrative Expenses:*

	Three Months Ended			Six Months Ended June 30,		
	2015	June 30, Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					
Total	\$ 3,951	\$ (1,190)	\$ 2,761	\$ 4,482	\$ 631	\$ 5,113

General and administrative expenses for the life and annuities segment were \$4.0 million and \$2.8 million for the three months ended June 30, 2015 and 2014, respectively. The increase in expenses for the three months ended June 30, 2015 is primarily attributable to an increase in management and professional fees over the same period last year.

General and administrative expenses for the life and annuities segment were \$4.5 million and \$5.1 million for the six months ended June 30, 2015 and 2014, respectively. The decrease in expenses for the six months ended June 30, 2015 is primarily attributable to the finalization with the seller of the purchase price for the Pavonia business, which resulted in a release of a previously accrued acquisition date liability of \$1.8 million, partially offset by increased professional fees.

*Income Tax Expense:*

	Three Months Ended June 30,			Six Months Ended June 30,		
	2015	Variance	2014	2015	Variance	2014
	(in thousands of U.S. dollars)					

Total	\$ (1,846)	\$ 3,401	\$ 1,555	\$ 1,225	\$ 2,616	\$ 3,841
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We recorded income tax (recovery) expense for the life and annuities segment of \$(1.8) million and \$1.6 million of the three months ended June 30, 2015 and 2014, respectively. The decrease in income tax expense for the three months ended June 30, 2015 is reflective of the decrease in earnings during the 2015 period. The effective tax rate was (33.8)% for the three months ended June 30, 2015 compared with 33.6% for same period in 2014.

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We recorded income tax expense for the life and annuities segment of \$1.2 million and \$3.8 million of the six months ended June 30, 2015, respectively. The decrease in income tax expense for the six months ended June 30, 2015 is reflective of the decrease in earnings during the 2015 period. The effective tax rate was 36.7% for the six months ended June 30, 2015 compared with 35.1% for same period in 2014.

**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.

At June 30, 2015, we had total cash and cash equivalents, restricted cash and cash equivalents and investments of \$9.1 billion, compared to \$7.5 billion at December 31, 2014. 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 June 30, 2015 and December 31, 2014, we had reinsurance balances recoverable of \$1.61 billion and \$1.33 billion, respectively. The increase of \$282.0 million in reinsurance balances recoverable was primarily a result of the Companion acquisition, partially offset by commutations and cash collections made during the six months ended June 30, 2015 in the Company's non-life run-off and Torus segments.

**Top Ten Reinsurers**

The following table shows, for each segment, the total reinsurance balances recoverable by reinsurer as at June 30, 2015 and December 31, 2014:

	As at June 30, 2015						% of Total
	Reinsurance Balances Recoverable					Total	
	Non-life run-off	Atrium	Torus	Life and annuities	Total		
	(in thousands of U.S. dollars)						
Top ten reinsurers	\$ 882,658	\$ 21,365	\$ 121,542	\$ 14,564	\$ 1,040,129	64.5%	

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Other reinsurers balances > \$1 million	357,401	4,856	179,497	10,219	551,973	34.2%
Other reinsurers balances < \$1 million	15,227	560	5,595	138	21,520	1.3%
Total	\$ 1,255,286	\$ 26,781	\$ 306,634	\$ 24,921	\$ 1,613,622	100.0%

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	As at December 31, 2014					% of Total
	Reinsurance Balances Recoverable					
	Non-life run-off	Atrium	Torus	Life and annuities	Total	
	(in thousands of U.S. dollars)					
Top ten reinsurers	\$ 667,325	\$ 23,635	\$ 158,117	\$ 15,089	\$ 864,166	64.9%
Other reinsurers balances > \$1 million	256,929	4,917	181,196	10,692	453,734	34.1%
Other reinsurers balances < \$1 million	6,205	1,015	5,741	694	13,655	1.0%
Total	\$ 930,459	\$ 29,567	\$ 345,054	\$ 26,475	\$ 1,331,555	100.0%

At June 30, 2015 and December 31, 2014, the top ten reinsurers of our business accounted for 64.5% and 64.9%, respectively, of total reinsurance balances recoverable (which includes total reinsurance reserves and paid losses recoverable) and included \$464.8 million and \$310.9 million, respectively, of incurred but not reported (or IBNR) reserves recoverable. With the exception of three non-rated reinsurers from which \$400.2 million was recoverable (December 31, 2014: \$175.2 million related to one reinsurer), the other top ten reinsurers, as at June 30, 2015 and December 31, 2014, were all rated A- or better.

As at June 30, 2015, reinsurance balances recoverable with a carrying value of \$175.3 million were associated with one reinsurer that represented 10% or more of total reinsurance balances recoverable. 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 total reinsurance balances recoverable.

*Provisions for Uncollectible Reinsurance Balances Recoverable*

The following table shows the total reinsurance balances recoverable by rating of reinsurer along with our provisions for uncollectible reinsurance balances recoverable, or provisions for bad debt, as at June 30, 2015 and December 31, 2014. The provisions for bad debt relate entirely to the non-life run-off segment.

	As at June 30, 2015			As at December 31, 2014		
	Reinsurance Balances Recoverable			Reinsurance Balances Recoverable		
	Gross	Provisions for Bad Debt	Net	Gross	Provisions for Bad Debt	Net
	(in thousands of U.S. dollars)					
Reinsurers rated A- or above	\$ 1,122,408	\$ 53,911	\$ 1,068,497	\$ 1,126,944	\$ 80,995	\$ 1,045,949
Reinsurers rated below A-, secured (trust funds or letters of credit)	471,033		471,033	204,544		204,544
Reinsurers rated below A-, unsecured	277,522	203,430	74,092	289,976	208,914	81,062
Total	\$ 1,870,963	\$ 257,341	\$ 1,613,622	\$ 1,621,464	\$ 289,909	\$ 1,331,555
Provisions for bad debt as a percentage of gross		13.8%			17.9%	

reinsurance balances  
recoverable

To estimate the provisions for bad debt, the reinsurance recoverable is first allocated to applicable reinsurers. As part of this process, ceded IBNR reserves are allocated by reinsurer. The ratio of the provisions for bad debt to total reinsurance balances recoverable (excluding provisions for bad debt) as of June 30, 2015 decreased to 13.8% as compared to 17.9% as of December 31, 2014, primarily as a result of the reinsurance balances recoverable of Companion acquired during the period that required minimal provisions for bad debt, and the commutation of certain reinsurance balances recoverable with reinsurers for which we had large provisions for bad debt.

**Table of Contents****Cash Flows**

The following table summarizes our consolidated cash flows from operating, investing and financing activities for the six months ended June 30, 2015 and 2014:

<b>Total cash (used in) provided by:</b>	<b>Six Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in thousands of U.S. dollars)</b>	
Operating activities	\$ (478,045)	\$ 324,197
Investing activities	260,153	(158,314)
Financing activities	337,675	217,104
Effect of exchange rate changes on cash	(6,226)	1,327
<b>Net increase in cash and cash equivalents</b>	<b>113,557</b>	<b>384,314</b>
Cash and cash equivalents, beginning of period	963,402	643,841
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,076,959</b>	<b>\$ 1,028,155</b>

See Item 1. Financial Statements Condensed Consolidated Statements of Cash Flows for the Six Month Periods Ended June 30, 2015 and 2014 (Unaudited) for further information.

**Operating**

Net cash used by our operating activities for the six months ended June 30, 2015 was \$478.0 million compared to net cash provided of \$324.2 million for the six months ended June 30, 2014. This increase of \$802.2 million in the net cash used was due primarily to the following:

- (i) an increase of \$1.1 billion in the purchases, sales and maturities of trading securities between 2015 and 2014 largely because of the investment portfolios we acquired in 2015 with Companion, as well as owning Torus investment portfolios for an additional three months in 2015; partially offset by
- (ii) an increase in losses and loss adjustment expenses of \$188.8 million in 2015 as compared to \$364.0 million in 2014 due primarily to lower reductions in reserves for 2015 predominantly as a result of reduced commutation and claims settlement activity; and
- (iii) a decrease in insurance and reinsurance balances payable of \$33.8 million in 2015 as compared to an increase of \$127.6 million in 2014 due largely to reduced commutation and claims settlement activity.

**Investing**

Investing cash flows consist primarily of cash acquired from acquisitions and net proceeds on the sale and purchase of available-for-sale securities and other investments. Net cash provided by investing activities was \$260.2 million

during the six months ended June 30, 2015 compared to net cash used of \$158.3 million during the six months ended June 30, 2014. The increase of \$418.5 million between 2015 and 2014 was due primarily to the following:

- (i) an increase of \$242.4 million in restricted cash and cash equivalents during the six months ended June 30, 2015 compared to a decrease of \$94.0 million during the six months ended June 30, 2014. The increase of restricted cash was primarily due to the cash received in connection with the Voya transaction;
- (ii) an increase of \$41.2 million in the cash provided by the net purchases, sales and maturities of available for sale securities between 2015 and 2014;
- (iii) an increase of \$19.1 million in the net purchases and redemptions of other investments; and
- (iv) an increase of \$18.8 million in net cash acquired between 2015 and 2014, due primarily to the acquisitions of Companion and the Wilton Re life settlements business.



**Table of Contents***Financing*

Net cash provided by financing activities was \$337.7 million during the six months ended June 30, 2015 compared to \$217.1 million during the six months ended June 30, 2014. The increase of \$120.6 million in cash provided by financing activities was primarily attributable to the following:

- (i) an increase of \$304.7 million in cash received attributable to bank loans between 2015 and 2014 largely due to 2015 acquisition activity; and
- (ii) a decrease of \$87.3 million in the repayment of bank loans between 2015 and 2014; partially offset by
- (iii) a decrease of \$238.9 million of contribution to surplus of subsidiary by redeemable noncontrolling interest between 2015 and 2014, due to contributions from Trident and Dowling for the Torus acquisition that occurred in 2014.

*Investments*

Aggregate invested assets, comprising cash and cash equivalents, restricted cash and cash equivalents, fixed maturities, equities and other investments, were \$9.1 billion as of June 30, 2015 compared to \$7.5 billion as of December 31, 2014, an increase of 21.3%. The increase in cash and invested assets resulted principally from the completion of the acquisition of Companion.

We hold: (i) trading portfolios of fixed maturity investments, short-term investments, equities and other investments, carried at fair value; (ii) a held-to-maturity portfolio of fixed maturity investments carried at amortized cost; (iii) available-for-sale portfolios of fixed maturity investments carried at fair value; and (iv) other investments carried at cost.

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 June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
	(in thousands of U.S. Dollars)			
U.S. government and agency	\$ 834,481	12.8%	\$ 769,002	14.8%
Non-U.S. government	371,326	5.7%	439,439	8.5%

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Corporate	2,721,224	41.9%	2,087,929	40.2%
Municipal	118,149	1.8%	25,607	0.5%
Residential mortgaged-backed	432,264	6.7%	311,864	6.0%
Commercial mortgage-backed	204,036	3.1%	139,907	2.7%
Asset-backed	731,496	11.2%	430,170	8.3%
Fixed maturity and short-term investments	5,412,976	83.2%	4,203,918	81.0%
Other investments, at fair value	959,283	14.8%	836,868	16.1%
Equities U.S.	105,972	1.6%	106,895	2.1%
Equities International	23,304	0.4%	43,235	0.8%
Total investments	\$ 6,501,535	100.0%	\$ 5,190,916	100.0%

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The table below shows the aggregate fair values of our investments classified as held-to-maturity as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
	(in thousands of U.S. dollars)			
U.S. government and agency	\$ 19,653	2.5%	\$ 20,559	2.5%
Non-U.S. government	37,819	4.8%	38,689	4.7%
Corporate	730,631	92.7%	767,124	92.8%
Total investments	\$ 788,103	100.0%	\$ 826,372	100.0%

As at June 30, 2015, we held investments on our balance sheet totaling \$7.4 billion compared to \$6.0 billion at December 31, 2014, with net unrealized losses included in accumulated comprehensive income of \$4.4 million at June 30, 2015 compared to \$3.0 million at December 31, 2014. As at June 30, 2015, we had \$4.5 billion of restricted assets compared to \$3.6 billion at December 31, 2014.

Across all 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, at fair value, including private equities and private equity funds, fixed income funds, fixed income hedge funds, equity funds, a real estate debt fund, CLO equities and CLO equity fund. At June 30, 2015, these other investments totaled \$959.3 million, or 12.9%, of our total balance sheet investments (December 31, 2014: \$836.9 million or 13.9%).

For our life and annuities segment, we do not commute our 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 June 30, 2015, 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

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yielding securities and funds in the future. As at June 30, 2015, the duration of our fixed maturity investment portfolio associated with our non-PPA life business was shorter than the liabilities, however, 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 June 30, 2015 and December 31, 2014 was as follows:

	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
	<b>Fair Value</b>	<b>% of Total</b>	<b>Fair Value</b>	<b>% of Total</b>
	<b>(in thousands of U.S. dollars)</b>			
One year or less	\$ 980,430	15.8%	\$ 893,490	17.8%
More than one year through two years	874,391	14.1%	853,279	16.9%
More than two years through five years	1,720,131	27.7%	1,313,918	26.1%
More than five years through ten years	604,290	9.7%	390,691	7.8%
More than ten years	654,041	10.6%	696,971	13.9%
	4,833,283	77.9%	4,148,349	82.5%
Residential mortgage-backed	432,264	7.0%	311,864	6.2%
Commercial mortgage-backed	204,036	3.3%	139,907	2.8%
Asset-backed	731,496	11.8%	430,170	8.5%
Total	\$ 6,201,079	100.0%	\$ 5,030,290	100.0%

As at June 30, 2015 and December 31, 2014, our fixed maturity and short-term investment portfolios had an average credit quality rating of A+ and AA-, respectively. At June 30, 2015 and December 31, 2014, our fixed maturity investments rated BBB or lower comprised 12.5% and 9.4% of our total investment portfolio, respectively.

At June 30, 2015, we had \$210.4 million of short-term investments (December 31, 2014: \$130.5 million). Short-term investments are managed as part of our investment portfolio and have a maturity of one year or less when purchased. Short-term investments are carried at fair value.

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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.

As of September 30, 2015	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)									
<b>Fixed maturity investments</b>									
U.S. government	\$ 831,206	\$ 834,481	12.8%	\$ 809,945	\$ 16,673	\$ 7,863	\$	\$	\$
U.S. government	385,687	371,326	5.7%	115,882	167,962	50,701	25,834	10,947	
Corporate	2,742,571	2,721,224	41.9%	164,236	461,055	1,430,498	568,504	93,890	3,041
Municipal	123,944	118,149	1.8%	8,295	31,758	74,771	3,325.0		
Securitized									
Mortgage-backed	433,363	432,264	6.7%	412,529	982	10,900	6,512	1,334	
Commercial									
Mortgage-backed	204,560	204,036	3.1%	98,009	21,153	62,399	22,475		
Asset-backed	729,397	731,496	11.2%	284,683	185,563	142,952	46,410	71,684	20,000
<b>Short-term investments</b>									
Fixed maturity and short-term investments	\$ 5,450,728	\$ 5,412,976	83.2%	1,893,579	885,146	1,780,084	673,060	177,855	3,251
				35.0%	16.3%	32.9%	12.4%	3.3%	0.1%
<b>Equities</b>									
International		105,972	1.6%						105,972
		23,304	0.4%						23,304
U.S. equities		129,276	2.0%						129,276
				0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
<b>Other investments, at fair value</b>									
State equities									
Private equity		204,324	3.1%						204,324
Real estate income		335,917	5.2%						335,917
Real estate income		97,812	1.5%						97,812

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ty fund	159,494	2.4%							159,494
estate debt									
	76,216	1.2%							76,216
equities	67,475	1.0%							67,475
equity funds	16,432	0.3%							16,432
er	1,613	0.1%							1,613
l other									
stments	959,283	14.8%							959,283
			0%	0%	0%	0%	0%	0%	100%
<b>l</b>									
<b>stments</b>	\$ 6,501,535	100.0%	\$ 1,893,579	\$ 885,146	\$ 1,780,084	\$ 673,060	\$ 177,855	\$ 1,091,811	
			29.1%	13.6%	27.4%	10.4%	2.7%	16.6%	

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September 30, 2014	Amortized Cost	Fair Value	% of Total Investment	AAA Rated	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
(in thousands of U.S. dollars)									
<b>Maturity and Term</b>									
<b>Investments</b>									
Government &	\$ 766,967	\$ 769,002	14.8%	\$	\$ 766,175	\$ 2,827	\$	\$	\$
U.S. government	448,661	439,439	8.5%	162,813	169,859	68,839	37,928		
Municipal	2,100,972	2,087,929	40.2%	117,545	505,697	1,080,974	331,657	31,603	20
Asset-backed	25,452	25,607	0.5%	5,993	11,790	7,824			
Commercial	311,152	311,864	6.0%	32,023	269,777	4,351	4,584	1,118	
Asset-backed	139,984	139,907	2.7%	79,016	21,223	19,266	19,414	988	
Other	431,509	430,170	8.3%	245,767	64,838	29,586	11,911	78,068	
<b>Fixed maturity</b>									
<b>Short-term</b>									
Investments	\$ 4,224,697	4,203,918	81.0%	643,157	1,809,359	1,213,667	405,494	111,777	20
				15.3%	43.0%	28.9%	9.6%	2.7%	
<b>Equities</b>									
Investments		106,895	2.1%						106
International		43,235	0.8%						43
Equities		150,130	2.9%						150
				0.0%	0.0%	0.0%	0.0%	0.0%	1
<b>Investments, at</b>									
<b>Value</b>									
Equities and		197,269	3.8%						197
Equity funds		335,026	6.4%						335
Income funds		59,627	1.1%						59
Income hedge		150,053	2.9%						150
Funds		33,902	0.7%						33
State debt fund		41,271	0.8%						41
Equities		16,022	0.3%						16
Equity funds		3,698	0.1%						3
Other investments		836,868	16.1%						836
				0.0%	0.0%	0.0%	0.0%	0.0%	1
<b>Investments</b>		\$ 5,190,916	100.0%	\$ 643,157	\$ 1,809,359	\$ 1,213,667	\$ 405,494	\$ 111,777	\$ 1,007



12.4%

34.9%

23.4%

7.8%

2.1%

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The following table summarizes the composition of the amortized cost and fair value of our held-to-maturity fixed maturity investments as at June 30, 2015 and December 31, 2014 by ratings as assigned by major rating agencies.

At June 30, 2015	Amortized Cost	Fair Value	% of Total Investments	AAA Rated (in thousands of U.S. dollars)	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
<b>Fixed maturity investments</b>									
U.S. government & agency	\$ 20,075	\$ 19,653	2.5%	\$ 18,238	\$ 1,371	\$	\$	\$	\$ 44
Non-U.S. government	38,293	37,819	4.8%		30,070	7,749			
Corporate	744,227	730,631	92.7%	46,129	131,049	491,648	55,960	5,575	270
<b>Total fixed maturity investments</b>	<b>\$ 802,595</b>	<b>\$ 788,103</b>	<b>100.0%</b>	<b>\$ 64,367</b>	<b>\$ 162,490</b>	<b>\$ 499,397</b>	<b>\$ 55,960</b>	<b>\$ 5,575</b>	<b>\$ 314</b>
				8.2%	20.6%	63.3%	7.1%	0.7%	0.1%
At December 31, 2014	Amortized Cost	Fair Value	% of Total Investments	AAA Rated (in thousands of U.S. dollars)	AA Rated	A Rated	BBB Rated	Non-Investment Grade	Not Rated
<b>Fixed maturity investments</b>									
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	
<b>Total fixed maturity investments</b>	<b>\$ 813,233</b>	<b>\$ 826,372</b>	<b>100.0%</b>	<b>\$ 54,895</b>	<b>\$ 246,764</b>	<b>\$ 476,642</b>	<b>\$ 42,748</b>	<b>\$ 5,323</b>	<b>\$</b>
				6.6%	29.9%	57.7%	5.2%	0.6%	%

**Loans Payable**

Our long-term debt consists of the EGL Revolving Credit Facility, which can be used for permitted acquisitions and for general corporate purposes, and the Sussex Facility, an acquisition term loan facility used to partially finance our acquisition of Companion on January 27, 2015.

The EGL Revolving Credit Facility was entered into on September 16, 2014. On February 27, 2015, the EGL Revolving Credit Facility was amended and restated primarily in order to: (1) increase the size of the facility from \$500 million to \$665 million, (2) add Lloyd's Bank plc as a new lender within the facility, and (3) reallocate the amounts provided by each of the four lenders under the facility such that each lender agreed to provide an equal amount of \$166.25 million, on and subject to the terms of the restated facility agreement.

On December 24, 2014, Sussex Holdings, our wholly-owned subsidiary, as borrower and guarantor, entered into the Sussex Facility with National Australia Bank Limited and Barclays Bank PLC. The Sussex 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 Holdings fully drew down on the Sussex Facility and completed the acquisition of Companion on January 27, 2015.

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Borrowings and repayments under our loan facilities during the six months ended June 30, 2015 are described below.

*EGL Revolving Credit Facility*

Our borrowings under the facility increased from \$319.6 million as at December 31, 2014 to \$544.3 million as at June 30, 2015. The increase of \$224.7 million was attributable to the following drawdowns: (i) a total of \$149.7 million related to the Wilton Re life settlements acquisition and the Voya transaction; (ii) \$50.0 million to capitalize a newly-formed Bermuda registered wholly-owned reinsurance company; and (iii) \$25.0 million for general corporate purposes.

*Sussex Facility*

On May 5, 2015, we repaid \$5.0 million of the outstanding principal of the Sussex Facility, reducing the outstanding principal to \$104.0 million as at June 30, 2015.

As of June 30, 2015, all of the covenants relating to the EGL Revolving Credit Facility and the Sussex Facility were met.

Amounts of loans payable outstanding, and accrued interest, as of June 30, 2015, and December 31, 2014 total \$650.5 million and \$320.0 million, respectively.

**Aggregate Contractual Obligations**

The following table shows our aggregate contractual obligations and commitments by time period remaining to due date as at June 30, 2015 and updates the table on page 141 of our Annual Report on Form 10-K for the year ended December 31, 2014:

	Total	Payments Due by Period			More than 5 years
		Less than 1 year	1 - 3 years	3 - 5 years	
<b>Operating Activities</b>					
Estimated gross reserves for losses and loss adjustment expenses <sup>(1)</sup>	\$ 6,275.9	\$ 1,345.7	\$ 2,148.4	\$ 920.2	\$ 1,861.7
Policy benefits for life and annuity contracts <sup>(2)</sup>	2,515.0	78.8	74.9	70.5	2,290.7
Operating lease obligations	41.6	13.4	15.3	7.9	5.0
<b>Investing Activities</b>					
Investment commitments	98.2	41.9	48.0	4.2	4.1
<b>Financing Activities</b>					
Acquisition funding	122.4	122.4			
Significant transaction funding	140.0	140.0			
Loan repayments (including estimated interest payments)	686.6	138.6	291.9	256.1	
<b>Total</b>	<b>\$ 9,879.7</b>	<b>\$ 1,880.8</b>	<b>\$ 2,578.5</b>	<b>\$ 1,258.9</b>	<b>\$ 4,161.5</b>

- (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.

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The amounts in the above table represent our estimates of known liabilities as of June 30, 2015 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 unaudited condensed consolidated financial statements as of June 30, 2015 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 unaudited condensed consolidated balance sheet as at June 30, 2015 of \$1,206.1 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 as at June 30, 2015 and December 31, 2014:

Original Commitments	June 30, 2015 Commitments		Original Commitments	December 31, 2014 Commitments	
	Funded	Unfunded		Funded	Unfunded
	(in thousands of U.S. dollars)				
\$ 305,000	\$ 206,843	\$ 98,157	\$ 311,000	\$ 211,115	\$ 99,885

*Guarantees*

As at June 30, 2015 and December 31, 2014, we had, in total, parental guarantees supporting a subsidiary's insurance obligations in the amount of \$290.6 million and \$238.6 million, respectively.

*Acquisitions and Significant New Business and Transactions*

As of June 30, 2015, we had entered into a definitive agreement with respect to the purchase of NSA (described in *Recent Developments - Acquisitions*), which is expected to close in the third quarter of 2015. We had also entered into a Sale and Purchase Agreements with the JCF II Funds; (described in *Recent Developments - Significant New Business and Transactions*), which is scheduled to close no later than October 1, 2015.

*Legal Proceedings*

Refer to *Item 1. Legal Proceedings* of Part II of this Quarterly Report on Form 10-Q for a description of our litigation matters.

**Critical Accounting Policies**

Our critical accounting policies are discussed in *Management's Discussion and Analysis of Results of Operations and Financial Condition* contained in our Annual Report on Form 10-K for the year ended December 31, 2014 and have not materially changed, except as set forth below.

*Deferred Charges*

We record deferred charges with respect to unpaid loss liabilities assumed under retroactive reinsurance contracts. At the inception of these contracts, the deferred charges represent the excess,

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if any, of the estimated ultimate liability for unpaid losses over the consideration received. Deferred charges are amortized over the estimated ultimate claim payment period with the periodic amortization reflected in earnings as a component of losses and loss adjustment expenses. Deferred charge balances are adjusted periodically to reflect new projections of the amount and timing of remaining loss payments. Significant changes in the estimated amount and the timing of payments of unpaid losses may have a significant effect on the unamortized deferred charges and the amount of periodic amortization.

## **Off-Balance Sheet and Special Purpose Entity Arrangements**

At June 30, 2015, we did not have any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

## **Cautionary Statement Regarding Forward-Looking Statements**

This quarterly report contains statements that constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities, plans and objectives of our management, as well as the markets for our ordinary shares and the insurance and reinsurance sectors in general. Statements that include words such as estimate, project, plan, intend, expect, anticipate, believe, would, should, could, seek, may and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements are necessarily estimates or expectations, and not statements of historical fact, reflecting the best judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward looking statements should, therefore, be considered in light of various important factors, including those set forth in this quarterly report and in our Annual Report on Form 10-K for the year ended December 31, 2014. 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;

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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 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, cyclicalities 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 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 investments in life settlements contracts, including that actual experience may differ from our assumptions regarding longevity, cost projections, and risk of non-payment from the insurance carrier;

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 other cautionary statements and Risk Factors that are included in our Annual Report on Form 10-K for the year ended December 31, 2014. We undertake no obligation to publicly update or review any forward looking statement, whether to reflect any change in our expectations with regard thereto, or as a result of new information, future developments or otherwise, except as required by law.*

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

The following risk management discussion and the estimated amounts generated from sensitivity analysis presented are forward-looking statements of market risk assuming certain market conditions occur. Future results may differ materially from these estimated results due to, among other things,

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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 the second quarter of 2015 were not materially different than those used in 2014, 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 investment portfolios 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 investment portfolios classified as trading and available-for-sale for the years indicated:

**Interest Rate Movement Analysis on Market Value of Cash, Short-Term Investments  
and Fixed Maturity Investments Classified as Trading and Available-for-Sale**

At June 30, 2015	Interest Rate Shift in Basis Points				
	-100	-50	0	+50	+100
(in millions of U.S. dollars)					
Total market value	\$ 7,210	\$ 7,166	\$ 7,102	\$ 7,050	\$ 6,992
Market value change from base	1.5%	0.9%	0%	(0.7)%	(1.5)%
Change in unrealized value	\$ 108	\$ 64	\$	\$ (52)	\$ (110)
.					
At December 31, 2014	-100	-50	0	+50	+100
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	\$	\$ (31)	\$ (62)

**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, we also have exposure to credit risk as a result of investment ratings downgrades or issuer defaults. In an effort to mitigate this risk, our investment portfolio consists primarily of investment grade-rated, liquid, fixed maturity investments of short-to-medium duration. At June 30, 2015, 48.5% of our fixed maturity investments and short-term

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investment portfolio was rated AA or higher by a major rating agency (December 31, 2014: 54.8%) with 14.7% (December 31, 2014: 11.2%) rated BBB or lower. The fixed maturity and short-term investment portfolio as a whole had an average credit quality rating of A+ as at both June 30, 2015 and December 31, 2014. 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. Our 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.

As at June 30, 2015, reinsurance balances recoverable with a carrying value of \$175.3 million were associated with one reinsurer that represented 10% or more of total reinsurance balances recoverable. 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 total reinsurance balances recoverable.

### **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 June 30, 2015 was \$288.8 million (December 31, 2014: \$300.2 million). At June 30, 2015, the impact of a 10% decline in the overall market prices of our equities at risk would be \$28.9 million (December 31, 2014: \$30.0 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

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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 net exposure as of June 30, 2015 and December 31, 2014 to foreign currencies for our subsidiaries whose functional currency is U.S. dollars:

<b>June 30, 2015</b>	<b>GBP</b>	<b>EURO</b>	<b>AUD</b>	<b>CDN</b>	<b>Other</b>	<b>Total</b>
	<b>(in millions of U.S. dollars)</b>					
Total net foreign currency exposure	\$ 8.5	\$ 27.4	\$ (5.0)	\$ 46.3	\$ (13.1)	\$ 64.1
Pre-tax impact of a 10% movement of the U.S. dollar <sup>(1)</sup>	\$ 0.9	\$ 2.7	\$ (0.5)	\$ 4.6	\$ (1.3)	\$ 6.4
<b>December 31, 2014</b>	<b>GBP</b>	<b>EURO</b>	<b>AUD</b>	<b>CDN</b>	<b>Other</b>	<b>Total</b>
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 <sup>(1)</sup>	\$ 6.3	\$ 1.5	\$ (0.4)	\$ 1.6	\$ (2.8)	\$ 6.2

(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 4. CONTROLS AND PROCEDURES****Evaluation of 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 June 30, 2015. 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 U.S. Securities and Exchange Commission and is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

**Changes in Internal Controls**



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 June 30, 2015. Based upon that evaluation there were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. 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 1A. RISK FACTORS**

Our results of operations and financial condition are subject to numerous risks and uncertainties described in Risk Factors included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. The risk factors identified therein have not materially changed, except as set forth below.

*Our investments in life settlements contracts are subject to the risk that actual experience could differ substantially from our assumptions related to their estimated value, which may impair their value and adversely impact our results of operations.*

On May 5, 2015, we acquired two companies for total consideration of \$173.1 million that own interests in life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions. We recognize our initial investment in these life settlements contracts at the transaction price plus all initial direct external costs. The transaction price is established based on certain assumptions, including the life expectancy of the insured person, the projected premium payments on the contract (including projections of possible rate increases from the related insurance carrier), the projected costs of administration relating to the contract, and the projected risk of non-payment, including the financial health of the related insurance carrier, the possibility of legal challenges from such insurance carrier or others and the possibility of regulatory changes that may affect payment. The estimated value of a contract is also affected by the discounted value of future cash flows from death benefits and the discounted value of future premiums due on the contract.

The actual value of any life settlement contract cannot be determined until the policy matures (i.e., the insured has died and the insurance carrier has paid out the death benefit to the holder). Our subsidiaries pay continuing costs to keep the policies in force (primarily life insurance premiums), which increases the carrying amount of the investment. Because we recognize income on individual investments at an amount equal to the excess of the investment proceeds over the carrying amount of the investment at the time the insured dies, the profitability of our life settlements investments is contingent on actual experience relative to the key assumptions we made when the life settlement investment was acquired. If actual experience differs from these assumptions, our carrying value of these investments

may increase. A significant negative difference between the carrying cost of

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contracts and actual death benefits received at maturity of contracts could adversely affect our net investment income and our results of operations.

**Item 6. EXHIBITS**

The information required by this item is set forth on the exhibit index that follows the signature page of this report.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 7, 2015.

ENSTAR GROUP LIMITED

By: /s/ Richard J. Harris  
Richard J. Harris  
Chief Financial Officer, Authorized  
Signatory and  
Principal Accounting and Financial  
Officer

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<b>No.</b>	<b>Description</b>
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 5, 2011).
3.2	Fourth Amended and Restated Bye-Laws of Enstar Group Limited (incorporated by reference to Exhibit 3.2(b) to 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).
10.1	Shareholder Rights Agreement, dated June 3, 2015, between Enstar Group Limited and Canada Pension Plan Investment Board (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 3, 2015).
10.2*+	Amendment to Employment Agreement, dated May 12, 2015, by and between the Company and Richard J. Harris.
10.3*+	Employment Agreement, dated May 11, 2015, effective August 15, 2015, by and between the Company and Mark Smith.
10.4*	Termination and Waiver Agreement, dated June 3, 2015, by and among First Reserve Fund XII, L.P., FR XII-A Parallel Vehicle, L.P., FR XI Offshore AIV, L.P., FR Torus Co-Investment, L.P. and Enstar Group Limited.
15.1*	KPMG Audit Limited Letter Regarding Unaudited Interim Financial Information.
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

