

Enstar Group LTD  
Form 10-K/A  
May 02, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-K/A**  
**(Amendment No. 1)**  
**FOR ANNUAL AND TRANSITION REPORTS**  
**PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**þ** **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2010**

**or**

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

**Commission File Number 001-33289**  
**ENSTAR GROUP LIMITED**  
*(Exact name of registrant as specified in its charter)*

**BERMUDA**  
*(State or other jurisdiction of incorporation or organization)*

**N/A**  
*(I.R.S. Employer Identification No.)*

**P.O. Box HM 2267**  
**Windsor Place, 3rd Floor, 18 Queen Street**  
**Hamilton HM JX**  
**Bermuda**  
*(Address of principal executive offices, including zip code)*  
**Registrant's telephone number, including area code: (441) 292-3645**

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal year, December 31, 2010, was \$455,419,690.

As of March 1, 2011, the registrant had outstanding 13,073,210 ordinary shares, \$1.00 par value per share.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K (this Amendment ) amends the Annual Report on Form 10-K of Enstar Group Limited (the Company, our, we, or us ) for the fiscal year ended December 31, 2010, originally filed with the United States Securities and Exchange Commission (the SEC ) on March 7, 2011 (the Original Filing ). We are filing this Amendment for the purpose of including the information required by Part III and not included in the Original Filing as we will not file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2010. The reference on the cover page of the Original Filing to the incorporation by reference of our definitive proxy statement into Part III of the Original Filing is hereby deleted. We have also included certain exhibits, and accordingly, Item 15 of Part IV has also been amended. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

Except as described above, no other changes have been made to the Original Filing. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events that occurred at a date subsequent to the filing of the Original Filing. Therefore, this Amendment should be read in conjunction with our Original Filing and our other filings made with the SEC subsequent to the filing of the Original Filing.

**Table of Contents****PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****DIRECTORS**

Our Board of Directors (the Board) is divided into three classes designated Class I, Class II and Class III. The term of office for each Class II director expires at our annual general meeting in 2011; the term of office for each Class III director expires at our annual general meeting in 2012; and the term of office for each Class I director expires at our annual general meeting in 2013. At each annual general meeting, the successors of the class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual general meeting to be held in the third year following the year of their election.

In connection with the merger of one of our wholly owned subsidiaries with The Enstar Group, Inc. on January 31, 2007 (the Merger), we completed a recapitalization (also on January 31, 2007). Pursuant to the terms of the agreement governing the recapitalization, each of our current directors, except for Robert J. Campbell and Charles T. Akre, Jr., was named a director of the Company. This includes T. Whit Armstrong, who will be a nominee for election at our 2011 annual general meeting.

The table below sets forth the names, ages and class of our current directors:

<b>Name</b>	<b>Age</b>	<b>Class</b>
Charles T. Akre, Jr.	68	II
T. Whit Armstrong	64	II
Robert J. Campbell	62	I
Paul J. Collins	74	III
J. Christopher Flowers	53	III
Paul J. O Shea	53	I
Dominic F. Silvester	50	III

*Charles T. Akre, Jr.* was elected as a director of the Company at the annual general meeting of shareholders in 2009. He is the Managing Member and Chief Executive Officer of Akre Capital Management, LLC, a financial services investment advisory firm that he founded in 1989. Mr. Akre has been in the securities business since 1968 and is the primary person responsible for Akre Capital Management, LLC's investment advisory services and investment selection. He launched the Akre Focus Fund in August 2009. Prior to managing the Akre Focus Fund, Mr. Akre was the sole portfolio manager of the FBR Focus Fund from its inception in December 1996 through August 2009. Before founding Akre Capital Management, LLC, Mr. Akre held positions as shareholder, director and Chief Executive Officer of Asset Management Division and Director of Research at Johnston, Lemon & Co., a NYSE member firm. Through his many years in the investment advisory business, Mr. Akre brings to our Board his investment expertise, in particular with respect to the insurance industry. His experience founding and managing Akre Capital Management and his knowledge of the financial markets are also very valuable to our Board.

*T. Whit Armstrong* became a director of the Company on January 31, 2007 in connection with the completion of the Merger. Mr. Armstrong served as a director of The Enstar Group, Inc. from June 1990 through the Merger. Mr. Armstrong was previously the President, Chief Executive Officer and Chairman of the Board for more than five

years of The Citizens Bank, Enterprise, Alabama, and its holding company, Enterprise Capital Corporation, Inc. He has a Master's degree in banking. Mr. Armstrong has also been a director of Alabama Power Company of Birmingham, Alabama for more than 25 years. Mr. Armstrong brings to our Board his financial reporting experience and substantial knowledge regarding the financial services sector and the banking industry in particular. In addition, Mr. Armstrong has many years of experience serving on boards of directors of other institutions.

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*Robert J. Campbell* was appointed to the position of director of the Company in August 2007. Mr. Campbell has been a Partner with the investment advisory firm of Beck, Mack & Oliver, LLC since 1990. Since 1999, Mr. Campbell has also served as a director of Camden National Corporation, a publicly traded company, and as a member of its audit committee and chair of its capital committee. Mr. Campbell brings to the Board an extensive understanding of finance and accounting, which he obtained through 40 years of analyzing financial services companies, as well as his experience on our Board and the board of Camden National Corporation. In addition, Mr. Campbell's investment management expertise makes him a valuable addition to our Investment Committee, of which he serves as chairman.

*Paul J. Collins* became a director of the Company on January 31, 2007 in connection with the completion of the Merger. Mr. Collins served as a director of The Enstar Group, Inc. from May 2004 through the Merger. In September 2000, Mr. Collins retired as a Vice Chairman and member of the Management Committee of Citigroup Inc. where he served in various executive capacities. From 1985 to 1998, Mr. Collins served as a director of Citicorp and its principal subsidiary, Citibank; from 1988 to 1998, he also served as Vice Chairman of those entities. Mr. Collins currently serves as a trustee of the University of Wisconsin Foundation and the Glyndebourne Arts Trust. He is also a member of the Advisory Board of Welsh, Carson, Anderson & Stowe, a private equity firm. He was previously a director of Kimberly Clark Corporation, Nokia Corporation and BG Group and a member of the supervisory board of Actis Capital LLP. Mr. Collins contributes financial reporting and investment management expertise to our Board as a result of his work with Citicorp and Citibank and his previous experience on the audit committees of several public companies. Mr. Collins also has many years of experience serving as a director of large public companies.

*J. Christopher Flowers* has been a director of the Company since November 2001. Mr. Flowers served as a director of The Enstar Group, Inc. from October 1996 through the Merger, including serving as Vice Chairman of the Board of Directors of The Enstar Group, Inc. from December 1998 through July 2003. Mr. Flowers is the Chairman and Chief Executive Officer of J.C. Flowers & Co. LLC, the financial services investment advisory firm he founded in 1998. Previously, Mr. Flowers was head of the Financial Institutions Group at Goldman Sachs, a group he helped found in 1986. Mr. Flowers is also a director of Shinsei Bank, Ltd. (since 2000), Kessler Group (since 2007) and Flowers National Bank (since 2008). Mr. Flowers is well known in the financial services industry, and as Chief Executive Officer of J.C. Flowers & Co. LLC, he brings to our Board his significant experience managing investments and effectuating mergers and acquisitions. Mr. Flowers was instrumental in The Enstar Group, Inc.'s initial investment in the Company in its early stages, and has worked alongside our senior management for many years developing our business.

*Paul J. O Shea* has served as a director, Executive Vice President and Joint Chief Operating Officer of the Company since our formation in 2001. Mr. O Shea served as a director and Executive Vice President of Enstar Limited, which is now a subsidiary of the Company, from 1995 until 2001. In 1994, Mr. O Shea joined Dominic F. Silvester and Nicholas A. Packer in their run-off business venture in Bermuda. From 1985 until 1994, he served as the Executive Vice President, Chief Operating Officer and a director of Belvedere Group/Caliban Group. Mr. O Shea has spent more than 26 years in the insurance and reinsurance industry, including many years in senior management roles, and has been involved in financial management and mergers and acquisitions. He leads the Company's acquisition process and is instrumental in all aspects of our acquisitions. As a co-founder of the Company, Mr. O Shea has intimate knowledge and expertise regarding the Company and our industry.

*Dominic F. Silvester* is currently the Chairman and Chief Executive Officer ( CEO ) of the Company and has served as a director and the CEO of the Company since its formation in 2001. In 1993, Mr. Silvester began a business venture in Bermuda to provide run-off services to the insurance and reinsurance industry. In 1995, the business was assumed by Enstar Limited, which is now a subsidiary of the Company, of which Mr. Silvester was the Chief Executive Officer. From 1988 until 1993, Mr. Silvester served as the Chief Financial Officer of Anchor Underwriting Managers Limited. As a co-founder of the Company and its current Chairman and CEO, Mr. Silvester contributes to the Board his intimate knowledge of the Company and the run-off industry. He is well known in the industry and is primarily



responsible for identifying and developing our acquisition opportunities on a worldwide basis. Mr. Silvester has served as CEO of the Company since our inception, demonstrating his proven ability to manage and grow the business.

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In connection with the first closing under the Investment Agreement among the Company and GSCP VI AIV Navi, Ltd., GSCP VI Offshore Navi, Ltd., GSCP VI Parallel AIV Navi, Ltd., GSCP VI Employee Navi, Ltd., and GSCP VI GmbH Navi, L.P. dated April 20, 2011, the Company appointed Sumit Rajpal to the Board, effective May 16, 2011. Mr. Rajpal, age 35, is a managing director of Goldman, Sachs & Co. He joined Goldman, Sachs & Co. in 2000 and became a managing director in 2007. Mr. Rajpal also serves as a director on the boards of USI Holdings Corporation, CSI Entertainment, Alliance Films Holdings Inc., ProSight Specialty Insurance Holdings, SKBHC Holdings, LLC and Dollar General Corporation (where he is an observer on the board). Mr. Rajpal brings to our Board his extensive experience as an investor and director in the global insurance and reinsurance industries and his expertise in corporate finance and compensation arrangements.

**CORPORATE GOVERNANCE**

**Code of Ethics/Code of Conduct**

We have adopted a Code of Ethics that applies to all of our senior executive and financial officers, and a Code of Conduct that applies to all of our directors and employees, including all senior executive and financial officers covered by the Code of Ethics. Copies of our Code of Ethics and Code of Conduct are available on our website at <http://www.enstargroup.com/corporate-governance>. In addition, any shareholder may receive copies of these documents in print, without charge, by contacting Investor Relations at Enstar Group Limited, P.O. Box 2267, Windsor Place, 3rd Floor, 18 Queen Street, Hamilton HM JX, Bermuda. We intend to post any amendments to our Code of Ethics or Code of Conduct on our website. In addition, we intend to disclose any waiver of a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, as well as any waiver of a provision of the Code of Conduct that applies to our senior executives and financial officers, by posting such information on our website or by filing a Form 8-K with the SEC within the prescribed time period.

**Audit Committee**

Our Board currently maintains an Audit Committee comprised of Messrs. Akre, Armstrong, Campbell and Collins, with Mr. Campbell serving as Chairman. Our Board has determined that each of Messrs. Collins and Campbell, who are independent directors, qualifies as an audit committee financial expert pursuant to the definition set forth in Item 407(d)(5)(ii) of Regulation S-K, as adopted by the SEC.

**EXECUTIVE OFFICERS**

The table below sets forth certain information concerning our executive officers:

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Dominic F. Silvester(1)	50	Chairman and Chief Executive Officer
Paul J. O Shea(1)	53	Executive Vice President, Joint Chief Operating Officer and Director
Nicholas A. Packer	48	Executive Vice President and Joint Chief Operating Officer
Richard J. Harris	49	Chief Financial Officer

(1) Biography available above under Directors.

*Nicholas A. Packer* has served as Executive Vice President and the Joint Chief Operating Officer of the Company since our formation in 2001. He served as a director of the Company from January 2007 to August 2007, when he resigned from that position. From 1996 to 2001, Mr. Packer was Chief Operating Officer of Enstar (EU) Limited, a wholly owned subsidiary of Enstar Limited, which is now a subsidiary of the Company. Mr. Packer served as Enstar Limited's Chief Operating Officer from 1995 until 1996. From 1993 to 1995, Mr. Packer joined Mr. Silvester in forming a run-off business venture in Bermuda. Mr. Packer served as Vice President of Anchor

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Underwriting Managers Limited from 1991 until 1993. Prior to joining Anchor, he was a joint deputy underwriter at CH Bohling & Others, an affiliate of Lloyd's of London.

*Richard J. Harris* has served as the Chief Financial Officer (the CFO) of the Company since May 2003. From 2000 until April 2003, Mr. Harris served as Managing Director of RiverStone Holdings Limited & Subsidiary Companies, the European run-off operations of Fairfax Financial Holdings Limited. Previously, he served as the Chief Financial Officer of Sphere Drake Group.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities to file with the SEC and The Nasdaq Stock Market, LLC reports on Forms 3, 4 and 5 concerning their ownership of ordinary shares and other equity securities of the Company. Under SEC rules, we must be furnished with copies of these reports.

Based solely on our review of the copies of such forms received by us and written representations from our executive officers and directors, we believe that, during the fiscal year ended December 31, 2010, all filing requirements applicable to our directors and executive officers and persons who own more than ten percent of a registered class of our equity securities under Section 16(a) were complied with on a timely basis.

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**ITEM 11. EXECUTIVE COMPENSATION**

**Compensation Committee Report**

*The following report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.*

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth below with our management. Based on its review and discussions, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2010.

**COMPENSATION COMMITTEE**

Charles T. Akre, Jr., Chairman  
T. Whit Armstrong  
Robert J. Campbell  
Paul J. Collins

**Compensation Discussion and Analysis**

Our Compensation Committee is comprised of four independent directors. The Compensation Committee is responsible for establishing the philosophy and objectives of our compensation programs, designing and administering the various elements of our compensation programs and assessing the performance of our executive officers and the effectiveness of our compensation programs in achieving their objectives.

*Executive Summary*

We are a rapidly growing company operating in an extremely competitive and changing industry. We believe that the skill, talent, judgment and dedication of our executive officers are critical factors affecting the long-term value of our company. Therefore, our goal is to maintain an executive compensation program that will fairly compensate our executives, attract and retain qualified executives who are able to contribute to our long-term success, induce performance consistent with clearly defined corporate objectives and align our executives' long-term interests with those of our shareholders.

In 2010, the Compensation Committee sought independent review of our executive compensation practices relative to certain publicly-traded Bermuda insurance and reinsurance companies. In February 2010, in connection with establishing compensation for our executive officers for 2010, the Compensation Committee engaged PricewaterhouseCoopers LLP as its compensation consultant. PricewaterhouseCoopers LLP compared our compensation practices to the then most recently available compensation data (which was 2008 data) for other publicly-traded Bermuda companies in the insurance and reinsurance industry. As discussed in more detail below, after considering this data and other factors, the Compensation Committee increased base salaries for 2010 in recognition that our executive officer compensation was significantly below what the analysis indicated were median levels for our market. In the third quarter of 2010, the Compensation Committee engaged Towers Watson as its compensation consultant to provide an independent review of our overall compensation arrangements for our executive officers and certain non-executive senior managers compared to the then most recently available compensation data (which was 2009 data) for other publicly-traded Bermuda companies in the insurance and

reinsurance industry. Towers

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Watson also reviewed our 2006-2010 Annual Incentive Compensation Program (the 2006-2010 Annual Incentive Plan ), which was scheduled to expire in December 2010. As also discussed in more detail below, after considering this data and other factors, the Compensation Committee increased Mr. Silvester s salary in recognition that his compensation remained significantly below what the analysis indicated was the median level for our market and approved a new annual incentive plan that is substantially similar to the 2006-2010 Annual Incentive Plan that it would replace.

We have specifically identified growth in our net book value per share as our primary corporate objective. We believe growth in our net book value is largely driven by growth in our net earnings, which is in turn partially driven by successfully completing new acquisitions. While we have not identified specific metrics or goals against which we measure the performance of our executive officers, we believe the structure of our bonus plan, as described below, induces performance consistent with our corporate objectives and aligns our executives long-term interests with those of our shareholders. In 2010, we experienced successful growth in our net book value per share and net earnings, partially due to the completion of the acquisitions of six companies and eight portfolios of insurance and reinsurance business. Our basic book value per share increased to \$73.29 as of December 31, 2010, as compared to \$59.05 as of December 31, 2009. Net earnings attributable to the Company in 2010 grew to \$174.1 million, as compared to \$135.2 million in 2009. As discussed in more detail below, the successful 2010 year resulted in increased bonuses paid to executive officers under the 2006-2010 Annual Incentive Plan compared to 2009, principally due to the overall bonus pool being larger (\$30.7 million in 2010, compared to \$23.9 million in 2009) because of the increase in our net after-tax profits before bonus expense (\$204.8 million for the year ended December 31, 2010, compared to \$159.0 million for the year ended December 31, 2009).

*Role of Executive Officers and Compensation Consultants*

For the fiscal year ended December 31, 2010, Mr. Silvester, our Chairman and CEO, as the leader of our executive team, assessed the individual contribution of each member of our executive team and made a recommendation in February 2010 to the Compensation Committee with respect to any merit increase in salary, and made a recommendation in February 2011 to the Compensation Committee with respect to cash bonus and share awards under the 2006-2010 Annual Incentive Compensation Plan. The Compensation Committee evaluated, discussed and approved these recommendations.

Our CEO and CFO also support the Compensation Committee in its work by providing information relating to our financial plans, performance assessments of our executive officers and other personnel-related data. Mr. Harris, our CFO, regularly attends portions of the meetings of our Compensation Committee in connection with performing these functions.

The committee has the authority under its charter to retain independent compensation consultants or other outside advisors. The Compensation Committee engaged two compensation consultants in 2010, and details of the two engagements are discussed below.

*Principal Elements of Executive Compensation*

Our executive compensation program currently consists of three components: base salaries, annual incentive compensation and long-term incentive compensation. There is no pre-established policy or target for the allocation of these components. Rather, the structure of our 2006-2010 Annual Incentive Plan tended to dictate what percentage of our executives annual compensation was derived from their bonuses as opposed to their base salaries and the value of their perquisites. The Compensation Committee considers all compensation components in total when evaluating and making decisions with respect to each individual component.

In reviewing compensation for 2010 to determine whether we were meeting our goal of providing competitive compensation that will attract and retain qualified executives, early in 2010, the Compensation Committee considered an analysis provided by PricewaterhouseCoopers LLP for purposes of establishing 2010 base salaries. Later in the year, the committee considered a Towers Watson report for purposes of reexamining 2010 base salaries against more current peer compensation data and establishing a new annual incentive compensation program. The two independent analyses of our executive compensation practices included comparisons of our compensation



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practices to those practices described in the periodic filings of other publicly-traded Bermuda companies in the insurance and reinsurance industry.

The companies included in the PricewaterhouseCoopers LLP peer group included Allied World Assurance Company Holdings Limited, Argo Group International Holdings Ltd., Arch Capital Group Ltd., Aspen Insurance Holdings Ltd., Assured Guaranty Ltd., AXIS Capital Holdings Ltd., CRM Holdings, Ltd., Endurance Specialty Holdings Ltd., Everest Re Group Ltd., Maiden Holdings, Ltd., Max Capital Group Ltd., Montpelier Re Holdings Ltd., PartnerRe Limited, Platinum Underwriters Holdings Ltd., RenaissanceRe Holdings Ltd., and White Mountains Insurance Group Ltd. (collectively, the PWC Peer Group ). The companies included in the Towers Watson peer group included Allied World Assurance Company Holdings Limited, Argo Group International Holdings Ltd., Aspen Insurance Holdings Ltd., Assured Guaranty Ltd., AXIS Capital Holdings Ltd., CRM Holdings, Ltd., EMC Insurance Group Inc., Endurance Specialty Holdings Ltd., Hilltop Holdings Inc., Maiden Holdings, Ltd., Max Capital Group Ltd., Mercer Insurance Group, Inc., Montpelier Re Holdings Ltd., NYMAGIC, Inc., Platinum Underwriters Holdings Ltd., RenaissanceRe Holdings Ltd. and RLI Corp. (collectively, the TW Peer Group ). The Towers Watson report also updated the data for the PWC Peer Group by providing the 2009 compensation information for those companies. The committee reviewed the compensation paid by these companies for informational and overall comparison purposes; there was no target percentile or precise position in which we aimed to fall other than to generally be competitive with the compensation we offer our executives.

**Base Salaries.** The salaries of our CEO and our other executive officers are generally established based on the scope of the executives' responsibilities, taking into account what the Compensation Committee believes to be competitive market compensation for similar positions based on the results of analyses performed by its compensation consultants and publicly available, as well as anecdotal, information available to the Compensation Committee. Our goal is to provide base salary levels that are consistent with levels necessary to achieve our compensation objective, which is to maintain compensation competitive with the market. We believe that below-market compensation could, in the long run, jeopardize our ability to retain our executive officers. Due to the competitive market for highly qualified employees in our industry and our geographic locations, we may choose to set our cash compensation levels at the higher end of the market in the future. Any base salary adjustments are generally based on competitive conditions, market increases in salaries, individual performance, our overall financial results and changes in job duties and responsibilities. Pursuant to the employment agreements we have with our CEO and our other executive officers, base salaries are also subject to cost-of-living adjustments, which provide that an increase in an executive officer's base salary with respect to each subsequent year may not be less than the product of the executive officer's base salary multiplied by the annual percentage increase in the retail price index for the United States, as reported in the most recent report of the U.S. Department of Labor for the preceding year. Once increased, the executive officer's annual salary cannot be decreased without his written consent.

In February 2010, PricewaterhouseCoopers LLP provided an analysis to the Compensation Committee that included a review of total compensation of executives at the PWC Peer Group companies for 2008, the most recent year with respect to which information was publicly available, and a comparison of the compensation of our CEO, CFO, and Executive Vice Presidents to similar positions at the PWC Peer Group companies. Based primarily on this analysis, our 2009 financial results, and the CEO's recommendations based on his review of the foregoing, the Compensation Committee increased base salaries for 2010 in recognition that total executive officer compensation was significantly below what the analysis indicated were median levels for our market. The Compensation Committee believed that continuing to compensate our executives at a level that is significantly below the median of our market could jeopardize our ability to retain these key employees. The committee increased Mr. Silvester's base salary by 58.7%, Messrs. O'Shea and Packer's base salaries by 70.7% and Mr. Harris's base salary by 91.2%, effective March 31, 2010, to address the disparity between total compensation for our executive officers and the median compensation for the PWC Peer Group.

In November 2010, Towers Watson provided an analysis to the Compensation Committee that included a review of our overall compensation arrangements for our executive officers and certain non-executive senior managers, a review of the 2006-2010 Annual Incentive Plan, and recommendations for the implementation of a new annual incentive plan to replace the 2006-2010 Annual Incentive Plan, which expired in December 2010. The analysis of compensation arrangements included a review of total compensation of executives and certain non-executive senior managers at the TW Peer Group companies for 2009, the most recent year with respect to which

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information was then publicly available, and a comparison of the total compensation of our CEO, CFO, Executive Vice Presidents and certain non-executive senior managers to similar positions at the companies in the TW Peer Group and the PWC Peer Group. Based on this analysis, the Compensation Committee increased Mr. Silvester's 2010 base salary by an additional 55.6% from \$1,200,000 to \$1,866,667 retroactive to April 1, 2010 in recognition that his total compensation fell further below what the analysis indicated was the median level for our market than the committee believed to be appropriate. The committee made no further adjustments to the base salaries of Messrs. O Shea, Packer and Harris, as it believed that their compensation was appropriately competitive with the market.

For 2011, the Compensation Committee increased base salaries by 7.1% for Mr. Silvester and by 5.0% for Messrs. O Shea, Packer and Harris, plus, for all executive officers, an amount equal to the annual housing allowance, which was eliminated as a perquisite, primarily to reflect what the committee believed were appropriate cost-of-living adjustments. The Compensation Committee also considered then-current market conditions and determined that a greater increase was not warranted. Effective January 1, 2011, annual base salaries were as follows: (i) Mr. Silvester, \$2,102,000 (increased from \$1,866,667); and (ii) Messrs. O Shea, Packer and Harris, \$1,152,000 (increased from \$1,000,000).

**Annual Incentive Compensation.** We previously maintained the 2006-2010 Annual Incentive Plan, which expired in December 2010. As part of its review of our compensation practices, Towers Watson reviewed the 2006-2010 Annual Incentive Plan and concluded that the essential structure of the bonus plan should be maintained. Based in large part on the analysis provided by Towers Watson, on February 23, 2011, the Compensation Committee adopted the Enstar Group Limited 2011-2015 Annual Incentive Compensation Program (the 2011-2015 Annual Incentive Program, and, together with the 2006-2010 Annual Incentive Plan, the Annual Incentive Plans), which is substantially similar to the 2006-2010 Annual Incentive Plan. The purpose of the Annual Incentive Plans is to set aside 15% of our net after-tax profits to be allocated among our executive officers and employees. The Annual Incentive Plans are designed to reward performance that is consistent with our primary corporate objective of increasing our net book value per share through growth in our net earnings. The percentage of net after-tax profits comprising the bonus pool will be 15% unless the Compensation Committee exercises its discretion to decrease or increase the percentage no later than 30 days after the last day of the calendar year.

The allocation of the Annual Incentive Plan pool among our executive officers and the other participants in the plan is the responsibility of the Compensation Committee and is based on individual performance, as determined by the Compensation Committee with significant input from our CEO. As stated above, after the year ended December 31, 2010, our CEO assessed the individual contribution of each member of our executive team and made a recommendation to the Compensation Committee as to the allocation of bonuses out of the bonus pool. While the bonus pool is quantified as 15% of our net after-tax profits, there are no quantitative performance objectives for the recommendation as to individual allocations, nor are specific goals or targets for the executive team established in advance.

The factors considered in evaluating individual performance traditionally have been the executive's contribution to our operating results, including the performance of the areas over which each executive has primary responsibility. The allocations are discretionary and driven by the opinion of both the CEO and the Compensation Committee as to how each executive officer performed when looking back on the fiscal year. Because the bonus pool is a fixed amount determined by a pre-established financial metric, we allow for a subjective judgment in allocating the pool to the individuals. No pre-determined criteria are established or utilized to support that judgment; the Compensation Committee bases its opinion on its retrospective view of the executive's overall contribution during the year. For 2010, the Compensation Committee decided to permit our executive officers to choose whether to receive their Annual Incentive Plan bonuses in cash or ordinary shares, adjusted as necessary for fractional shares. For the year ended December 31, 2010, we awarded Mr. Silvester a total bonus of \$2,750,000 and each of Messrs. O Shea, Packer and

Harris a total bonus of \$2,250,000. Messrs. Silvester, O Shea and Packer elected to receive their bonuses in cash and Mr. Harris elected to receive \$1,687,500, or 75% of his total bonus, in cash, and \$562,500, or 25% of his total bonus, in ordinary shares. As a result of Mr. Oros's resignation on August 20, 2010, we did not award Mr. Oros a bonus for the year ended December 31, 2010. The bonus shares were awarded through the 2006 Equity Incentive Plan, as more fully described below.

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Bonuses paid to executive officers under the 2006-2010 Annual Incentive Plan increased compared to last year. This was principally due to the overall bonus pool being larger (\$30.7 million in 2010, compared to \$23.9 million in 2009) because of the increase in our net after-tax profits before bonus expense (\$204.8 million for the year ended December 31, 2010, compared to \$159.0 million for the year ended December 31, 2009). The CEO and Compensation Committee have historically agreed that equal bonuses be paid to executive officers under the 2006-2010 Annual Incentive Plan based on the CEO's assessment that all contributed equally, and as a reward and incentive for continued cohesiveness and teamwork. For 2010, the Compensation Committee awarded Mr. Silvester a higher bonus than the other executive officers in recognition of his efforts with respect to our increased acquisition activities and overall performance. The Compensation Committee agreed with the CEO's recommendation that each other current executive officer receive an equal share of the bonus pool as each contributed equally to our performance and each was instrumental in the operating results achieved. The Compensation Committee has approved these equal bonuses to Messrs. O Shea, Packer and Harris because it determined that doing so promotes accord and a willingness to strive for favorable results in the area over which each executive has primary responsibility.

In making compensation decisions, the Compensation Committee has evaluated the Annual Incentive Plans and believes that they are properly aligned with the Company's performance as a whole and do not provide incentives for our executives to take inappropriate or excessive risks in any particular year to the detriment of our long-term success, as any such detriment would negatively affect the amount of the bonus payments in future years. Furthermore, the committee believes that at the present time the bonus structure addresses current market conditions, because the measure of net after-tax profits encompasses all aspects of our performance, including, among many other factors, market-sensitive areas such as the performance of our investment portfolio.

Long-Term Incentive Compensation. We have established the 2006 Equity Incentive Plan (the Equity Incentive Plan) to provide our employees long-term incentive compensation in the form of share ownership, which we believe furthers our objective of aligning the interests of management and the other participants in the plan with the interests of our shareholders. The Equity Incentive Plan is administered by the Compensation Committee. The Compensation Committee currently expects that the majority of shares available for issuance under the Equity Incentive Plan will be used for the purpose of granting bonus shares, which are issued in lieu of all or a portion of the cash bonus payments under the Annual Incentive Plans. Other awards under the Equity Incentive Plan may be made at various times and in varying amounts at the discretion of the Compensation Committee, although in 2010 this did not occur. In February 2011, the Compensation Committee granted 50,000 restricted shares to Mr. Harris under the Equity Incentive Plan in recognition of his efforts with respect to our capital raising activities and our overall performance. These shares vest in four equal annual installments beginning in February 2012.

As described above, for the year ended December 31, 2010, Mr. Harris received 6,259 ordinary shares, representing 25% of his \$2,250,000 total bonus award. The bonus share award had a value on the award date of \$562,496. The Compensation Committee made bonus determinations under the 2006-2010 Annual Incentive Plan at its meeting on February 23, 2011. The committee determined that the bonus shares would be awarded on the fifth day following the release of our Annual Report on Form 10-K for the year ended December 31, 2010. The choice of this date is consistent with the committee's past practice and the committee's desire to use a market price that reflects the impact of the information contained in our Annual Report. The closing price of our ordinary shares on the Nasdaq Global Select Market for the grant date of the award, March 11, 2011, \$89.87, was used to determine the overall number of shares awarded to Mr. Harris under the Equity Incentive Plan. The bonus shares were immediately vested and not subject to any restriction on transfer.

*Share Ownership Guidelines*

We currently do not require our directors or executive officers to own a particular amount of our ordinary shares, nor do we have a policy regarding hedging the economic risk of such ownership. The Compensation Committee is satisfied that the equity holdings among our executive officers – currently our executive officers beneficially own in aggregate approximately 20.1% of our shares outstanding – are sufficient at this time to provide motivation and to align this group's interests with the interests of our shareholders.

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### *Perquisites*

Our executive officers participate in the same group insurance and employee benefit plans, including medical and dental insurance, long-term disability insurance and life insurance, on the same basis as our other salaried employees. In addition, our executive officers receive certain other benefits that are described below under *Additional Benefits*.

Through the end of 2010, Messrs. Silvester, O Shea, Packer and Harris also received housing allowances pursuant to their employment agreements. Because our business is global and we are headquartered in Bermuda, many of our executive officers are required to relocate or to maintain a second residence in order to work for us. Non-Bermudians are significantly restricted by law from owning property in Bermuda and accordingly the housing market is largely based on renting to expatriates who work on the island. As a result, housing allowances have become a common practice for non-Bermudians. In the past, we provided housing allowances to help defray the cost of maintaining a second residence or working in multiple locations. Effective January 1, 2011, the housing allowances for Messrs. Silvester, O Shea, Packer and Harris were eliminated and an amount equal to the amount of the housing allowance was instead added to the salary of Messrs. Silvester, O Shea, Packer and Harris.

### *Post-Termination Protection and Change in Control*

We have entered into employment agreements with Messrs. Silvester, O Shea, Packer and Harris and we had an employment agreement with Mr. Oros prior to his resignation on August 20, 2010. Each such agreement provides for accelerated vesting of equity in the event that we are subject to a change in control and the executive officer's employment terminates for specified reasons. See *Employment Agreements with Executive Officers* below for a summary of these employment agreements. The terms of each employment agreement reflect arm's length negotiations between us and the executive officer. In addition, our Equity Incentive Plan and our Annual Incentive Plans provide that our executive officers receive certain benefits upon a change in control. These benefits are described below in *Potential Payments Upon Termination or Change in Control*. The basis for the change in control provisions in both the employment agreements and the incentive plans is that they were consistent with customary industry practice and competitive in the marketplace at the time they were entered into or established.

### *Financial Restatements*

The Compensation Committee has not adopted a policy with respect to whether we will make retroactive adjustments to any cash- or equity-based incentive compensation paid to executive officers (or others) where the payment was predicated upon the achievement of financial results that were subsequently the subject of a restatement. Our Compensation Committee believes that this issue is best addressed if the need actually arises, when all of the facts regarding the restatement are known.

### *Tax and Accounting Treatment of Compensation*

Section 162(m) of the Internal Revenue Code of 1986, as amended (the *Internal Revenue Code*), places a limit of \$1,000,000 on the amount of compensation that we may deduct from our U.S. source income in any one year with respect to certain of our executive officers. As a Bermuda-based company with limited U.S. source income, this limitation has not historically impacted our decisions regarding executive compensation.

We account for equity compensation paid to our employees based on the guidance of the Share-Based Payment topic of the Financial Accounting Standards Board Accounting Standards Codification, which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued.

*Summary*

The Compensation Committee believes that our compensation philosophy and programs are designed to foster a performance-oriented culture that aligns our executive officers' interests with those of our shareholders. The Compensation Committee also believes that the compensation of our executives is both appropriate and responsive to the goal of improving shareholder value through growth in our net book value per share.



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The following table sets forth compensation earned in fiscal 2010, 2009 and 2008 by our Chairman and CEO, our CFO, the two other executive officers who were serving as of December 31, 2010, and John J. Oros, who was our Executive Chairman until his resignation on August 20, 2010. These individuals are referred to in this Amendment as the named executive officers.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards \$(1)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Dominic F. Silvester <i>Chairman and Chief Executive Officer</i>	2010	\$ 1,589,000	\$ 2,750,000	\$	\$ 443,715(2)	\$ 4,782,715
	2009	\$ 747,000	\$ 1,500,026	\$ 499,974	\$ 274,475	\$ 3,021,475
	2008	\$ 690,000	\$ 750,034	\$ 249,966	\$ 292,757	\$ 1,982,757
Richard J. Harris <i>Chief Financial Officer</i>	2010	\$ 880,725	\$ 1,687,504	\$ 562,496	\$ 222,529(3)	\$ 3,353,254
	2009	\$ 516,675	\$ 1,500,026	\$ 499,974	\$ 171,873	\$ 2,688,548
	2008	\$ 477,250	\$ 750,034	\$ 249,966	\$ 154,874	\$ 1,632,124
Paul J. O Shea <i>Executive Vice President, Joint Chief Operating Officer and Director</i>	2010	\$ 896,475	\$ 2,250,000	\$	\$ 224,104(4)	\$ 3,370,579
	2009	\$ 578,925	\$ 1,500,026	\$ 499,974	\$ 178,098	\$ 2,757,023
	2008	\$ 534,750	\$ 750,034	\$ 249,966	\$ 173,623	\$ 1,708,373
Nicholas A. Packer <i>Executive Vice President and Joint Chief Operating Officer</i>	2010	\$ 896,475	\$ 2,250,000	\$	\$ 224,104(5)	\$ 3,370,579
	2009	\$ 578,925	\$ 1,500,026	\$ 499,974	\$ 178,098	\$ 2,757,023
	2008	\$ 534,750	\$ 750,034	\$ 249,966	\$ 173,623	\$ 1,708,373
John J. Oros(6) <i>Former Executive Chairman and Director</i>	2010	\$ 241,977(7)	\$	\$	\$ 1,287,627(8)	\$ 1,529,604
	2009	\$ 373,500	\$ 750,047	\$ 249,953	\$ 37,350	\$ 1,410,850
	2008	\$ 345,000	\$ 750,034	\$ 249,966	\$ 34,500	\$ 1,379,500

(1) For 2010, represents 6,259 bonus shares awarded to Mr. Harris in March 2011 pursuant to the 2006-2010 Annual Incentive Plan and issued pursuant to the Equity Incentive Plan. The shares were immediately vested, therefore, the value shown represents the number of shares multiplied by the closing price of our ordinary shares on the award date.

For 2009, represents bonus shares awarded in March 2010 pursuant to the 2006-2010 Annual Incentive Plan and issued pursuant to the Equity Incentive Plan as follows: Mr. Silvester, 7,331 shares; Mr. O Shea, 7,331 shares; Mr. Packer, 7,331 shares; Mr. Harris, 7,331 shares; and Mr. Oros, 3,665 shares. The shares were immediately vested, therefore, the values shown represent the number of shares multiplied by the closing price of our ordinary shares on the award date.

For 2008, represents 4,866 bonus shares awarded to each of the named executive officers in March 2009 pursuant to the 2006-2010 Annual Incentive Plan and issued pursuant to the Equity Incentive Plan. The shares were immediately vested, therefore the values shown represent the number of shares multiplied by the closing price of our ordinary shares on the award date.

(2) Represents housing allowance (\$102,000), personal financial planning (\$95,534), reimbursement under Mr. Silvester's employment agreement for one trip for his family to/from Bermuda each calendar year (\$54,825), cash payment in lieu of retirement benefit contribution (\$158,900), and payroll and social insurance tax gross-ups

(\$32,456).

- (3) Represents housing allowance (\$102,000), cash payment in lieu of retirement benefit contribution (\$88,073), and payroll and social insurance tax gross-ups (\$32,456).
- (4) Represents housing allowance (\$102,000), cash payment in lieu of retirement benefit contribution (\$89,648), and payroll and social insurance tax gross-ups (\$32,456).
- (5) Represents housing allowance (\$102,000), cash payment in lieu of retirement benefit contribution (\$89,648), and payroll and social insurance tax gross-ups (\$32,456).
- (6) John J. Oros resigned from his position as Executive Chairman and as a Director on August 20, 2010.
- (7) Represents payment of salary accrued through resignation date.

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- (8) Represents severance payment (\$1,250,000), cash payment in lieu of retirement benefit contribution (\$30,277) and employer matching contributions under the 401(k) & Savings Plan of Enstar (US) Inc. ( Enstar U.S. ), our wholly-owned subsidiary (\$7,350).

**Grants of Plan-Based Awards in 2010**

The following table provides information regarding plan-based awards granted during fiscal 2010. The bonus share award to Mr. Harris disclosed above in the Stock Awards column of the Summary Compensation Table for 2010 was awarded in March 2011 in recognition of services provided by him during 2010 and, therefore, is not included in this table.

<b>Name</b>	<b>Grant Date(1)</b>	<b>Award Date(2)</b>	<b>All Other Stock Awards: Number of Shares of Stock of Units (#)(3)</b>	<b>Grant Date Fair Value of Stock and Option Awards(4)</b>
Dominic F. Silvester	March 10, 2010	February 23, 2010	7,331	\$ 499,974
Richard J. Harris	March 10, 2010	February 23, 2010	7,331	\$ 499,974
Paul J. O Shea	March 10, 2010	February 23, 2010	7,331	\$ 499,974
Nicholas A. Packer	March 10, 2010	February 23, 2010	7,331	\$ 499,974
John J. Oros	March 10, 2010	February 23, 2010	3,665	\$ 249,953

(1) Date of issuance of shares.

(2) Date award was approved by the Compensation Committee.

(3) Represents the bonus shares awarded pursuant to our 2006-2010 Annual Incentive Plan and issued pursuant to our Equity Incentive Plan. The shares were immediately vested on the grant date.

(4) Based on the closing price of our ordinary shares on March 10, 2010, which was \$68.20.

**Employment Agreements with Executive Officers**

We have employment agreements with Messrs. Silvester, O Shea, Packer and Harris, effective as of May 1, 2007. Mr. Silvester's employment agreement was amended and restated June 4, 2007; the effective date of the agreement remains as of May 1, 2007.

We and Enstar U.S. had an employment agreement with Mr. Oros until his resignation on August 20, 2010. In connection with Mr. Oros's resignation, the Company, Enstar U.S. and Mr. Oros entered into a Separation Agreement and General Release (the Separation Agreement), which became effective on August 28, 2010, as described more fully below.

*Dominic F. Silvester*

Pursuant to his employment agreement, Mr. Silvester serves as our CEO and his initial term of service is five years (ending May 1, 2012). After the initial term ends, the agreement will renew for additional one-year periods unless either party gives prior written notice to terminate the agreement.

Under the employment agreement, Mr. Silvester is entitled to an annual base salary of \$1,866,667 (which was increased by the Compensation Committee to \$2,102,000, effective January 1, 2011) and is eligible for incentive compensation under our incentive compensation programs.

Mr. Silvester is also entitled to certain employee benefits, including (i) a housing allowance of \$8,500 per month (which was eliminated effective January 1, 2011), (ii) a life insurance policy in the amount of five times his base salary, (iii) medical and dental insurance for Mr. Silvester, his spouse and any dependents, (iv) long-term disability insurance, (v) payment of an amount equal to 10% of his base salary each year in lieu of a retirement benefit contribution, and (vi) reimbursement for one trip for his family to/from Bermuda each calendar year. To the extent required, the amount of these benefits paid to Mr. Silvester for the years ended December 31, 2010, 2009 and 2008 is reflected in the All Other Compensation column of the Summary Compensation Table above. Mr. Silvester's employment agreement also provides for certain benefits upon termination of his employment

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for various reasons, as described below in the section entitled Potential Payments Upon Termination or Change in Control.

Under the terms of his employment agreement, Mr. Silvester agreed not to compete with us for the term of the employment agreement and, if his employment with us is terminated before the end of the initial five-year term, for a period of eighteen months after his termination of employment.

*Richard J. Harris*

Pursuant to his employment agreement, Mr. Harris serves as our CFO and his initial term of service is five years (ending May 1, 2012). After the initial term ends, the agreement will renew for additional one-year periods unless either party gives prior written notice to terminate the agreement.

Under the employment agreement, Mr. Harris is entitled to an annual base salary of \$1,000,000 (which was increased by the Compensation Committee to \$1,152,000, effective January 1, 2011) and is eligible for incentive compensation under our incentive compensation programs.

Mr. Harris is also entitled to certain employee benefits, including (i) a housing allowance of \$8,500 per month (which was eliminated effective January 1, 2011), (ii) a life insurance policy in the amount of five times his base salary, (iii) medical and dental insurance for Mr. Harris, his spouse, and any dependents, (iv) long-term disability insurance, and (v) payment of an amount equal to 10% of his base salary each year in lieu of a retirement benefit contribution. To the extent required, the amount of these benefits paid to Mr. Harris for the years ended December 31, 2010, 2009 and 2008 is reflected in the All Other Compensation column of the Summary Compensation Table above. Mr. Harris employment agreement also provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled Potential Payments Upon Termination or Change in Control.

Under the terms of his employment agreement, Mr. Harris agreed to not compete with us for the term of the employment agreement and, if his employment with us is terminated before the end of the initial five-year term, for a period of eighteen months after his termination of employment.

*Paul J. O Shea*

Pursuant to his employment agreement, Mr. O Shea serves as one of our Executive Vice Presidents and his initial term of service is five years (ending May 1, 2012). After the initial term ends, the agreement will renew for additional one-year periods unless either party gives prior written notice to terminate the agreement.

Under the employment agreement, Mr. O Shea is entitled to an annual base salary of \$1,000,000 (which was increased by the Compensation Committee to \$1,152,000, effective January 1, 2011) and is eligible for incentive compensation under our incentive compensation programs.

Mr. O Shea is also entitled to certain employee benefits, including (i) a housing allowance of \$8,500 per month (which was eliminated effective January 1, 2011), (ii) a life insurance policy in the amount of five times his base salary, (iii) medical and dental insurance for Mr. O Shea, his spouse and any dependents, (iv) long-term disability insurance, and (v) payment of an amount equal to 10% of his base salary each year in lieu of a retirement benefit contribution. To the extent required, the amount of these benefits paid to Mr. O Shea for the years ended December 31, 2010, 2009 and 2008 is reflected in the All Other Compensation column of the Summary Compensation Table above. Mr. O Shea's employment agreement also provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled Potential Payments Upon Termination or Change in Control.

Under the terms of his employment agreement, Mr. O Shea agreed to not compete with us for the term of the employment agreement and, if his employment with us is terminated before the end of the initial five-year term, for a period of eighteen months after his termination of employment.

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*Nicholas A. Packer*

Pursuant to his employment agreement, Mr. Packer serves as one of our Executive Vice Presidents and his initial term of service is five years (ending May 1, 2012). After the initial term ends, the agreement will renew for additional one-year periods unless either party gives prior written notice to terminate the agreement.

Under the employment agreement, Mr. Packer is entitled to an annual base salary of \$1,000,000 (which was increased by the Compensation Committee to \$1,152,000, effective January 1, 2011) and is eligible for incentive compensation under our incentive compensation programs.

Mr. Packer is also entitled to certain employee benefits, including (i) a housing allowance of \$8,500 per month (which was eliminated effective January 1, 2011), (ii) a life insurance policy in the amount of five times his base salary, (iii) medical and dental insurance for Mr. Packer, his spouse, and any dependents, (iv) long-term disability insurance, (v) payment of an amount equal to 10% of his base salary each year in lieu of a retirement benefit contribution, and (vi) reimbursement for one trip for his family to/from Bermuda each calendar year. To the extent required, the amount of these benefits paid to Mr. Packer for the years ended December 31, 2010, 2009 and 2008 is reflected in the All Other Compensation column of the Summary Compensation Table above. Mr. Packer's employment agreement also provides for certain benefits upon termination of his employment for various reasons, as described below in the section entitled Potential Payments Upon Termination or Change in Control.

Under the terms of his employment agreement, Mr. Packer agreed to not compete with us for the term of the employment agreement and, if his employment with us is terminated before the end of the initial five-year term, for a period of eighteen months after his termination of employment.

*John J. Oros*

Pursuant to his employment agreement, Mr. Oros served as an Executive Chairman of both the Company and Enstar U.S., until his resignation on August 20, 2010.

Under the employment agreement, Mr. Oros was entitled to an annual base salary of \$378,000 and was eligible for incentive compensation under our incentive compensation programs.

Mr. Oros was also entitled to certain employee benefits, including (i) a life insurance policy in the amount of five times his base salary, (ii) medical and dental insurance for Mr. Oros, his spouse and any dependents under Enstar U.S.'s plans, (iii) long-term disability insurance, and (iv) payment from Enstar U.S. of an amount equal to 10% of his base salary each year in lieu of a retirement benefit contribution (less an amount, if any, equal to non-elective employer contributions made to Enstar U.S.'s 401(k) plan for Mr. Oros). To the extent required, the amount of these benefits paid to Mr. Oros for the years ended December 31, 2010, 2009 and 2008 is reflected in the All Other Compensation column of the Summary Compensation Table above. Mr. Oros' employment agreement also provided for certain benefits upon termination of his employment for various reasons, as described below in the section entitled Potential Payments Upon Termination of Change in Control.

After his resignation, Mr. Oros entered into the Separation Agreement, which became effective August 28, 2010. Pursuant to the Separation Agreement, Mr. Oros received \$1,250,000 on September 7, 2010 and the Company was released from all obligations under Mr. Oros' existing employment agreement. Under the terms of his Separation Agreement, Mr. Oros agreed to comply with the covenant in his employment agreement not to compete with us for a period of eighteen months from the date of his termination of employment.

**2006 Enstar Group Limited Equity Incentive Plan**

On September 15, 2006, the Board and shareholders adopted the Equity Incentive Plan, which reserved 1,200,000 ordinary shares for issuance pursuant to awards granted under the Equity Incentive Plan. The Equity Incentive Plan provides that awards may be granted to participants in any of the following forms, subject to such terms, conditions and provisions as the Compensation Committee may provide: (i) incentive stock options ( ISOs ), (ii) nonstatutory stock options ( NSOs ), (iii) stock appreciation rights ( SARs ), (iv) restricted share awards, (v) restricted share units ( RSUs ), (vi) bonus shares and (vii) dividend equivalents. The maximum aggregate number of ordinary shares subject to each of the following types of awards granted to an employee during



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any calendar year under the plan is 120,000 shares: options, SARs, restricted share awards and RSUs with performance-based vesting criteria. In addition, the aggregate number of bonus shares granted to an employee under the plan may not exceed 120,000. The Compensation Committee has broad authority to administer the plan, including the authority to select plan participants, determine when awards will be made, determine the type and amount of awards, determine any limitations, restrictions or conditions applicable to each award, and determine the terms of any agreement or other document that evidences an award.

**Enstar Group Limited 2006-2010 Annual Incentive Compensation Program**

On September 15, 2006, the Board and shareholders adopted the 2006-2010 Annual Incentive Plan. The purpose of the 2006-2010 Annual Incentive Plan, which was administered by the Compensation Committee, was to motivate certain officers, directors and employees of the Company and its subsidiaries to grow our profitability. The 2006-2010 Annual Incentive Plan provided for the annual grant of bonus compensation (a bonus award) to certain officers and employees of the Company and its subsidiaries, including our senior executive officers. The aggregate amount available for bonus awards for each calendar year from 2006 through 2010 was determined by the Compensation Committee based on a percentage of our consolidated net after-tax profits (before bonus expense), which for the fiscal years ended December 31, 2010, 2009 and 2008 amounted to \$204.8 million, \$159.0 million and \$95.9 million, respectively. The percentage was 15% for each year as the Compensation Committee did not exercise its discretion to decrease or increase the percentage. The Compensation Committee determined, at its sole discretion, the amount of the bonus award paid to each participant. For the fiscal years ended December 31, 2010, 2009 and 2008, the aggregate amount available for bonus awards under the 2006-2010 Annual Incentive Plan was \$30.7 million, \$23.9 million and \$14.4 million, respectively, or 15% of our net after-tax profits before bonus expense.

Bonus awards were payable in cash, ordinary shares or a combination of both. Ordinary shares issued in connection with a bonus award were issued pursuant to the terms and subject to the conditions of the Equity Incentive Plan.

In March 2011, the Compensation Committee granted bonus awards to participants in the 2006-2010 Annual Incentive Plan in recognition of services performed during fiscal 2010. The named executive officers had the option to choose to receive the awards in cash or fully-vested bonus shares granted pursuant to the Equity Incentive Plan. Mr. Silvester was awarded \$2,750,000 and Messrs. Harris, O Shea and Packer were each awarded \$2,250,000. Messrs. Silvester, O Shea and Packer elected to receive the total award in cash, and Mr. Harris elected to receive 75% of his award in cash and 25% in bonus shares. The Compensation Committee made bonus determinations under the 2006-2010 Annual Incentive Plan at its meeting on February 23, 2011, and further determined that the bonus shares would be awarded on the fifth day following the release of our Annual Report on Form 10-K for the year ended December 31, 2010. The choice of this date is consistent with the committee's past practice and the committee's desire to use a market price that reflects the impact of the information contained in our Annual Report. The closing price of our ordinary shares on the Nasdaq Global Select Market for grant date of the award, March 11, 2011, \$89.87, was used to determine the overall number of shares awarded to Mr. Harris under the Equity Incentive Plan.

In March 2010, the Compensation Committee granted bonus awards to participants in the 2006-2010 Annual Incentive Plan in recognition of services performed during fiscal 2009. The awards to the named executive officers were paid through a combination of cash and fully vested bonus shares granted pursuant to the Equity Incentive Plan; Messrs. Silvester, O Shea, Packer and Harris were each awarded \$2,000,000 (\$1,500,026 in cash and 7,331 bonus shares) and Mr. Oros was awarded \$1,000,000 (\$750,047 in cash and 3,665 bonus shares). The Compensation Committee made bonus determinations under the 2006-2010 Annual Incentive Plan at its meeting on February 23, 2010, and further determined that the bonus shares would be awarded on the fifth day following the release of our Annual Report on Form 10-K for the year ended December 31, 2009. The closing price of our ordinary shares on the Nasdaq Global Select Market for the grant date of the awards, March 10, 2010, \$68.20, was used to determine the overall number of shares awarded to each executive under the Equity Incentive Plan.



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**Enstar Group Limited 2011-2015 Annual Incentive Compensation Program**

On February 23, 2011, the Board adopted the 2011-2015 Annual Incentive Program, which is substantially similar to the 2006-2010 Annual Incentive Plan. The purpose of the 2011-2015 Annual Incentive Program, which is administered by the Compensation Committee, is to motivate certain officers, directors and employees of the Company and its subsidiaries to grow our profitability. The 2011-2015 Annual Incentive Program provides for the annual grant of bonus compensation (a bonus award) to certain officers and employees of the Company and its subsidiaries, including our senior executive officers. The aggregate amount available for bonus awards for each calendar year from 2011 through 2015 will be determined by the Compensation Committee based on a percentage of our consolidated net after-tax profits (before bonus expense). The percentage will be 15% unless the Compensation Committee exercises its discretion to decrease or increase the percentage no later than 30 days after the last day of the calendar year. The Compensation Committee determines, at its sole discretion, the amount of the bonus award paid to each participant.

Bonus awards are payable in cash, ordinary shares or a combination of both. Ordinary shares issued in connection with a bonus award will be issued pursuant to the terms and subject to the conditions of the Equity Incentive Plan.

**Retirement Benefits**

We maintain retirement plans and programs for our employees in Bermuda, Australia, the United Kingdom and the United States. We do not maintain a formal retirement plan for those Bermuda employees who are work permit holders. Instead, we pay out (and, in the case of Mr. Oros, Enstar U.S. paid out) on an annual basis to employees, including each of Messrs. Silvester, O Shea, Packer, Harris and Oros, an amount equal to 10% of their base salaries in lieu of a retirement benefit contribution. The amount paid to Mr. Oros was reduced on a pro rata basis as a result of his resignation on August 20, 2010. The amounts paid to Messrs. Silvester, O Shea, Packer, Harris and Oros are included in the amounts shown in the All Other Compensation column of the Summary Compensation Table above.

Under the Australian Superannuation Guarantee Act (the Act), our Australia subsidiaries must pay superannuation contributions into a complying superannuation fund in an amount equal to the current mandated minimum of 9% of ordinary time earnings as defined by the Act. We currently contribute in excess of the guarantee amount by paying contributions at the 10% level. Additionally, the employee may make personal contributions to their superannuation fund depending on individual circumstances. The superannuation contributions are paid into a fund chosen by the employee with their desired superannuation manager. The plan is fully portable should the employee cease to be employed by us. None of our named executive officers participates in this plan.

Our United Kingdom subsidiaries operate a Group Personal Pension Plan with a United Kingdom life assurance company into which we contribute monthly an amount equal to 10% of the employees' base pre-tax salary. In addition, the employee may make personal contributions to the plan. The plan is a defined contribution plan and remains the property of the employee who has discretion over investment choices within his individual plan. The plan is fully portable should the employee cease to be employed by us. None of our named executive officers participates in this plan.

In the United States, Enstar U.S. maintains a 401(k) & Savings Plan, under which employees may contribute a portion of their earnings on a tax-deferred basis and we may make matching contributions. We may also make profit sharing contributions on a discretionary basis. Mr. Oros is the only named executive officer who participated in this plan. For 2010, Enstar U.S. made matching contributions to Mr. Oros's account of \$7,350 on account of his employment through August 20, 2010.

**Additional Benefits**

Through December 31, 2010, we provided each of Messrs. Silvester, O Shea, Packer and Harris with a housing allowance, which is included in the amounts shown for each of them in the All Other Compensation column of the Summary Compensation Table above. For the fiscal year ended December 31, 2010, Messrs. Silvester, O Shea,

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Packer and Harris each received \$8,500 per month. Effective January 1, 2011, the housing allowance benefit was eliminated.

The Bermudian government imposes payroll taxes and social insurance taxes as a percentage of the employee's salary, a portion of which is the employer's responsibility and a portion of which may be charged to the employee. We pay the employee's share of these taxes for all of our employees in Bermuda, including executive officers. This amount is included in the "All Other Compensation" column of the Summary Compensation Table above for all of our named executive officers subject to these taxes.

**Outstanding Equity Awards at 2010 Fiscal Year-End**

The following table sets forth information regarding all outstanding equity awards held by the named executive officers at December 31, 2010.

Name	Option Awards			Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Dominic F. Silvester					
Richard J. Harris					
Paul J. O'Shea					
Nicholas A. Packer					
John J. Oros	49,037(1)	\$ 19.63	9/27/2011		
	98,075(2)	\$ 40.78	8/18/2013		

(1) Received in connection with the Merger in exchange for a fully vested stock option to acquire 50,000 shares of common stock of The Enstar Group, Inc. with an exercise price of \$19.25. On March 23, 2011, Mr. Oros exercised this option in full.

(2) Received in connection with the Merger in exchange for a fully vested stock option to acquire 100,000 shares of common stock of The Enstar Group, Inc. with an exercise price of \$40.00.

**Option Exercises and Stock Vested during 2010 Fiscal Year**

The following table sets forth information regarding the vesting of restricted shares and the exercise of options held by the named executive officers during the 2010 fiscal year.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Dominic F. Silvester	0		0	
Richard J. Harris	0		0	
Paul J. O Shea	0		0	
Nicholas A. Packer	0		0	
John J. Oros	48,075	\$ 2,381,636(1)	0	
	49,037	\$ 2,780,398(2)	0	

(1) Based on \$62.54, the closing price of our ordinary shares on the day of exercise (February 25, 2010), less the exercise price of \$13.00 per share.

(2) Based on \$75.05, the closing price of our ordinary shares on the day of exercise (October 7, 2010), less the exercise price of \$18.35 per share.

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**Potential Payments upon Termination or Change in Control**

This section describes payments that would be made to our named executive officers upon a change in control of the Company or following termination of employment. The Company was released in the Separation Agreement from its obligations upon a change of control of the Company or following termination with respect to Mr. Oros. In the first part of this section, we describe benefits under general plans that apply to any executive officer participating in those plans. We then describe specific benefits to which each named executive officer is entitled, along with estimated amounts of benefits assuming termination for specified reasons as of December 31, 2010, the last business day of the fiscal year.

*2006 Equity Incentive Plan*

We maintain the Equity Incentive Plan, as described above. Under the Equity Incentive Plan, upon the occurrence of a change in control, executive officers receive the following benefits:

each option and stock appreciation right then outstanding becomes immediately exercisable, and remains exercisable throughout its entire term, unless exercised, cashed out or replaced;

forfeiture provisions and transfer restrictions with respect to restricted shares and restricted share units immediately lapse; and

any target performance goals or payout opportunities attainable under all outstanding awards of performance-based restricted stock, performance units and performance shares are deemed to have been fully attained.

In addition, options granted under the Equity Incentive Plan generally vest fully upon an executive officer's retirement, death or disability. Upon termination of employment due to retirement, death or disability, an optionee has either one year or until the expiration date of the options (whichever occurs first) to exercise any vested options. Optionees generally have either three months or until the expiration date of the options (whichever occurs first) to exercise their options upon any other termination of employment other than termination for cause, in which case all options terminate immediately. In addition, the Compensation Committee may require an optionee to disgorge any profit, gain or other benefit received in respect of the exercise of any awards for a period of up to 12 months prior to optionee's termination for cause. Forfeiture provisions and transfer restrictions with respect to restricted shares granted under the Equity Incentive Plan generally lapse upon an executive officer's death or disability. Upon any other termination of employment other than termination for cause, in which case all restricted shares are forfeited immediately, any restricted shares subject to transfer restrictions as of the date of termination are forfeited immediately. In addition, the Compensation Committee may require a grantee of restricted shares to disgorge any profit, gain or other benefit received in respect of the lapse of restrictions on any prior grant of restricted shares for a period of up to 12 months prior to grantee's termination for cause. Retirement is defined under the Equity Incentive Plan as termination of employment after attainment of age 65 and completion of a period of service as the Compensation Committee shall determine from time to time. Disability is defined as within the meaning of Section 22(e)(3) of the Internal Revenue Code.

Under the Equity Incentive Plan, a change in control occurs if:

a person, entity or group (other than the Company, its subsidiaries, or an employee benefit plan of the Company or its subsidiaries that acquires ownership of voting securities of the Company) required to file a Schedule 13D or Schedule 14D-1 under the Exchange Act becomes the beneficial owner of 50% or more of

either our then outstanding ordinary shares or the combined voting power of our outstanding voting securities entitled to vote generally in the election of directors;

our Board is no longer composed of a majority of individuals who were either members as of the date the Equity Incentive Plan was adopted, or whose appointment, election or nomination for election was approved by a majority of the directors then comprising the incumbent Board (other than someone who becomes a director in connection with an actual or threatened election contest);

our shareholders approve a reorganization, merger or consolidation by reason of which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation do not,



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immediately thereafter, own more than 50% of the combined voting power of the reorganized, merged or consolidated company's then-outstanding voting securities entitled to vote generally in the election of directors; or

our shareholders approve a complete liquidation or dissolution of the Company, or the sale, transfer, lease or other disposition of all or substantially all of our assets, and such transaction is consummated.

*2006-2010 Annual Incentive Plan*

In addition to the Equity Incentive Plan, we also maintained the 2006-2010 Annual Incentive Plan for fiscal years 2006 through 2010. Under the 2006-2010 Annual Incentive Plan, a change in control affects the measurement period for the executive officers' bonuses under such program. The measurement period to determine bonuses for executive officers is the calendar year; however, in the event of a change in control, the measurement period begins on the first day of the calendar year and ends on the date of the change in control, thus, bonuses earned up to that date are paid out sooner than they otherwise would be. A change in control under the 2006-2010 Annual Incentive Plan is defined to be the same as a change in control under the executive officer's employment agreement, or if the officer does not have an employment agreement, a change in control is defined to be the same as a change in control under the Equity Incentive Plan.

*2011-2015 Annual Incentive Program*

We also maintain the 2011-2015 Annual Incentive Program for fiscal years 2011 through 2015. A change in control under the 2011-2015 Annual Incentive Program will have the same effect as a change in control under the 2006-2010 Annual Incentive Plan.

*Executive Officer Employment Agreements*

In addition to the benefits described above, the executive officers are entitled to certain other benefits under their employment agreements upon termination of their employment. Upon termination for any reason, each is entitled to any salary, bonuses, expense reimbursement and similar amounts earned but not yet paid. We also provide each executive officer with a supplemental life insurance policy to pay a benefit of five times his base salary upon death.

If the employment of an executive officer terminates as a result of his death, his employment agreement automatically terminates, and his designated beneficiary or legal representatives are entitled to:

a lump sum payment in the amount of five times of the executive officer's base salary upon his death under the life insurance policy maintained by us;

for the year in which the executive officer's employment terminates, provided that we achieve the performance goals, if any, established in accordance with any incentive plan in which the executive officer participates, an amount equal to the bonus that the executive officer would have received had he been employed by us for the full year, reduced on a pro rata basis to reflect the amount of calendar days during the year that he was employed; and

continued medical benefits coverage under the employment agreement for the executive officer's spouse and dependents for a period of 36 months following his death.

Either the executive officer or we may terminate his employment agreement if the executive officer becomes disabled, by providing 30 days' prior written notice to the other party. Under the executive officers' employment agreements, disability means the executive officer has been materially unable to perform his duties for any reason for 120 days

during any period of 150 consecutive days. If the executive officer's employment ends because of disability, then he is entitled to:

medical benefits for himself for 36 months following termination;

his base salary for a period of 36 months (with base salary payments being offset by any payments to the executive officer under disability insurance policies paid for by us); and

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for the year in which the executive officer's employment terminates because of disability, provided that we achieve the performance goals, if any, established in accordance with any incentive plan in which the executive officer participates, an amount equal to the bonus that he would have received had he been employed by us for the full year, reduced on a pro rata basis to reflect the amount of calendar days during the year that he was employed.

If we terminate the employment agreement of an executive officer for cause, or if an executive officer voluntarily terminates his employment agreement with us without good reason, we will not be obligated to make any payments to the executive officer other than amounts that have been fully earned by, but not yet paid to, the executive officer.

Under these employment agreements, cause means (i) fraud or dishonesty in connection with the executive's employment that results in a material injury to us, (ii) the executive officer's conviction of any felony or crime involving fraud or misrepresentation, (iii) a specific material and continuing failure of the executive officer to perform his duties (other than because of death or disability) following written notice and failure by the executive officer to cure such failure within 30 days, or (iv) a specific material and continuing failure of the executive officer to follow reasonable instructions of the Board following written notice and failure by the executive officer to cure such failure within 30 days.

Under the employment agreement, good reason means (i) a material breach by us of our obligations under the agreement following written notice and failure by us to cure such breach within 30 days, (ii) the relocation of the executive officer's principal business office outside of Bermuda without his consent, or (iii) any material reduction in the executive officer's duties or authority.

If we terminate the executive officer's employment without cause, if the executive officer terminates his employment with good reason or if we or the executive officer terminate his employment within one year after a change in control (as defined above under Potential Payments upon Termination or Change in Control 2006 Equity Incentive Plan ) has occurred, then the executive officer is entitled to:

any amounts (including salary, bonuses, expense reimbursement, etc.) that have been fully earned by, but not yet paid to, the executive officer as of the date of termination;

a lump sum amount equal to three times the executive officer's base salary;

continued medical benefits coverage for the executive officer, his spouse and dependents at our expense for 36 months;

each outstanding equity incentive award granted to the executive officer before, on or within three years of the effective date of the employment agreement shall become immediately vested and exercisable on the date of such termination; and

for the year in which the executive officer's employment terminates, provided that we achieve any performance goals established in accordance with any incentive plan in which the executive officer participates, an amount equal to the bonus that the executive officer would have received had he been employed by us for the full year.

The executive officer is also subject to non-competition restrictions and provisions prohibiting solicitation of our employees and our customers during the five-year term of his employment and, if the executive officer fails to remain employed through the five-year term, for a period of 18 months after termination of the agreement, along with ongoing confidentiality and non-disparagement requirements.

Mr. Oros is not included in the table below setting forth the termination and/or change in control benefits because pursuant to the Separation Agreement, upon Mr. Oros's voluntary resignation as Executive Chairman of the Company, the Company was released from all obligations under Mr. Oros's employment agreement, including all termination and/or change in control benefits. Mr. Oros received a lump sum payment of \$1,250,000 from the Company and the Compensation Committee permitted Mr. Oros's then-outstanding options to purchase the Company's ordinary shares to remain exercisable until their original expiration dates.

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The following table sets forth the termination and/or change in control benefits payable to each executive officer under their employment agreements, assuming termination of employment on December 31, 2010.

Executive Benefits and Payments Upon Termination	Executive Voluntary Termination or Company Termination for Cause(1)	Executive Termination for Good Reason, Company Termination Without Cause, or Termination by Executive or Company Within One Year After a Change in Control	Death	Disability
<b>Dominic F. Silvester</b>				
Base Salary	\$	\$ 5,600,001(2)	\$	\$ 5,300,001(3)
Bonus(4)		2,750,000	2,750,000	2,750,000
Medical Benefits(5)		46,881	46,881	46,881
Life Insurance				