Annual Shareholder/Analyst Meeting

Company Participants

- Bob Campbell, Chairman of the Board
- Dominic Silvester, CEO
- Mark Smith, CFO
- Nicholas Packer, Co
- Orla Gregory, Chief Integration Officer
- Paul O'Shea, Co
- Unidentified Speaker, Company Representative

Other Participants

- Bill Cooper, Managing Director, Global Head of Insurance and Specialist Finance
- Matt Swaim, Managing Director, Portfolio Manager, Research Analyst
- Unidentified Participant, Analyst

Presentation

Bob Campbell {BIO 16947227 <GO>}

Good afternoon. Welcome. My name is Bob Campbell and I am the Chairman of Enstar. On behalf of my fellow directors and the executive management team, I welcome you to our 2016 investor lunch.

We will provide an update on the performance of our group over the past 12 months, a view on the market condition in the coming year, an overview of our latest strategic initiatives. And of course, we'll be pleased to address any questions you may have at the end of the presentation.

I would also like to welcome those listening in from around the world to our webcast. This is our seventh investor day meeting and our first here at The Sheraton. However, before we get going, there is one item of housekeeping to address. In our presentation today we will be making some forward-looking statements, including statements concerning industry and market conditions, our business and our expectations for future performance.

These statements are subject to risk and uncertainties that could cause actual results to differ materially from those forward-looking statements and our current expectations. Descriptions of these risks and uncertainties are contained in the legal disclaimer slide and in our most recent public filing with the SEC.

Also, certain financial and underwriting measures including the combined ratios which we discussed when reviewing Atrium and StarStone, our non-GAAP financial measures with calculation methodologies of which are described in the appendices to the presentation, which is available on our webcast.

With that legal requirement taken care of, I would now like each director sitting in the audience to stand briefly when I call their name; Rick Becker, Paul Winslow, Hitesh Patel, Sandy Boss. And Jim Carey.

On the podium to my immediate left is Dominic Silvester, Chief Executive Officer of Enstar. Next to him is Paul O'Shea, Co-Chief Operating Officer and Head of Acquisitions. Next is Nick Packer, Co-Chief Operating Officer and CEO of StarStone, our largest underwriting organization.

It is worth noting that Dominic, Paul and Nick, the co-founders of Enstar, has served together for over 23 years, successfully building and growing Enstar to what the Group has become today. We applaud their continued service and dedication to the Group.

To Paul's left is Orla Gregory, our Chief Integration Officer. We advised you of this appointment last year. But this is the first year Orla will join us on the speaker panel. Finally, we have Mark Smith who joined us from Deloitte as Chief Financial Officer in August of 2015, another first timer on the panel.

Today the five members of the executive team will speak in turn. Dominic will start off with an overview of the Company, some insights on the markets we operate in. And our strategic initiatives. At the end of the formal remarks, we'll have time for questions from our live audience in New York.

So again, thank you for your coming. And Dominic, if you please get us started.

Dominic Silvester {BIO 15223116 <GO>}

Well thank you, Bob. And good afternoon to you all. Today, I'd like to talk through the past year and then look ahead. Before I do that, an outline of our history is that we started this business 23 years ago. And this is our tenth year as a public company.

There's been a lot of water under the bridge since we started in April of 1993 to get to the $3 billion market cap company we are today. We are now a larger, more diversified group than in our history. What most people think is our core business; we are a global leader providing innovative solutions to the legacy sector. We are also, however, now a meaningful player in the underwriting specialty insurance through StarStone and Atrium. We have approximately 1,300 employees located in 25 offices across 12 countries.

Until the purchase of StarStone and the Atrium platform, our business was concentrated on the acquisition of insurance and reinsurance companies and portfolios in run-off. And I can claim from the underwriting results from the administration of these portfolios, supplemented by investment income.

We've always tried to be innovative and opportunistic. And as a result, our business has evolved and diversified. We've stayed true to the run-off business and complemented it with our expansion into the specialty insurance business. The evolution and diversification enables Enstar to look at a wider range of opportunities and indeed larger ones. I just referred to larger opportunities. But we do not shy away from smaller transactions as they often lead to bigger ones. We are patient and have built our business on long-term relationships.

The transaction with Allianz, which we announced earlier this year, is testament to Enstar's staying close to its roots and also to long-term relationships. We have worked with Allianz for many years and great trust has been built up. Who would have thought looking at Enstar five or six years ago that we would be a market for multi-billion dollar run-off transaction competing with large household names?

We're very pleased with both StarStone and Atrium. The Atrium story is quite straightforward. They've been a top performer for two decades; quality run through every vein of Atrium. They are without a doubt one of the most respected agencies of Lloyd's. StarStone is striving for the same performance and reputation. And I'm confident that they will get there. StarStone was formerly known as Torus. And they've had a difficult start in life and could only be described as a troubled company when we purchased it in a joint venture with Stone Point in a transaction completed in 2014.

StarStone has made wonderful progress in the two years under our ownership, which Nick will elaborate on shortly.

In summary, please think about what we do as run-off and legacy business in all its forms and the writing of specialty insurance business. Investment income for both the legacy and the active business is also a key source of income.

I believe that in every one of these annual investor presentations I have addressed, I've described our mission in life as being very simple, which it certainly is. And it's to grow book value per share. At December 31, 2015, we'd increased our book value per share to $129.65 with a further increase to $132.85 by the end of the First Quarter 2016. We worked to grow book value per share by effectively managing our business to realize profits and by reinvesting our net earnings to provide for further growth.

The graph in front of you now shows the direction of our fully diluted book value per share. And as you can see, it is a continuous increase year-on-year with a compound annual growth rate of 17% since 2006. The calculation of an average is of course just that. The growth in book value per share of 9% in 2015 was substantially less than the average I just mentioned.

Of course, I pay attention to the individual calendar year growth. But it seems that some people look at little else. Everyone addressing you today is in this game for the long term;

we look to sustained capital growth over an extended period.

Two things to consider when looking at 2015 in isolation. The equity dedicated to StarStone is substantial. We went into this transaction in 2014 with our eyes opened to the fact that it would take a couple of years to turn around. I'm pleased to say that we are now seeing considerably more than just mean shoots.

Please also take into account that in November and December 2015, like many other companies in the insurance sector, we were hit by considerable volatility in the investment markets, which reduced our return on equity by a couple of percentage points. Thankfully, much of the decline in the markets was recouped in the First Quarter of 2016.

The challenging and continuing low interest rate environment affects Enstar as you would expect. But we continue to be well-positioned when the situation changes, as it surely will. Shortly, we will look at the graph which will help you assess the extent to which Enstar sense to benefit from an increase in this investment yield by highlighting the Company's investment leverage.

Despite our reduced return on equity in 2015 when compared to the historical average, I'm confident that we are well-positioned as a company as we're about to hit the halfway mark of 2016. Focusing again on 2015, in dollar terms our consolidated net earnings were $220 million. This was our highest net earnings figure recorded to-date and a $6 million increase over our 2014 earnings.

When we look back further, I'm proud to say that we have successfully reported positive net earnings in every year since we started. Over the last five years and each successive year, we've increased our net earnings. Despite the challenges, we and those across our industry have faced during this period.

I discussed earlier our diversification. But this graph shows you where the bulk of our profits currently come from. With $173 million after $222 million of profit, resulting from non-life run-off. That's almost 80%. Atrium and StarStone are already meaningful contributors to Enstar in so many ways. And I expect that contribution to continue in 2016 and beyond. Please note also the contribution of $17 million from our life and annuities run-off business.

When I hopefully have the opportunity to talk with you again next year, I anticipate that there will be a further income segments attributable to Aligned Re. I'm limited as to what I can share with you at this time with regard with Aligned Re, which is very active piece of work in progress. In short, we are partnering with UBS O'Connor, a multi-strategy investment manager, to form a new venture called Aligned Re. Aligned Re is expected to be funded with third party capital alongside investments from Enstar and certain affiliates. It's anticipated that UBS O'Connor will act as the investment manager.

In addition to participating as a shareholder, we expect to serve as reinsurance manager and provide support services to the new venture. StarStone and Atrium are expected to seed reinsurance to Aligned Re and some of our one-off subsidiaries will likely enter into similar arrangements. We will share more detail as and when we're permitted to.

Here is a summary of our balance sheet. And all of the numbers on call outs are in billions of dollars. We've got total assets of $12.9 billion, cash and investments of $8.7 billion, gross reserves of $7.9 billion. And total equity of $2.6 billion. You can see that the asset leverage is almost five times. And the cash and investment leverage that I referred to earlier is approximately 3.4 times. With our cash and investments largely in high grade, short duration fixed income investments an increase of 100 basis points would represent almost $90 million.

As Mark will discuss shortly, we have low gearing with debt to equity ratio of 18.4% at March 31, 2016 compared to 30% ,which might be considered to be our maximum. This places us in a strong position to act on opportunities as they arise.

Our plan is simple. We will strive to continue to grow our business profitably, which we did in 2015 and so far in 2016, acquiring $3.4 billion of reserves in seven transactions. We will use our capabilities in both run-off and underwriting to provide for innovative transactions. We will continue to focus on controlling cost and building and strengthening the platforms and infrastructure that will allow us to deliver on our strategic goals.

We have some wonderful supportive shareholders, many of whom are here today, including in alphabetical order; Akre Capital Management, Speck and Mack & Oliver, Corsair, CPPIB, Goldman Sachs and Stone Point.

Helping us achieve our plan is Orla Gregory, who's a 13-year veteran of Enstar but is new to our group executive team. Orla will speak to you today shortly on key integration initiatives we've undertaken over the past 12 months and on our plans in this area. Orla has made a tremendous impact since her elevation to the Group executive team, which we will seek to further expand when appropriate.

Also, Mark Smith is new to our group executive team, having replaced Richard Harris as our CFO in August, 2015. Mark has settled in very smoothly.

Just a few words on the challenges we face; within this slide is titled the Challenges We Face. But I think it could just as accurately be titled, the Current Dynamics of Our Markets. I say this as some of the dynamics are not so much challenges as they represent an environment opportunity. The dynamics I refer to include competition, over-capitalization, soft market conditions, M&A activity, the low interest rate environments, the evermore complex regulatory environment. And rising expenses. We need to be alert to all of these challenges and dynamics and they will be discussed in detail my colleagues in their presentation.

What would drive our continuous success? It would be our dedication to what has become the hallmarks of how we go about our business. We will never compromise on the quality and the effort we've put in to maintaining the highest standards in the critical areas that make our business a success.

These are M&A discipline, quality underwriting, capital management, regulatory relationships. And optimizing our talent. The first of these is continued M&A discipline. And to cover this most important topic, I'll now turn over to Paul.

Paul O'Shea

Thank you, Dominic. Welcome to everybody to our seventh investor lunch. As Dominic has said, acquisition is a cornerstone of our business. So no pressure.

Enstar has negotiated and completed 72 acquisitions to-date. Of these the majority are run-off and, two, Atrium and StarStone are our undergoing underwriting operations. All of these entities are being managed efficiently and effectively by the larger Enstar team.

Since 2001, Enstar has acquired 42 companies by stock purchase or merger. And 30 portfolios of insurance or reinsurance business. Based in the acquisition or run-off acquisition area is an incredible success rate. So one of the most frequently asked questions is, why have we been so successful at acquisitions?

The success of Enstar in the acquisition area is as it is for all areas we are successful in; a product of the entire company. We have a very experienced and knowledgeable acquisition team. But the real team is the entire Enstar team. For each acquisition we can call on all the experience and knowledge of each and every one in Enstar. And they give us with enthusiasm.

For example, if we have a target with US workers' compensation exposure, we can get some of the workers' compensation claims team to join the due diligence. The same applies for asbestos, construction defects. And indeed, most classes of business. We call on our finance, tax and regulatory teams to assist in deal structuring. The integration team are involved in all acquisitions from the earliest stage to work out how we can most effectively and efficiently absorb the target. All of this gives us access to an incredible knowledge base and analytical skill.

Another benefit is that several members of the operational team that will actually run the Company once we own it participate in the due diligence. This brings continuity and excellent communication between the acquisition team and the operational team. It also brings a level of responsibility for the operational team, well, it cross over the bridge between the responsibility duties between the acquisition team and the operational team.

Size. We are now a very large group with an excess of $12 billion in total assets. So vendors see us as a secure business partner. Deal certainty. Due to the number of transactions we have successfully completed, we are seen to have very little closure risk. The long history and success of Enstar's operation team. We have taken on and successfully managed more portfolios than most. So the vendors see Enstar as a same pair of hands. More recently with the successful acquisition of live businesses, we can now compete for companies that are both run-off and ongoing opportunities.

This slide shows growth in our assets and gross reserve through acquisition over time.

As you can see of March 31, 2016, we had acquired $21 billion in total assets over the years and $16 billion of loss reserves. The remaining loss reserved on our balance sheet at March 31, 2016 were $8 billion; this means we have closed and successfully run off $8 billion of loss reserves. As Nick will discuss later on in his presentation, we are in the insurance business; our primary job is to pay claims and we pay claims efficiently, fast and in volume.

A frequently asked question; another frequently asked question is how can we predict our run-off deal flow going forward? The simple answer is this cannot be done with a great deal of precision. We cannot buy something unless someone is willing to sell it. The timing can be lumpy from year-to-year; however, we have a very healthy and continuing pipeline. And have had so for the last 20 years.

For the five years ended December 2015, we've bought $6.6 billion of gross loss reserves, which equates to an average of $1.3 billion per year. However, within those five years there were two years where we bought very little run-off reserves. So far, halfway through 2016, we have bought $1.1 billion. So we have a very good start with looking forward to growth and sustainability over the next five years. We continue to be disciplined. And as I've said before and Dominic has said, we can and will be beaten on price. We have no deal remorse when we're beaten on price.

Last year we added $2.3 billion in gross/loss reserves and $2.7 billion in total assets. This is primarily non-life business. And heavily weighted towards workers' compensation. Our biggest transaction in 2015 was Companion, which we bought from Blue Cross Blue Shield and renamed Sussex.

As well as its size, this is special for additional reasons. We renewed some of the business into StarStone, which is in line with making the whole Enstar unit more efficient. We can see the value in live business, we can put that in for newer purposes into our live entities and get the value out of that, not just this year or next year. But in the foreseeable future.

A number of the Blue Cross staff came with the acquisition. These were a bunch of hard working insurance professionals that we are delighted to take on board to Enstar. We kept an office in South Carolina and have significantly expanded this as a center for Enstar's global back office. We took on 120 staff and we have now expanded that to 175. So we're quite popular in South Carolina.

As Dominic addressed earlier, in 2016 we completed the reinsurance transaction with Allianz, reinsuring by quota share $1.1 billion which was 50% of a portfolio business from their Fireman's fund. We are consulting on the entire $2.2 billion portfolio.

We've known Allianz for many years and they selected those because they wanted access to our run-off management expertise. The headline from Allianz Re press release on this transaction was Allianz Re agrees cooperation with Enstar and the United States. They went on to say the cooperation will combine our strong claims management capabilities with Enstar's experience and proven track record. This is a great endorsement of Enstar.

Nick will talk about our US operations and how Allianz has integrated into that. However, the slides show the composition of Allianz reserves we've reinsured. They're asbestos, workers' compensation and construction defect; all areas that are directly in line with our core competencies.

We believe that a number of the larger insurance entities around the world are considering similar transactions and we are one of the leading candidates. The insurance and reinsurance industry is in a period of consolidation and change. This will inevitably lead to more opportunities for Enstar's skill set and capital. The larger successful companies are looking to deleverage their balance sheets, withdraw or shut down non-core businesses. And generally improve the cost ratios.

A number of small to medium sized companies will find that the continuing low investment yields, pressure on rates. And their own lack of scale make it difficult for them to justify staying in the insurance business. These are mostly good companies with good reserving practices and with good underwriting and good themes. But the markets just keep moving away from them.

In addition, continuing low investment yields are causing the larger companies to prioritize disposal of books containing long tail liabilities. The only target market for them to dispose these are to companies like Enstar who have more experience in running off the liabilities and can control cost.

We were asked about the competition. The market for an off-deal is competitive. As I've said before and we'll continue to say, this is healthy and leads to an overall improved market. Monopolies, while work in some business utopia, don't work in a practical world.

Regulation has increased significantly over the decade. Good regulation in our industry is essential. And is in every one's interest. However, it also significantly increased the cost of entry for new players and increased the cost burden of our smaller competitors. We have extensive experience and knowledge on working within the regulatory frameworks and we have some very good teams of external consultants which we work with and have felt this significantly over the years.

We work in these regulatory frameworks in all the domiciles that provide us with opportunities. This gives us the distinct advantage. And again, this makes potential vendors more likely to choose Enstar as a counter-party. So we feel very, very bullish about the run-off market at the moment. That is not that we're pessimistic on the insurance industry; the insurance industry is going through a huge period of change and rationalization and that will generate tremendous opportunities for groups such as Enstar.

We expect that over the next several years there will be increased opportunities that will result in increased deal flow for Enstar. Thank you for your time today and I'll now hand it over to Nick.

Nicholas Packer {BIO 15223200 <GO>}

Good afternoon, everybody. Thank you, Paul. I'd like to talk about how we're operating and managing our acquired businesses and then speak to the active underwriting and the successes that Dominic mentioned earlier.

So on this slide here we've highlighted in the pyramid the aspects of our approach that differentiate and contribute to our success. As you've heard we had very significant growth as our portfolio of reserves have grown and have also changed in nature over time as we respond to market opportunity. However, our focus remains in developing our in-house expertise to better manage these portfolios.

Much of our recent growth, as you've heard, has been in the US. And if you look back to 2010 and prior, the bulk of our business was concentrated in Bermuda, Australia and Europe, with a very much smaller US footprint. Following the significant acquisition as has Paul described, in the last five or six years the US has grown exponentially and increased again in 2015 with the transaction Paul mentioned. And of course also with the Allianz reinsurance deals First Quarter of this year.

In all, over $3 billion of gross liabilities have been added to our US portfolio since January 2015. So we work very hard to make our approach scalable by focusing on the key areas. And I'll address those in a moment. In the early years, we transferred senior managers from our UK companies to the US to ensure consistent group approach to management. But now that we have an established US presence, we enjoy, I think, a deep bench strength of US expertise. With each acquisition, we also get to see and bring in additional talent, which enhances and involves the resources of the Group.

A prime example of this was with the acquisition of SeaBright in 2013, which established the highly skilled workers comp infrastructure, which we've now built into our US operations.

So turning to claims management. The key to our portfolio management is built on the disciplined and professional management of claims, commutations and policy buybacks, traditionally fueled a lot of our success. But this is when the run-off comprised predominantly of reinsurance loss reserves. And whilst we still do numerous commutations and policy buybacks, the focus has shifted as our underlying portfolio has moved towards direct insurance line. This means increased focus on the efficient oversight and payment of primary insurance claims.

Not always appreciated. But by paying claims, this releases capital too. And as you can see from this slide, we paid nearly $900 million in claims last year. By our in-house managed care business, Paladin, we continue to develop market-leading solutions to workers compensation claims. We've also invested heavily in other lines of business, building out construction defect, general liability and APH claims teams to efficiently handle these growing lines of business.

And our life and annuity segment where the business is very different, our approach has been successful in the reduction of costs and the re-underwriting of the portfolios to improve the underwriting return.

In managing claims it's important to explain that we have now fully integrated the servicing of both run-off claims and the ongoing active StarStone portfolio of claims into a single group function. This has been a huge success, enabling us to better manage our claims inventory and being able to also upgrade the resource, quality. And depth of our claims expertise. It has enhanced both the quality and the service delivery to both active and run-off areas and is now viewed as a tactical advantage by StarStone in its client serviceability. So I think we've denied the myth that run-off claims and active claims handling is incompatible.

With our continued operational expansion, we now have many tools in our arsenal. These could be viewed as a potential barrier to entry to our competitors. We have access to the specialized resources through Cranmore. This is our in-house audit and consulting unit, which operates worldwide. Cranmore delivers its unique, global resource of expertise to both help diligence, new target acquisitions. But also to provide a depth of talent for ad hoc projects and the oversight of existing portfolios and liability management.

In Enstar, we have evolved proactive management strategies to address all the issues we foresee in running off and handling claims liabilities. This involves robust CPA management, third party agents. And while we prefer to bring all claims in-house, we do accept that this is not always possible or optimal. So we've developed a strong and dedicated expertise, or as we call it, boots on the ground in the oversight, quality and compliance audit. But also importantly in the alignment of these agent incentives.

We also have a full suite of loss cost mitigation programs, including litigation management and subrogation programs to ensure we not only maximize value. But also optimize our legal spend. Since our move into a single group-wide claim function, we've implemented a quality assurance program to oversee claim handling standards and drive our service level.

And with Paladin, our managed care company, this provides a differentiated approach to work as compensation claims management. And this has been expanded as our portfolio of workers compensation business continues to grow. Paladin now services an excess of $2 billion of workers compensation reserves from Enstar. While Paladin's previous focus under its previous SeaBright management included third party consulting, today we have the team predominantly preoccupied with handling Enstar's in-house claims.

So moving to active underwriting. It's no secret the market conditions are difficult. And when coupled with the investment environment, these are truly challenging times for the whole industry. Dominic earlier addressed Atrium's outstanding performance in 2015. And they continue to be one of the best in class.

This slide gives you an overview of Atrium as well as the breakout of its gross written premium 2015. Nobody is immune from the difficult market conditions though. And Atrium, too, is seeing gross written premiums decrease versus the 2015 level as certain business no longer meets their underwriting standards.

Atrium's history goes back since the 1930s. So the institution has exceeded over the years through many insurance cycles and a whole manner of market conditions. So we're confident in the discipline of their approach. Atrium continues to successfully expand its underwriting teams around its core specialty offering. External market factors such as the M&A in the industry and the continued tough market conditions mean the underwriting talent sees the benefit in working for an organization with Atrium's position and reputation.

Moving on to StarStone. When I spoke last year the significant strategic and operational changes were still, frankly, early days and was then called Torus. You can see from this slide the key attributes and the breakout of the $825 million of 2015 gross written premium. But let's go back to where we were one year ago. From an earnings perspective, we had begun to pose low-single digit positive earnings. And this was a huge achievement given the prior years of losses under the previous ownership. The AM Best rating had been reaffirmed and the outlook was raised from negative to stable.

We had started to enact the restructuring of the executive management team. And we commence the rebuild of many of the processes and systems, which are to enable us to scale efficiently. And though we had recruited, our early efforts were really focused on retaining our underwriters across and throughout the transition period.

So one year later. And we're pleased to say that the turnaround has gathered tremendous pace, we successfully rebranded to StarStone and this change I think has been well-received both internally and externally for the market. We've multiplied earnings $20.8 million full year 2015. And $19.1 million in the First Quarter of 2016. AM Best announced last week the reaffirmation of the A-minus rating and the outlook. We've achieved a combined ratio below 100% in recent periods due to a combination of technical results and our ongoing restructuring efforts.

We've benefited significantly from improved seeded reinsurance buying with both better terms and conditions. But also with better pricing. This is partly due to the softening external market conditions. But we've also seen improvements due to our desirability as a siedent[ph] and a better appreciation of the discipline within the Company, plus of course the improved performance.

Not only have we been successful in retaining our underwriting teams. But like Atrium, we've added new underwriters. StarStone is now seen as an attractive home for talent. And leading market underwriters are actively seeking our entrepreneurial culture and signing up to the growth story of what is now StarStone.

So where next? As exciting as these positive developments are, we feel there's obviously a lot more that StarStone can deliver us. But there are certainly challenges to overcome, not least of which is a competitive market environment. We believe we can continually and incrementally improve the StarStone results, as well as continued expense ratio improvement. We have a careful growth strategy focused on our core lines of business, which we understand that have debt rate adequacy and that we know have attractive characteristics.

The significant competitive advantage that StarStone enjoys is being part of the Enstar group. This will manifest itself in two ways; with incremental back office efficiencies, which Orla will talk to, plus also the access to the Enstar M&A pipeline. As well as StarStone's independent growth initiatives, the Company gets a box seat on every M&A deal that the Group looks at. At this situation I think uniquely enables StarStone to cherry-pick future business and thoughtfully acquire new portfolios when the opportunity presents. So we believe that StarStone platform will in time become an integral and effective piece of the overall diversification, acquisition. And growth strategy of the Group.

I'd like to now turn over to Orla, who will discuss the integration initiative.

Orla Gregory {BIO 19118877 <GO>}

Thanks, Nick. Good afternoon to you all. We sat in the audience of this presentation last year when Dominic advised you that I had been appointed to the Group executive team as the Chief Integration Officer. It's been over a year since we formalized the integration function. So it's a good time to let you know what we've been doing.

But first, since I have not been part of the speaking panel before, let me tell you all a little of my background. I'm Irish, as you can probably tell. And I have lived in Bermuda since late 1998. I joined Enstar, then Castlewood, in 2003. And like most of the executive team, I'm an accountant by training.

Part of the formal establishment of the integration function, I spent most of my time working on acquisitions with Paul. From working on due diligence, negotiating with vendors and overseeing transition of new business into the Group.

A question I get asked recently often is what exactly is integration, or what is the Chief Integration Officer doing? If you look up integration in the dictionary, you can find more definitions than I expected. But one simple definition is that integration means to combine two or more things in order to become more effective. This is more of a challenge than it sounds.

In a business model like ours, we are constantly growing and changing. We therefore need to continuously review our infrastructure and identify and implement change so that we can meet the demands of operating our business in the most effective and efficient way possible; always with an eye to the future so that we can adapt in a way that makes future growth easier.

A former Chief of Staff of the US Army once said, if you don't like change you're going to like irrelevance even less. I heard this recently and it really struck me how much this is true with Enstar. Being innovative has been a key part of what have taken us this far and will remain so for the future. Innovation leads to change, and the integration function covers oversight of implementing change.

Integration is really twofold. We oversee the transition of new acquisitions and we identify and implement required change in the existing group. With regards to integrating new acquisition, a significant part of the work that goes into assessing an acquisition is understanding the operational impact, taking in the new business will have on the Group and formulating a transition plan.

The transition planning is key to effective onboarding of the business. The governance and planning process has become more sophisticated over the years, driven by the size and complexity of new acquisitions. As we grow and diversify, the impact and challenges of integrating new business are greater. With regard to changing the existing group, this has become so fundamentally important to us. Adapting the existing group to meet the demands of the business and provide the platform to support our future growth.

We are reviewing our functions. For most functions, we have moved towards the global structure, providing service to our regulated entities and achieving centralization efficiencies. We are carrying out strategic reviews and identifying changes necessary to move towards target operating model. This approach sounds finite. But it is actually continual. As we grow and as we run our portfolios, we need to constantly revisit the fit for purpose of our infrastructure.

As Dominic mentioned earlier, we are truly global with 25 offices across 12 countries. Again, as we grow and at the same as we run off portfolios, we need to constantly assess that. A significant project completed in the last year was the closure of our India operations and the build out of functionality on shore, largely in Columbia, South Carolina.

With regards to our governance and leadership, we have globally organized functions and locations across so many countries, joining teams from different organizations together and aligning the direction they're heading in. Making this work requires effective governance and leadership. Collaboration and communication to get the very best result each time; this takes a more defined and thoughtful effort than ever before and we are very focused and constantly reviewing our way of working together to ensure we are getting the best at our global capabilities.

We have a number of modernization projects underway. At our current size, the approach of bolting on systems through acquisitions is no longer efficient, we are therefore moving to a core platform for our businesses. This is first and foremost a business process modernization approach with systems there to support our processes.

We are reviewing and updating our processes across the Group so that they are global where possible. And also clearly defined that we can use technology to improve our work flow. At the same time, we are also looking at our corporate structure for ways to consolidate and simplify that will further assist us in our efficiency initiative.

All of these efforts are designed to drive down the cost of our infrastructure. So we busy in the integration team. I think of my role as a non-technical operating officer where Paul oversees the acquisitions and Nick oversees claims and underwriting and my role focuses on how we adopt so that we can have a scalable and effective infrastructure at the most efficient cost to support the business development.

I'll now hand over to our CFO, Mark.

Mark Smith {BIO 3092996 <GO>}

Thanks, Orla. Good afternoon, everyone. As Bob mentioned, this is my first investor day. I joined Enstar last August as CFO. My colleagues have given you a good overview of the Company. So I won't take too much of your time. But I do want to cover drivers of our income, our investments, loss reserves, financial resource. And capital and regulatory requirements.

From a financial standpoint, we had a solid 2015 financial year and we're off to a good start in 2016. The results are strong when you consider the formidable headwinds that you've also heard about today.

The slide shows the key components of our GAAP income statement, which reflects our business model. I think the key takeaway is that when you consider how Enstar makes profit, there are four key drivers; underwriting income from run-off business, underwriting income from active or live business, investment income. And salaries and G&A. When we think about delivering our future plans and strategy, these are the four significant levers. You've heard from others on our underwriting income for both run-off and live business. Investment income in 2015 decreased compared to 2014, reflecting unrealized losses in 2015. Those unrealized losses were largely from increases and market interest rates and widening spreads, offset by income resulting from increases and average balances investment.

Although not on the slide, Q1 2016 investment income increased as a result of improvement of market yields and higher investment assets. We track investment performance compared to peer companies. And in 2015 we did comparatively well.

From an operating expense standpoint, you've heard today about our dedication to expense management, although in terms of the P&L, our salaries and G&A have increased year-over-year due to our acquisitive business model. For example in 2015, we added over 200 new headcount related primarily to Sussex and Alpha. And the year before that, over 400 related StarStone.

But we believe we take the smart approach to growth as Orla has discussed. As I mentioned before, investments is a key activity, where we seek to earn investment income both on our closed and our capital. The next two slides show two of the matrix related to investment risk and our portfolio. Duration and the proportion we invest in risk assets.

Risk assets, which we defined as investments other than investment grade fixed maturities, have remained largely constant as a % of the total investments since 2014. We've increased duration since 2014 from just over two years to 2.6 years. This largely reflects the liability profile of loss reserves we acquired during 2015. As a result of the increase in duration, book yield has also increased.

This slide shows the component part of our risk assets. It reflects two new risk asset classes in 2015. We invested in a multi-strategy hedge fund as part of our Aligned Re project. And we've also invested on life settlement assets. Other than these two new categories, risk assets have remained consistent. We are long-term investors. So you're unlikely to see significant changes in our portfolio year-on-year.

Our underwriting results involve management estimates, particularly estimates of our loss reserves. This table shows our non-life run-off reserves, our line of business in 2010 and 2015. I presented the data in this fashion to illustrate the change and the nature of the reserves we hold non-life run-off over that period. In 2010, we were largely running off reinsurance liabilities. In 2015, we are largely running off direct insurance liabilities.

You will note the decrease in asbestos and environmental reserves. These liabilities largely arise from London market reinsurance policies issued by the UK companies we have acquired. You will also note the increase in workers compensation reserves. These liabilities arise largely from direct policies issued by US insurers we have acquired.

This table compares where we reserve in the range of reserves recommended by our actuaries in 2015 and in 2010 for our non-life run-off reserves. You will see that we are just around the midpoint in both years. This demonstrates the consistency of which we reserve for losses.

We use debt to provide our insurers capital to support new insurance risk acquired by a run-off business and to use distributions from our run-off insurers to retire that debt. The debt to total capital ratio of Q1 2016 was 18.4%. Our revolving credit facility is currently $665 million, in which $506 million was drawn at the end of Q1. So we had $159 million of undrawn capacity. We have a debt tolerance of up to 30% of total capital. So at the end of Q1 2016, we have additional debt capacity of $368 million.

Since 2014, we have maintained investment grade credit ratings from S&P and Fitch, as shown on this slide. We believe we would have access to the capital markets should we seek to raise additional debt.

Capital requirements for our regulated businesses are driven by several factors as shown on this slide, including views of rating agencies and Lloyd's as well as the covenants in our loan facilities. We also have capital requirements in terms of guarantees we provide for reinsurance transactions. And as a side note, we believe we are well-capitalized.

Regulators are also a key factor in determining the amount of capital our regulated entities must hold. And then in proving whether we may take out dividends.

Our insurance subsidiaries are primarily regulated in Bermuda, the UK, Australia, the United States and Europe. Enstar is also subject to groups of conversion[ph] in Bermuda. Bermuda's regulatory regime has been recognized by the EU's equivalent to Solvency II and by the NAIC as equivalent to US Insurance Regulations.

As Dominic and Paul mentioned, we see solid relationships with regulators as the key to our business model. And as Orla mentioned, underwriters review of our organization structure, making it work as efficiently as possible, taking into account the complexities related to operating regulated insurance entities worldwide. We have made significant progress in consolidating legal entities and rationalizing our corporate structure.

In addition to simplifying our operations, we also save on corporate filing fees, cost of statutory audits, individual entity capital requirements, compliance. And of course human capital in terms of the time spent from these matters by our staff. These projects were good examples of the importance of good relationships with regulators and a firm understanding of the regulations that impact our operations. Regulators have taken the time to understand our goals and objectives and we believe we are getting it right for all stakeholders.

This completes my snapshot of our operating results and financial strength. And I'd like to hand it back to Bob now.

Bob Campbell {BIO 16947227 <GO>}

Thank you, Mark. That concludes our formal remarks today. We'd be pleased to take your questions. There will be two hand microphones at each end of the room. If you would identify yourself and your company and then ask your question, please. And we'll direct it to the appropriate responder.

This happens every year; I know we do a very good job.

Questions And Answers

Q - Unidentified Participant

What are your return hurdles in the deals that you're looking at for acquisitions?

A - Unidentified Speaker

It's a range of return hurdles that it's based upon the, basically, risk reward basis for transactions for, obviously, the higher degree of risk. We look for higher potential of IRR over the life of the transaction and where we see a steadier portfolio than we like to have a lower risk profile. So it would range from the low-teens and high-teens.

Q - Unidentified Participant

Hi, Dan Baldingie[ph]. You mentioned early on that one of the challenges or problems that the industry is facing is over-capitalization. And I'm wondering; is this arrangement with

O'Connor maybe just contributing to that problem?

A - Unidentified Speaker

We really can't respond to a Align Re questions. We're in the process of that transaction and I apologize. But it really is too new for us to really delve into. Hopefully next year at this we can give you a full-blown apprize flow of what is going. But we really need to back off from that. I apologize.

Q - Unidentified Participant

Could you expand on your asbestos exposure and whether that is brings you into this litigation that is also ongoing since 1986 (inaudible; microphone inaccessible)?

A - Nicholas Packer {BIO 15223200 <GO>}

We understand people's concern with asbestos. We have portfolios of asbestos in the US. And as we've mentioned, we have them emanating out of London where they reinsured the US.

Asbestos has been a key liability that we've managed since our formation in the 1990s. So we're pretty familiar with it. And we manage it accordingly. And we have run it off, as you've seen from the slides, very successfully. So we're fully abreast of; I guess, where the industry is going of the reserving levels and we're pretty confident in our ability to manage through it.

I think if there's concerns about asbestos, then what we're able to do is when we acquire portfolios, we almost benefit from the concerns because we're able to reprise those liabilities as we bring them into our balance sheet; this is liability that we understand and I think we've got a pretty good track record of running it off and managing those liabilities down.

Q - Unidentified Participant

(Inaudible; microphone inaccessible).

A - Nicholas Packer {BIO 15223200 <GO>}

Well it would be part of the $900 million of claims that we pay. And we pay that through all manner of settlement initiatives that go on. We have bankruptcy trust, we have policy buybacks and just general run of the mill claims. We're obviously dependent in significant amounts of the industry litigation because we are a single participant in most cases along with the rest of the market.

We try and accelerate our settlement to be honest with you. That central strategy goes to the core of reducing legal costs. But also most importantly every cycle is capital. And if you bought these reserves at the right level, which we think we do, then we have in our evaluation pretty good levels to base our, if you like, policy buybacks and exits from the business.

The concerns that are around this liability, I think, are very similar to other lines of liability. The difficult and uncertainties of expense and litigation are actually very significant advantages to us; we like complex claim situations. That's where we can, I think, demonstrate our ability to offer solutions. And we have the expertise and we've built it out with a pretty good track record.

Q - Bill Cooper {BIO 16162509 <GO>}

Hi, Bill Cooper, Lloyd's Bank. Can you talk a little bit about the competitive environment for the purchase of run-off portfolios? You talk about the industry conditions, meaning this may be life companies; more life companies struggling, which might imply more companies going into run-off or being available to purchase. So I wonder whether there's an increase in the competitive sort of other firms looking to come into this space and how are you thinking that might play out?

A - Paul O'Shea

For competitors or the level of competition rises and falls in the business, we've seen a number of companies be active in the space and back away again. We will be and have been beaten on price. And we don't have any problem with that. We have benefits that we can bring to the table that a lot of the competition can't, being our continuity in the business, our scale. So we can take books of business, we can see more value with it than some of our competitors can because we have other blocks of the same business on our books.

But there is a lot of capital interest in the space. But as I say, over the last five years we've averaged acquiring $1.3 billion of loss reserves a year. We see in the; say if we take the Sussex deal, that was a complex deal with a lot of underlying issues and one of the few run-off companies with the breadth of talent and experience. That could understand the implications of the underlying issues was Enstar. And also because of complications, some of the bigger players will tend to back away from that.

So there's different opportunities that's in the Allianz opportunity. They really like the Enstar structure of what we could bring to the table. And they've. And as I've said, that was the banner headline in their press release. So we're not unduly concerned; we've seen the capital go up and then it goes down again.

Q - Unidentified Participant

Harry Gale, at (inaudible) Street Capital. Just going back to the Allianz deal; could you provide a bit more color what sort of the process for the negotiation of that, how it came about, what ultimately led Allianz to decide to go ahead with this? It's obviously a major step in the transformation of the industry. And also, do you see that expanding; the release[ph] with Allianz? You also referenced potential other insurers looking at that. Is that a near, medium, longer term opportunity?

A - Paul O'Shea

The discussions with Allianz across various books of business; I mean, I've got to say they booked these; this will surprise you when I give you the length of time. But I would say seven or eight years we've been discussing. And in that time we had acquired, or had undertaken considerably smaller pieces of business with them. I mean, you could say it was at a courtship, which then led to the significant transaction with them on the Fireman's fund book.

It would be no secret to anybody who's followed Allianz to know that the Fireman's fund was a very disappointing transaction. Allianz lost a lot of money over an extended period on the Fireman's fund deal.

And the process they underwent, I mean, you could expect a Company of the size of Allianz would just for good governance would have to go to market. And they did go to market. I think part of your question was trying to address that. But what they were really looking for, there wasn't actually that many markets. And to come back to the immediately prior question to yours, to put names to our competitors, I mean, as Paul said, our competition has sort of come and gone a little bit over the years. I think some of its part has been due to Enstar's success, frankly. People think, well, maybe there's an easy path to be made there and you've got some hedge fund-backed managers that go out and put bid on things.

But if you look at the constants there, there's; actually Jane at Berkshire[ph] have to weigh in. And Prim Watsor[ph] and Fairfax. And there's a slightly smaller scale. But nonetheless the competitor we respect is Catalina. Swiss Re tend to come and go with that appetite depending on the business. But they're obviously very formidable.

But the type of transaction that we undertook and completed with Allianz was one where what they were looking for was not just reinsurance security. I mean, how could we compete with Berkshire[ph] have to wait[ph], or with Swiss Re when it comes to the budget; or it comes down to be interest including[ph]? We can't possibly. It's a David and Goliath situation.

But if what they're looking for is a blend of security reinsurance for alignment purposes and significant management skills, I don't think I'm overstating it to say that we can; I don't know that we're punching above our weight. But we can more than match the likes of Berkshire[ph] and Swiss Re in our opinion and in the opinion of our counterparties. So it's not just; I mean, I think that would be the message I'd want to give you; it's not just reinsurance when people are looking at these transactions.

A - Unidentified Speaker

I think the second part of the question was is there are more opportunities there?

A - Paul O'Shea

I believe so. I believe there's more opportunity with Allianz. And also; and then Paul addressed this exact point in his talk, people looking at the way that deal was structured; large corporations with the way that deal was structured. And replicating it.

Q - Matt Swaim {BIO 15204207 <GO>}

Matt Swaim from Advisory Research. Can you just talk about the decision to get into direct underwriting? I mean, by your own admission you've been high batting average grade in run-off. Is direct underwriting lower return higher risk business going forward?

A - Dominic Silvester {BIO 15223116 <GO>}

I remember saying at this meeting last year that we'd made our business out of people expanding outside that core competence and then returning back to what they do best. And we made a business out of picking up what they've missed out. So the last thing we would want to do is to fall into that trap.

I think we've gained considerable knowledge and skill by looking; and I think there surely is a lot of parallels to this and other businesses that if you've worked in problem areas, then you get a good idea of how to do things properly. So that would be one point I'd make.

The second is that that the way that the acquisitions are able to complement our run-off business are substantial. Quite often when we're looking at a run-off target, the management of the target can be somewhat reluctant to see all of their business go directly into run-off. There's not always perfect alignment in insurance companies between management and shareholders. And management can be very resistant to what they could perceive to be the Grim Reaper coming in and just closing everything down.

What we have made an integral part of our business plan is looking; when we look at acquisitions, to I think the term that Nick used in his talk was to cherry-pick the business that we'd like to take. And we would then move that business out of the run-off target, or post-acquisition. And move the business into StarStone.

So it enables us to; or Atrium, for that matter; so it enables us to really just write the business that we really want to write. And that in parallel or in tandem, rather, makes us more competitive in our acquisition quest. That exact model has happened in SeaBright, the California public company that we took private. And it's also happened in Companion, where we ended up underwriting substantial books of business than into StarStone. So it really is very, very strategic not only as a specialty underwriting platform. But to really complement and help us expand our run-off business.

A - Bob Campbell {BIO 16947227 <GO>}

I think another part to the answer is that; as I think you alluded to, active underwriting is not a core competency at Endstar. So we partnered with Stone Point Capital in the acquisition of active underwriting, very sophisticated, knowledgeable people in that space. So it wasn't going into with our eyes closed.

A - Dominic Silvester {BIO 15223116 <GO>}

Actually, Bob, I'm glad you raised that because I did forget to make that point, absolutely. That was absolutely critical, it was our partnership, into any of our decision-making to get into the live business with a partner who not only has got a wonderful track record in live business. But as a result of that not surprisingly has got an enviable reputation in the market and with the regulators, which is all important.

And the work that we have undertaken, I mean, our focus on StarStone perhaps more than Atrium because as I mentioned in the few words I said, that when we acquired Atrium, it was a company that was running really, really well. So it was an unusual situation for us to buy a company that was in trouble. And Atrium certainly was not that.

With StarStone, the way we have; I think that we have been able to rehabilitate it so quickly has been because we've been working hand in hand with our friends from Stone Point and the considerable expertise that they've had over decades in live business.

A - Bob Campbell {BIO 16947227 <GO>}

Our business isn't that simple. Okay. Thank you all for coming. We'll be around for a few minutes after the meeting. Thank you.