Investor Day

Company Participants

- David Rocke, Executive Vice President
- Dominic Francis Michael Silvester, Chief Executive Officer & Director
- Mark William Reid Smith, Chief Financial Officer
- Orla Gregory, Chief Operating Officer
- Paul James O'Shea, President & Director
- Robert Johnson Campbell, Chairman

Other Participants

- Drew Wilson, Analyst
- Steven Roger Labbe, Analyst
- William W. Preston, Analyst

MANAGEMENT DISCUSSION SECTION

Robert Johnson Campbell {BIO 2325693 <GO>}

Good afternoon. I'm Bob Campbell, Chairman of Enstar, and on behalf of my fellow directors and the executive management team, welcome you to our 2017 Investor Meeting, believe it or not, it's our eighth one. Thank you to those attending in person today, and everyone listening to our webcast. During today's meeting, we will share with you the achievements made across the company over the past year, then we will offer our view of the ongoing market conditions and the opportunities for Enstar and conclude with a brief outline of our plans to build on our progress in 2017.

For those of you here in New York, we will be happy to address any questions at the end of the presentation. Before we start, there's some customary housekeeping to take care of. In our presentation today, we will be making some forward-looking statements including statements with respect to industry and market conditions, our business and expectations of future performance. These statements are subject to risk and uncertainties that could the actual results to materially differ from these 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 filings with the SEC.

Also, certain financial and underwriting measures including the combined ratios which we discussed when reviewing our Atrium and StarStone subsidiaries, our non-GAAP financial measures, calculation methodologies of which are described in the appendences, the presentation, which is also on our website. With those legal necessities out of the way, I would first like to welcome a new member to our board. Jie Liu joined as a Director in February of this year. He is a Managing Director of a leading investment management firm, Hillhouse Capital. Hillhouse is an important strategic partner of Enstar and a major shareholder as well. We are delighted to have him as part of our board.

Now to our speakers today. On the podium to my left is Dominic Silvester, Chief Executive Officer; next to him is Paul O'Shea, President of Enstar and Executive Chairman of StarStone, our largest active underwriting subsidiary. To Paul's left is Orla Gregory, you'll recall Orla first joined our panel last year as Chief Integration Officer, since then she has taken on the role of Chief Operating Officer. Orla knows Enstar inside and out, having joined the operation, management team in 2003 and then transferred into our M&A team after that. Lastly, we have Mark Smith, our Chief Financial Officer. Mark has served in that capacity since August 2015, having previously been a partner at Deloitte & Touche, Bermuda since 1988.

For our presentation today, Dominic will start with a summary of our 2016 performance, highlights of some important developments that happened during the year and so far in 2017. He will speak to market conditions and the outlook for Enstar as we see it. Paul will share the company's strategy, our recent acquisitions and business achievements this year. Orla will provide an operational overview, outlining the steps we have taken to build a scalable operating platform designed to support our future growth by realizing value from our businesses and seamlessly integrating new acquisitions.

Finally, Mark will cover the numbers, including the drivers of our income and capital management and regulatory requirement. As I mentioned, we look forward to addressing any questions from our live audience at the end of the formal presentation. Before I hand over to Dominic, I would like to share a few concluding thoughts. Delivering long-term value and shareholder return remains our board's top priority. We entered 2017 with momentum from record net earnings in 2016, our fifth consecutive year of earnings growth.

This is an achievement we are all proud of, and the executive teams will provide the details. It is evident that the business model Enstar's founders outlined more than 20 years ago is extremely resilient, designed to endure and succeed across multiple market cycles. Proper management of our investable assets now in excess of $400 per share is critical to our continued success.

Our board allocates significant time and resources to the oversight of Enstar's investment policies, strategies and results. In order for Enstar to continue to thrive, grow through acquisitions, it must remain a key driver of value creation and contributor to our earnings potential. Our differentiated claims management expertise, which is the backbone of our enterprise, not only delivers profitability for our legacy business, but also sets us apart.

In Canada, more diversified global underwriting businesses are strong and relevant as we remain firmly focused on profit rather than volume. Finally, our board has welcomed new members in recent years, which has brought fresh views and insights that diversity ensures we have a dynamic and engaged governance body that is focused on market activity and committed to safeguarding your investment. As always, we thank you for your continued support of Enstar.

I'll now hand it over to Dominic.

Dominic Francis Michael Silvester {BIO 15223116 <GO>}

Well, thank you, Bob and good afternoon, everybody, and a very special welcome to Rod Frazer who I look upon as the founding father of Enstar, I welcome him. I believe the main purpose of this gathering is to talk about the 2016 results, also where we stand today, almost six months later and to discuss what the future might hold.

To start with the 2016 results. Our performance is described on this first slide as solid. Solid clearly does not mean knockout, which is what we are all striving for. I hope by the end of this presentation, you'll share my view that we're well-positioned going forward. Bob mentioned a new addition to our board, there have also been some significant changes behind the scenes, where many of the key functions have been and continue to be upgraded. And I refer to Actuarial, finance, M&A, IT and also the investment area. We've made some key external hires, but what's been particularly pleasing is that many true leaders have emerged from within our ranks and have really stepped up to the plate.

We've enjoyed considerable growth since the company was formed, but that in and of itself of course does not guarantee future growth. The upgrades in the areas I've just mentioned and our constant striving to improve will provide us with the opportunity to grow without compromising on quality. We operate an industry, which is affected by what is generally referred to as cycles, both the insurance cycle and the investment cycle. Throughout many areas of our business that we can control and of course some that we cannot.

Tough and enduring business model, we need to write the cycles and make appropriate returns, no matter what the market condition is. The reality is that the insurance in the investment cycles, that we've been operating in for some years now have been as challenging as ever. That we can turn out in this environment, what I've described as solid results, is I believe a testament to our business model.

It's true that the insurance cycle is not as much an influence on our non-life run-off, as it is for our underwriting business. However, the assets associated with the non-life business have been caught up in the low interest rate environment for many years now.

When we get to the analysis of our balance sheet shortly, you'll see that our financial asset leverage has been greater than three times our equity for the past five years. This means that movement in interest rates especially given the short duration – the short average duration of our portfolio will significantly affect our investment return. In 2016, we posted net earnings of $264.8 million, which is up more than 20% from 2015. And our highest ever earnings representing $13.62 per share. We have positive contributions from all of our business segments, the first quarter 2017 earnings were $54.7 million, up 20% from the first quarter 2016. The main business segments we have are the Non-Life Run-Off, the active underwriting, the live (10:08) run-off and of course our investments. The Non-Life Run-Off has been our core business from when we started. We continue to acquire quality portfolios and build up our balance sheet with insurance and investment assets and insurance liabilities.

What differentiates our core business from the way insurance is normally looked at is that we seek to profit from every line of our balance sheet as it relates to Non-Life Run-Off. Our Non-Life Run-Off business remains our most significant driver of earnings, providing us with $206.7 million in 2016, which is up 19% from the prior year.

We have first class claims managers and our differentiated approach to managing our business is what is really driving the profitability and success. We continue to invest in our claims platform and build up expertise across product lines and jurisdictions. I'm sometimes asked what we do at Enstar that allows us to make a success of managing these run-offs. Please consider that claims management is our front office, we've never deviated from our process, which has been proactive to reduce the considerable expense load during claims handling. The use of our expertise to determine appropriate and fair settlement claims and to settle claims expeditiously, with the associated release of capital.

This is, broadly speaking, the Enstar approach, and continues to make our business a leader in the industry and drives financial returns. In the past, the insurance market has associated run-off with finding excuses not to pay claims. This is not part of our culture, being disciplined, informed and professional is what makes all the difference.

Other business segments continued their positive contributions. Atrium and StarStone posted combined ratios of 94% and 98.6% respectively despite the continued difficult market conditions. StarStone has improved its profitability significantly, doubling its contribution to Enstar's profitability to $25.2 million in 2016.

Paul O'Shea took over the Executive Chairman of StarStone in late 2016 and at the same time Demian Smith assumed the role of Chief Executive Officer. Paul will talk to you shortly about the tremendous progress that we continue to make at StarStone.

Our Life segment contributed profits of $26.5 million. We've also entered into an agreement to sell our U.S. life and annuities business. The decision to sell this asset is based on our view of the closed-life space at this moment in time and our assessment of the present value of future cash flows. This business has been profitable to us and we can now achieve an attractive exit price. We continue to be interested in the closed-life space at the right price.

Our core metric of success has never changed, an increase in book value per share, in other words, the long-term value creation. As this slide shows, at the close of 2016, our book value per share was a $143.68, which was up 10.8% from 2015. We don't get consumed by the calendar year impact of each decision, but look for the long term. The 2016 return on equity was 10.5% which increased from 9.6% in 2015.

It's always been difficult to compare ourselves directly to a peer group. The group of insurance entities that we're most commonly associated with had a return on equity of

8.1% in 2016. Our three-year return on equity was 10.8% compared to the peer group median of 9%. To achieve long-term success will be down to our ability to stay true to the fundamentals of our business model, whilst pushing ourselves to innovate. We know that we have to continue to evolve and to find new ways to apply these fundamentals to new opportunities and challenges.

To continue to grow and create value, we rely significantly on our financial strength. This slide provides a snapshot of our balance sheet as of March 31, 2017. Our total assets of $14.9 billion, up 15% from the prior period. You'll see that our asset leverage is 5.2 (15:01), cash and investments of $8.6 billion. Again, our asset leverage is approximately three times equity. Our gross insurance reserves is $7.9 billion and our net assets of $2.9 billion. Mark will talk later about the recent developments in our financing capabilities, including the Senior Note issuance in March of this year and the expansion of our revolver.

With our debt-to-capital ratio of 20%, we consider that we're in a good place. We're in a strong financial position to continue to deliver new business opportunities, and we're grateful for seeing many interesting transactions at the current time.

Since the last meeting, we've completed several exciting new transactions. We talked a lot at the 2016 meeting about the Allianz transaction, in which we assumed $1.1 billion of gross loss reserves and we provide consulting services on the balance of the $2.2 billion portfolio.

This transaction with a world-class partner was an important stepping stone in marketing our capabilities. So far in 2017, we've completed two large reinsurance transactions, on which there will be more shortly. The first with QBE, involved $1 billion in gross loss reserves for (16:26) portfolio of workers' compensation, construction defects, and general liability business. RSA is our first UK employer's liability portfolio, and we assume gross losses of approximately £1 billion.

Another transaction in 2016 worth noting was the business we acquired from Dana Corporation, which was liabilities and insurance assets associated with the legacy automotive parts business. Although it was not a traditional insurance transaction, as the company acquired was not an insurance entity in form. But it was a great opportunity for us to apply the same skills we used in managing our insurance and reinsurance businesses to the run-off of a non-insurance entity.

In 2016, we launched KaylaRe with our partners Hillhouse Capital and Stone Point Capital. KaylaRe is a Class 4 Bermuda reinsurance company with start-up capital of $620 million. Enstar made a contribution to this of $300 million, which represents 48.4% of the equity. The KaylaRe management team is led by Nick Packer, as CEO, following his transition from Enstar.

KaylaRe will provide Enstar with a strategic and strongly aligned open market reinsurance partner. In addition to sponsoring the formation of KaylaRe, Enstar was appointed as the managing agent and service company. Due to the service agreement and the close-knit team, KaylaRe enjoys a low direct expense ratio. KaylaRe's quota share reinsurance with StarStone means that StarStone needs less capital.

KaylaRe was (18:11) a less restrictive asset management strategy to many of the traditional reinsurers, which we believe will significantly enhance returns. Whilst this is still very early days for Kayla, we're certainly pleased with its progress so far. We're fortunate to have supportive and involved high-class shareholders. Goldman Sachs, which invested in 2011, sold its 17% stake during 2016, and we're pleased that CPPIB and Hillhouse assumed a significant portion of these shares.

We view our strategic investors as true partners in our business. And we benefit from exchanging views and ideas and leveraging their expertise and networks. And of course, we appreciate the support of our other large shareholders, the Stone Point; Akre Capital; Beck, Mack & Oliver; and many other fine institutions.

Our industry and our business continues to face challenges. The pricing pressure and low interest rates I mentioned earlier, stringent capital requirements, political uncertainty and the other increasing regulation. We're constantly addressing these challenges. Being innovative is so important whether it is finding new sources of transactions, coming up with new ways to provide legacy solutions, expanding our network of partners, or evaluating the best use for us to utilize capital.

We're constantly asking ourselves what we need to do to continue to succeed in the years ahead. We're very focused on disciplined underwriting and maintaining the quality of our work as we grow. We must continue to apply unwavering discipline when evaluating new opportunities both in the run-off and the active underwriting businesses.

As discussed at the start of my talk, we've taken significant steps to improve our operating platform to position ourselves for future growth. I'll finish by now by saying we're focused on ensuring that we have the scalability and the agility to face new and bigger challenges.

With that, I'll pass over to Paul.

Paul James O'Shea

Thank you, Dominic. I'd like to add my welcome to all of you and point out that we have had another very successful year in building out the long-term value of Enstar. As Dominic has said we could not do this without the continued support and belief of a lot of people here today, especially our shareholders. We do have a proven record of acquiring liabilities over decades. As you can see from the chart, we have now acquired in excess of $24 billion of insurance assets and $19 billion of loss reserves.

The $19 billion of loss reserves is an interesting comparison. We made the comparison to our March 31 financial statements. You can see we have close to $8 billion of growth reserves left on our balance sheet. So, the simple maths on that is that we have successfully run off or sold $11 billion of loss reserves. We've had significant acquisition activity since the beginning of 2016, with total assets of $4.2 billion and total gross reserves of $4 million added to the balance sheet. We've already acquired in excess of $2.3 billion in 2017.

The total number of acquisitions completed to date is 78. As Dominic has mentioned last year, we spoke about the completion of the large Allianz transaction and the great endorsement that represented for Enstar. In the year that has passed since then, we completed significant transactions with two other large industry leaders being RSA and QBE. This represents what we believe is a trend in the run-off arena. Market leaders are seeing the advantages in transferring some of their legacy reserves off their balance sheets. This represents a huge market for proven, reliable, well capitalized and highly regarded run-off professionals such as Enstar.

A little bit more detail on our recent transactions. The QBE transaction involved the acquisition of gross reserves of approximately $1 billion. The portfolio is mainly made up of workers' comp, construction defect, and general liability, all areas of the market where Enstar's operations team have been successful time and time again. It is early days, but we are pleased with the progress to date and we have a good working relationship with QBE.

The RSA transaction was a significant transaction for our European run-off operations. Recently, we are seeing an increase in European opportunities. We acquired approximately £1 billion or just over $1.2 billion. The portfolio is mainly 2005 and prior UK employer's liability, which is dominated by UK asbestos reserves.

We looked at many portfolios of UK employer liability, but it turned all of them down, as we could not get comfortable with their reserves, basically pricing discipline ruled all of them out. However, the RSA portfolio was well reserved. They had an intelligent and cooperative management team, which had tremendous information available, so we could really get our hands around this portfolio and how it worked. The recent change of the UK's Ogden discount rate increased exposure to the market as a whole, and therefore, create additional potential opportunities for Enstar. We believe we are well placed to manage the impact of Ogden on the RSA portfolio.

The Dana transaction is a very interesting transaction and gets a lot of attention from some of our industry observers. This is a company that was involved in the manufacture and distribution of products that contained asbestos, so they have a lot of liabilities remaining in historic companies, which we bought. This was looked at very, very carefully indeed by Cranmore and by our U.S. asbestos team or U.S. operations team led by Paul Brockman.

These transactions, there is a huge amount of these liabilities out there in the marketplace, but the actual transactions that could be completed are few and far between due to the heavy litigation nature of the actual business. So, this took a lot of work by the Enstar operations team to establish that this was a deal that we could actually do. The operations team have the capability that work on this from the insurance companies that we've acquired, and we've looked at a number of these opportunities in the past, but this really is the first one which held together as a risk-adjusted commercially attractive transaction and it fits really well into our U.S. operations. And those that want to ask some more technical questions can get Paul and Steve who are sitting here on the front table.

But we continue to look at the transactions as they are presented to us, and it is an exciting arena as much for the volume, but it's difficult to get it right. So the competition and the outlook for the future, we are, as always, very busy working on future legacy acquisitions with a (26:36) healthy pipeline of opportunities to consider. We have many billions of dollars of potential run-off reserves in the hopper, if you like, at the moment. The continuing challenging premium rates on investment yields are motivating larger insurers to look for legacy solutions to optimize the efficient use of their capital.

Geopolitical changes such as Brexit, Solvency II compliance, increased regulation and capital requirements worldwide all cause insurers to strategically evaluate their business and to look to focus more on their core ongoing operations and revenue drivers, all of which will lead to more run-off opportunities. The competition in the run-off space remains steady. We maintain our pricing discipline, and as in the past, we do not chase an opportunity below our acceptable price range.

Our continued, I guess, reluctance to enter into the UK employer's liability is a testament to our pricing discipline. Identifiable economics remain the strongest driving force in pricing decisions. However, strategic issues for ourselves and for our competition (27:52). However, Enstar has the advantage of having experience and proven success in most arenas in which we operate, including capabilities across various group of business lines. This has many benefits, in that we know, we have a good successful team to take on the business.

We know and understand the underlying business. We are known to the regulators and have a history of operating successfully in their jurisdictions. As a minor side, we had a pleasant surprise today, in that we do operate in many jurisdictions and we concentrate on talking about the U.S. and the UK. We've had incredibly successful operations down in Australia for – since 2008.

And the pleasant surprise is that Sandra O'Sullivan, the CEO of our Australian operations has joined us here today, and just would like to say thank you to her and her team for the continued success. We believe our global capabilities and financial strength continue to set us apart. Each completed transaction is a further endorsement of our reputation for potential future business partners.

On to active underwriting. I took on the role of Executive Chairman of StarStone at the beginning of this year. The current executive team have done an excellent job in turning StarStone around over the last three years. I did get some excellent training as I have been the Non-Executive Chairman of Atrium for the last three years. So, I have first-hand experience one of the most successful agencies in Lloyds, run by Richard Harries, Toby Drysdale, and James Lee, as well as an outstanding group of underwriters and support teams. StarStone are led by Demian Smith as CEO; David Message, as CUO; and Norman

Brown, as CEO of StarStone U.S. They have a great team of underwriters in the U.S., the UK, and Europe, plus the best support that the Enstar global team can provide.

StarStone is primarily a specialty insurance company with its business written 60% in the U.S. and 40% written in the rest of the world. StarStone and Atrium's gross written premiums were $1.4 billion in 2016, of which $1 billion was on behalf of Enstar, as this includes only 25% of the Atrium Syndicates' total gross written premiums. 75% of the Syndicates' capacity is provided by Lloyd's name, Lloyd's names on which we get a healthy profit commission, and it is a profit commission as the Atrium team have managed to achieve underwriting profits for the last 20 years.

Ongoing insurance business continues to face the challenges of low basic premium rates and low investment yields. It is obviously a difficult market and the challenge for our businesses is managing through the cycle. We are not volume-driven underwriters. We operate in class of business where our expertise offers us competitive advantage. Simply put, where market conditions are poor, we will sacrifice premium rather than misprice that business.

In StarStone, we've also focused on reducing our operating expenses by creating efficiencies across the business. And at the same time, StarStone and Atrium have both been able to attract talented underwriting teams in recent periods which have had a meaningful impact on the business, but also is a recognition within the entire insurance industry that Enstar is in the live business and is a player in that live business, attracting these underwriting teams or getting skilful people in the current overcapitalization of the market is a challenge. So, when we have experienced and good underwriting teams that's actually come knocking on our door that's flattering.

Overall, StarStone and Atrium are both successful, profitable businesses with strong teams. The ongoing teams are learning from the legacy teams and vice versa and we are producing a stronger, more profitable group as a whole. However, our main net producer and core business continues to be our legacy business.

One of the most asked question of Enstar and the Enstar team is, why have we been so successful? The success of Enstar is a product of the entire company working together in harmony. This includes all elements of the company. Enstar legacy which includes our technical operations and claims teams and technical acquisition and due diligence teams led by Jonathan Zisaruk, all of whom depend on each other for success.

It also includes Cranmore, our insurance inspection and operational advice unit, led by Steve Norrington, who is here to answer all technical questions; and Paladin, our managed care, medical expense business led by Jeff Miller. These are two world-class organizations that are huge assets to Enstar, not only in our claims management, but also in our acquisitions.

In addition to contributing to our profitability, our ongoing businesses made up of Atrium and StarStone also helping our review of acquisitions and provide us with additional flexibility on how we can structure deals.

As an executive management team, we also rely on the expertise and support of our board. A lot of the time, people talk about the success of the acquisition team within Enstar. But, everybody in the Enstar Group contribute to the success of acquisitions. Also, as Dominic has said, we have been successful because we are not afraid to take on complex challenges and as (34:09) necessary.

People may not naturally think of the legacy space as the most innovative, but we are constantly looking at the way we do things, and thinking about the dynamics of the market, and looking for new opportunities and places where we can add value or create a competitive advantage.

And this is the part I like, because I actually finally get to stop talking. I'd like to pass over to Orla, our Chief Operating Officer. Orla and our team are in the process of designing and implementing far reaching comprehensive and necessary changes to Enstar that will play a large role in our continued success going forward in this dynamic and changing industry in which we work.

Orla Gregory {BIO 19118877 <GO>}

Thanks, Paul. And good afternoon, everyone. Last year, I told you about my role of Chief Integration Officer, focusing on the integration of new business and a change implementation across our ever-expanding group, to modernize where necessary and ensure we are scalable to the future. Since then, my role has expanded to that of Group Chief Operating Officer. So, In addition to overseeing the implementation of change in our group, I'm also involved in the directing of our day-to-day operations and working with the rest of the executive team on strategic and innovative initiatives.

Dominic mentioned earlier, how we are addressing challenges and continuing to grow our business. As a management team, we have been focused on the evolution of our corporate strategy, which is to build global capacity and providing market leading insurance solutions, to create long-term value for our shareholders, and to be regarded as an employer of choice.

We spent a lot of time focusing on the alignment of all of our function and business unit strategies, to ensure the business is well positioned to continue to deliver on our group strategy. Initiatives such as this to align strategy throughout the business were not a key focus for Enstar five years ago, we were smaller. But we are now at a significant time in our developments where we need to implement such tools to effectively manage our ever-growing business and to ensure we are able to motivate and inspire our people.

Words we hear a lot in the industry; agile, relevant and innovative, we focus on all of these. Emerging technology is changing the insurance industry and how we operate. We innovate in all we do and increasingly, we are accessing technological advances such as robotics and big data analytics in our operations and staying current of innovative developments.

While successfully integrating new business and effectively managing our operations, we have continued reviewing our operational infrastructure to identify and implement areas of improvement and cost efficiencies. There have been a lot of changes with some significant ones worth mentioning. We made the decision to restructure our investment management function for better proximity to investment managers and expertise and access to world-class talent. This has involved on-shoring the management team under the leadership of our new Chief Investment Officer, Nazar Alobaidat.

Together with Nazar, we determined and implemented a new target operating model; moving our previously internally traded asset portfolio to external managers, and reducing the number of external managers through consolidation. Given our acquisitive nature, we had built up quite a portfolio of mangers. The consolidation leads to operational savings both in terms of fee costs and the efficiency and effectiveness of the (38:12) managers. The East Coast based team have identified a number of additional operational efficiencies. So, this together with our strong skill set leaves us well placed to continue to see improvements in our investment performance.

Following a review of our global actuarial functions, we determined the need to appoint a Group Chief Actuary. Dave Foley joined us from Deloitte in May 2016. Since then, Dave has worked with us to implement the agreed target operating models for actuarial. This has involved developing our internal reserving capability, which was previously largely outsourced. For a company of our size, it is more appropriate to grow the scale in-house. The restructure of our function provides a cost effective framework with initiatives rolled out to improve internal client service from the actuarial team.

We undertook a significant process modernization project last year which is now in delivery stage. We have acquired 78 portfolios of business over the years. It was time for a major investment in our business process designs and technology platforms. This is one of the largest internal projects we've taken on and one that touches so many areas of the business: finance, claims, underwriting, actuarial and more. It has taken significant effort and dedication from many across the group. The project has started to deliver which is great motivation to keep us focused on continuing to completion.

Once we have achieved what we set out to do, we will be solidly placed to transition new business more quickly and more cost effectively and adds to our already impressive claims handling capabilities. We often say at Enstar that we are in the business of change. Given our global footprint and the number of transactions we complete, implementing change can be a challenge.

During 2016, we setup a governance structure to specifically address change management throughout the group. We have continued to improve our internal communications and identified ways to ensure there was strong collaboration across the group. And we have centralized a lot of our functions that were previously run out of individual jurisdictions or business units.

There are many other areas that have developed further since last year. One such area is succession planning, with a formal (40:46) framework now in place. We have been able to demonstrate our ability for our people to step up. With Nick Packer's departure to KaylaRe towards the end of 2016, in addition to my own changed role, David Atkins, Enstar EU CEO, and Paul Brockman, Enstar U.S. CEO, were well prepared to step in to the leadership roles for our technical operations.

Similarly, our CFO, Mark Smith, has been mentoring our Deputy CFO, Guy Bowker for succession, with his expected appointment to Group CFO in January 2018. David, Paul and Guy, were also recently appointed as executive officers of the group. We continue to focus on talent management and retention as well as attracting future talents to the business. We feel confident in the depth and strength of our impressive global operations.

What makes our technical operations so effective? We have just talked through the many changes and improvements being pursued. Within the interim, we are a still highly effective operation achieving excellent results for the group.

Our approach is focused on disciplined and professional claims management. We concentrate on the efficient oversight and payment of claims. In 2016, we paid $912 million in claims, which also contributes to our ability to redeploy capital. We have highly scaled claims teams and for a number of our books of business, we have third-party agents or TPAs in place to manage claims.

We have an intensive oversight framework in these circumstances to ensure we are getting the best results. As we continue with our success in building our liability book across many lines of business, we also stay focused on continually developing our expertise and our scalability to effectively manage and run-off the business. Cranmore, our claims specialist, inspection firm plays a key role in the oversight of TPAs, and the inspection of own approaches to ensure we are getting it right.

Cranmore also provides inspection services outside of Enstar, which keeps them in touch with current developments in the marketplace. Paladin, our managed care company provides a differentiated approach to workers' compensation management, and has been expanded as our portfolio of workers' comp business continues to grow with additional operations set up in Columbia, South Carolina, in addition to the headquarters in Orange County. Paladin now services around $2.4 billion of our worker's comp reserve.

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

Mark William Reid Smith {BIO 3092996 <GO>}

Thanks, Orla and good afternoon everyone. I'll now take you through some of the financial highlights. Looking at key drivers of our net income investments, loss reserves, financial resources, and capital management and regulatory requirements. As Dominic has mentioned, Enstar reported its highest ever net income of $265 million for 2016, 20% higher than the previous year.

The slide is in the P&L, but rather looks at the key drivers of our earnings of 2015 and 2016. Underwriting income from run-off on this slide includes reserve releases from the successful operations of our Non-Life Run-Off and Life and annuity segments, as well as net premiums earned on these segments and other income. This is down slightly from 2015. With a lot of the newer acquisitions just coming on board recently, it will take time before we can generate meaningful reserve savings.

Underwriting income from our active underwriting businesses StarStone and Atrium is also a key contributor, although it did decrease in 2016 given market conditions and our tempered approach.

G&A expenses were up year-over-year, largely as a result of share-based compensation expense attributable to the material increase in our stock price in late 2016. Investment income has increased significantly, which is mostly driven by the acquisition of assets through M&A activity and also through positive performance of our risk assets, specifically those linked to high yield and equities.

As I mentioned earlier, the income we earn on investments is one of the key drivers of our results. Our investment objective is to seek superior risk adjusted returns while maintaining liquidity, capital preservation and prudent diversification of assets.

We take various risk factors into consideration in evaluating relative value, including the impact of capital charges on our regulated insurance companies. Our strategic asset allocation calls for a significant allocation to high quality, fixed maturity assets to offset liabilities with a portion allocated to risk assets, where the intention is to provide a diversification benefit to our core portfolio, as well as incremental returns.

Within core fixed income, a majority of our position consists of investment grade corporate bonds and government securities. The relative allocation between fixed maturity and risk assets has decreased over the last two years, with a moderate decline attributed to the acquisition of invested assets with a more conservative risk profile.

Our weighted average credit quality has remained a plus. You will also note the increases in book yield and total portfolio return in 2016 compared to 2015, which is in part driven by the acquisition of longer duration and therefore high yielding assets, positive performance from our risk assets as well as continued credit spread compression. The Q1 numbers on the left of the slide reflect investments acquired as a result of the QBE and RSA transactions.

The composition of our asset portfolio, which is 17% of the portfolio at year-end 2016 is reflected on the slide and consists predominantly the low investment grade fixed income being bank loans and short duration high yield bonds, private equity, public equity, CLO equity, hedge funds, and life settlements.

Our strategy and portfolio allocation to risk assets did not materially change between 2015 and 2016 and we continue to believe that the assets in this category can provide significant diversification benefits and attractive risk-adjusted returns.

We regularly review our risk asset portfolio and managers, and may rebalance the portfolio based on our assessment of relative value, current market conditions, and changes in the regulatory environment.

Our results were materially impacted by the successful run-off and ongoing management of our liabilities. You will see significant growth in our overall losses and loss adjustment expense liabilities on the balance sheet, which increased by around 36% from the beginning of 2016 to the end of Q1 this year.

The significant growth is driven by the loss reserve acquisitions including the Allianz, QBE and RSA loss portfolio transfers and the acquisition of Dana. Of course, partially offsetting the pure (49:12) increase to loss reserves from acquisitions is the successful reduction in liabilities in existing portfolios due to settlement and release of profits over the same time period.

Our philosophy with regard to reserving has remained consistent, and developing the reserve range our actuaries utilize Generally Accepted Actuarial Principles. Our reserving would not incorporate or assume the operational team's successful execution of the claims management strategies that we of course hope will create future savings below carried reserves.

Only after our operations team have generated savings by claims management execution, would we recommend releasing reserves. As demonstrated by our successful runoff of business to-date, we have consistently exercised robust reserving practices. We use debt to acquire runoff insurers or to capitalize loss portfolio transactions and use distributions from our runoff insurers $517 million in 2016 to retire that debt.

During Q1 2017, we successfully raised $350 million from the public debt markets. The debt issue was oversubscribed by almost four times and we used the proceeds to pay down our revolving credit facility. I welcome those of you who are our investors in our debt and thank you for your support. We also took advantage of an accordion feature in our revolving credit facility and increased that facility by $166 million.

So at the end of Q1, we had $586 million in available unutilized debt facilities. Our debt to total capital ratio at the end of Q1 was 20.3%.

Since 2014, we have maintained investment grade ratings from S&P and Fitch, and we believe ratings are a critical part of our business and something we seek to maintain or improve over time.

Our capital requirements are driven by regulators, Lloyds and rating agencies. Distributions from regulated subsidiaries in the U.S., UK and many other jurisdictions we operate in require regulatory approvals. Acquisitions and loss portfolio transactions generally require regulatory approvals and the regulators' view of the adequacy of our capital positions is a key part of those approvals.

As Paul has mentioned, we see solid relationships with regulators, it's key to our business and one of our strengths. Rating agencies have described our capital as being redundant at the AAA level. We have $1.1 billion in capital above statutory minimum requirements.

Some of this additional amount will be distributed in 2017 by our subsidiaries. We seek to optimize regulatory capital and total subsidiary distributions during 2016 were driven by amalgamations and progress of running off business. Additional amounts were released by increased efficiencies in our capital structure at Lloyds.

With that, I'll turn it back to Dominic and Bob.

Dominic Francis Michael Silvester {BIO 15223116 <GO>}

Thanks, Mark. A few weeks ago, we announced that Mark will be stepping down from his role as CFO at the end of 2017. Mark joined us in 2015 and is being key to strengthening our finance function. He has made a significant contribution and has been a truly valued member of our executive group.

One of Mark's tasks has been to develop a successor, which has been identified as Guy Bowker, who'll be joining us - or will be assuming the role of CFO from January 1, 2018. So I shouldn't say joining us, Guy has been with us a number of years, but he'll be stepping up to the role of CFO from January. Guy, if you wouldn't mind standing up, so those of us who don't know you can see.

From 2018, Mark will continue to work with us as a Senior Consultant, and I know that we'll continue to tremendously benefit from his expertise. So on behalf of myself, Mark, and the board, and all of the senior management team I'd like to really thank you for all that you've done, and look forward to working with you for many years to come as well.

Also, I would like to thank David Rocke, who is with us. David will be leaving us in a couple (54:17) months and he's provided us with wonderful service for almost two decades. So thank you, David.

David Rocke {BIO 20136556 <GO>}

You're welcome.

Dominic Francis Michael Silvester {BIO 15223116 <GO>}

Also, I should mention - referred to this earlier that Nick Packer, an original member of our founder group has formally left Enstar, but has joined KaylaRe as CEO of that company, and we still have interaction with Nick on a - well, I wouldn't say daily basis, but certainly on a weekly basis. So in many ways, it really doesn't feel like he has left.

At the beginning of this talk, I said this - I'd hope (55:02) that between myself and Orla and Mark and Paul, that we would convince you that we're well placed for the future and I hope we've been successful in doing just that.

Robert Johnson Campbell {BIO 2325693 <GO>}

Thank you for your attention. We'd now like to turn to questions. I think we have some microphones in the room, so raise your hand, we'll bring you a mic and state your name and affiliation please. And first question. I say this every year, I know, we're really good, but (55:42). There's a question here.

Q&A

Q - Steven Roger Labbe {BIO 16477094 <GO>}

Steve Labbe with Prospector Partners. I forget the number you gave but of the 70, or 80 transactions that you've closed in the run-off business over the years that you've been in business, I'm sure there had to be one, two, some that didn't go exactly the way that you had hoped financially. And I'm wondering what went wrong on that transaction without being specific as to what it was? Was it something on the claims side, was it the investment portfolio attached to it, curious?

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Paul, do you want to address our batting average?

A - Paul James O'Shea

We have been very lucky to-date and that we haven't managed to get any (56:36), as it were, there's always areas where regulation can change. The recent Ogden Rate change in the UK was a cause of concern for us as well as the entirety of the UK insurance market, but we had an indication that there was going to be some changes coming in the legislation, but nobody figured it was going to be quite that much.

But again those type of changes tend to be short term and there's already talk in the UK that they're going to roll back the adjustment to a more realistic level. So it tends to be unexpected claims, but the overall – when we get a large portfolio business, there's going to be ups and downs in that portfolio.

So to-date, in any of the major acquisitions, we have been lucky, been good, maybe it's more important to be lucky than to be good, I don't know, but the upsides have kind of outweighed the downsides. But if you don't, (57:48) in an acquisition process, you have sometimes a couple of weeks to evaluate a company that's been writing insurance business for 20, 30, 70 years. We're very good at it, but nobody's perfect.

A - Dominic Francis Michael Silvester {BIO 15223116 <GO>}

I'd also like to add that, for the most part, we've got the ability to do the diligence in-house and that, I think, gives us a major competitive advantage and significantly lowers the risk than outsourcing (58:23).

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Next question.

Q - William W. Preston {BIO 19681362 <GO>}

Thank you. Will Preston from Fenimore Asset Management. Just one question here. I was just – you guys have kind of shared your thoughts, and I know you've mentioned about the strategic importance of some of the recent investments you've made outside of run-off. But why are those new areas active, and particularly KaylaRe, better investment today than returning capital to shareholders?

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Dominic or Paul?

A - Paul James O'Shea

Well, returning capital to shareholders is not really something that's kind of baked into our DNA. We're into organic growth, we've built the company to the level of success that it has got to by organic growth.

The going for the KaylaRe was a strategic opportunity to expand into an area that we see is at a low-end in the business. So getting in when – certainly our view would be getting into a business when it's heading towards the bottom of the curve, and (59:44) there's only one way to go is good. The opportunity to get into a strategic relationship with Hillhouse, whom we have a huge amount of respect for, and a lot of our larger investors within Enstar have similar viewpoints on Hillhouse. They're a low profile, but hugely successful organization.

So, there was numerous reasons for going with the KaylaRe transaction and it is certainly our viewpoint on the total return reinsurer with the combination that we have with Enstar, Hillhouse and Stone Point on the same team, that that's going to be a very successful investment and will produce returns that will be equivalent to any of our better run-off acquisitions over time.

A - Robert Johnson Campbell {BIO 2325693 <GO>}

I think Paul also mentioned that we have a very large pipeline of opportunities. And so, if anything, we would be capital constrained as opposed to having excess capital to return to shareholders.

A - Dominic Francis Michael Silvester {BIO 15223116 <GO>}

Yeah, I'd also add as well, I guess the word strategic means different things to different people. When we look at a strategic acquisition, we would want the strategic development such as Kayla. I guess, last year or probably two years ago, we talked about StarStone being strategic and Atrium as well.

I think what we would look at and expect is each of these so-called strategic investments just completely stand on their own feet from a return perspective, but to deliver what I would call significant intangible benefits that would just enable us to grow our business. If you look at StarStone for example, that company has enabled us and has facilitated and put us in a better position to do a number of run-off deals, Companion and SeaBright being two. I'm not saying we wouldn't have gotten them without StarStone, but they were – StarStone formed an integral part of both of those transactions.

When you're looking – refer to Kayla as strategic, we don't currently have an open market reinsurance company that we're – I mean there's plenty of them out there, but we don't have one within the group. And I think that what we're re looking for from Kayla are excellent standalone returns. But then, it offers something very, very significant that albeit at the moment in an intangible way, but our mandate is to make it somewhat more tangible.

A - Paul James O'Shea

And also one with the (01:02:39) longer term. This is the – we're building and will continue to build an insurance entity and that is where we take the long-term view, so (01:02:52) return on capital tends to be a short-term solution.

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Next question.

Hi, afternoon, (01:03:06), Lloyds Bank. Your success is breeding new entrants into the market on the non-life run-off side trying to emulate you. What's factoring to auction processes we should (01:03:16) get involved with in prices on assets, et cetera?

I guess, Paul, that's you again.

A - Paul James O'Shea

The competition in our view is always healthy. We have seen a number of competitors over the last 20 years come and go in this space. So, it is not – we did have some I guess price downturn a few years ago with the increased interest of private equity in the space, but that has come (01:03:57) down.

There really hasn't been a huge amount of new entrants. We have the Arch vehicle firm here (01:04:06) has been out there now for a while, but certainly to the best of our knowledge, they haven't completed any transactions as yet. So it's difficult for the people coming into the space with the increased regulation and the need for teams such as we were talking about run by David Atkins in the UK and Paul Brockman here in the U.S.

It's not only a completion risk now that the larger companies are looking at when you're dealing with the likes of RSA and QBE and Allianz. They're looking at the actual completion of the run-off, that nothing goes wrong over the next 20 years.

So when they look for business partners going forward, they see a company such as Enstar, which has been out there for 20-plus years, has had continued success, and has the operations team, the people, private equity or, for that matter, some of the bigger companies themselves such as Arch (01:05:14) can come forward and say, we're now in the run-off business, but they're not really.

I mean to be in the run-off business, you have to have the management teams and the operations team that can actually successfully manage a big and complex run-off. And there's not many companies out there that can do that. And the pricing is - it can be a little bit variable, but in general, we have walked away from a number of transactions because of price, but we haven't been left in a situation with (01:05:52) and we have - as Bob has mentioned, we have a very large pipeline.

We have ongoing now more and more strategic relationships with very large companies. So it's not a huge concern to us. If somebody prices and it has happened, somebody prices a deal and it's a ridiculous price and they go and do that deal, well, they - one way that usually means that in the next or two or three processes down the road, they actually won't be competing because they'll be struggling to deal with what they've taken on board or as we have seen in several cases over time, it results in them actually withdrawing from the space. So it balances out, it's a long-term deal.

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Next question.

Q - Drew Wilson {BIO 18659907 <GO>}

Drew Wilson, Fenimore Asset Management. Thank you for the presentation today. How do you think the returns over the next decade in the core book will compare to returns of the last decade? And maybe you could just drill down on why.

A - Dominic Francis Michael Silvester {BIO 15223116 <GO>}

Well, the first thing that springs to mind is probably not what you would expect me to focus on will be the investment return. I said earlier, talked about our investment leverage and with fairly uncertain times as to - with regard to the future of interest rates and when you look at our investment leverage potentially getting to - I mean as said (01:07:33) earlier, it's probably 3 for the (01:07:35) past five years. If that was to get to five, six (01:07:41), then it doesn't take very much change in the interest rate to make a very significant change to our bottom line.

I think your question is probably more focused on the non-life run-off (01:07:56) and where that's - I believe that this seems to be more of a - you just look back at the deals that had been done in the last couple of years, we've done $2 billion deals already, actually they were done in the first two months of this year. There was the Allianz transaction, we did last year was $1 billion plus, that was a very headline deal, that unfortunately we weren't involved in, between AIG and Berkshire Hathaway, that was like a 20 - that was 80% of $25 billion, so a $20 billion LVT (01:08:33).

I think there is a lot of very large transactions that have been looked at by companies whether as to release capital or – there's a whole multitude of reasons why people enter into these transactions.

And I think that due to the size of our company, we're in a better position now to be looking at those. As Paul said a few minutes ago, there's not actually that many companies out there that have got the ability to do these deals. I mean there's multi – there's so many companies in the insurance industry, but especially in our field. I mean I think you're really struggling to fill one hand with them. So, I think the pricing will be down, I think transactions will be bigger.

A - Paul James O'Shea

Well, the business and the underlying business changes as I said we have – I mean we went to a space with the UK liability, at UK asbestos, where the pricing just wasn't attractive and that goes through a number of companies are in that, were in that space and they took on a lot of business and so forth and now there's still more of that business coming to the marketplace. But the appetite of the groups that wanted to take on a business and a price that wasn't acceptable to us, that appetite has been sated as it were. So we're now seeing a significant movement in that price. But also we see in our, the underlying business, we have a lot of workers' compensation reserves, direct workers' compensation reserves now. Going back 10 years, there would have been a lot more asbestos, U.S. asbestos, an environmental business.

The – if you're dealing with U.S. asbestos and environmental on a reinsurance side, the – that was historically the commutation opportunity and so on, that were there. That is not there with the workers' comp, but what is there with the workers' comp is managing the whole expense of the administration of the claims, managing the medical element of the claims and so on going forward, which comes back to additions to the Enstar capability of Polonia (01:10:46) to increasing the kind of power and capability of Cranmore. So we move our – as the market moves and the availability of the business that's out there for runoff, we can adjust support services and the scales of our operating team to maximize the benefits that we can make every day. There is no kind of single magic sauce on this, what's there is a bunch of the smart hard working people that are constantly flexible and constantly learning about movements in the market and are best to create opportunities out of that.

A - Robert Johnson Campbell {BIO 2325693 <GO>}

Next question? There is none. Thank you all for coming today.