Realising Value

Enstar Group Limited

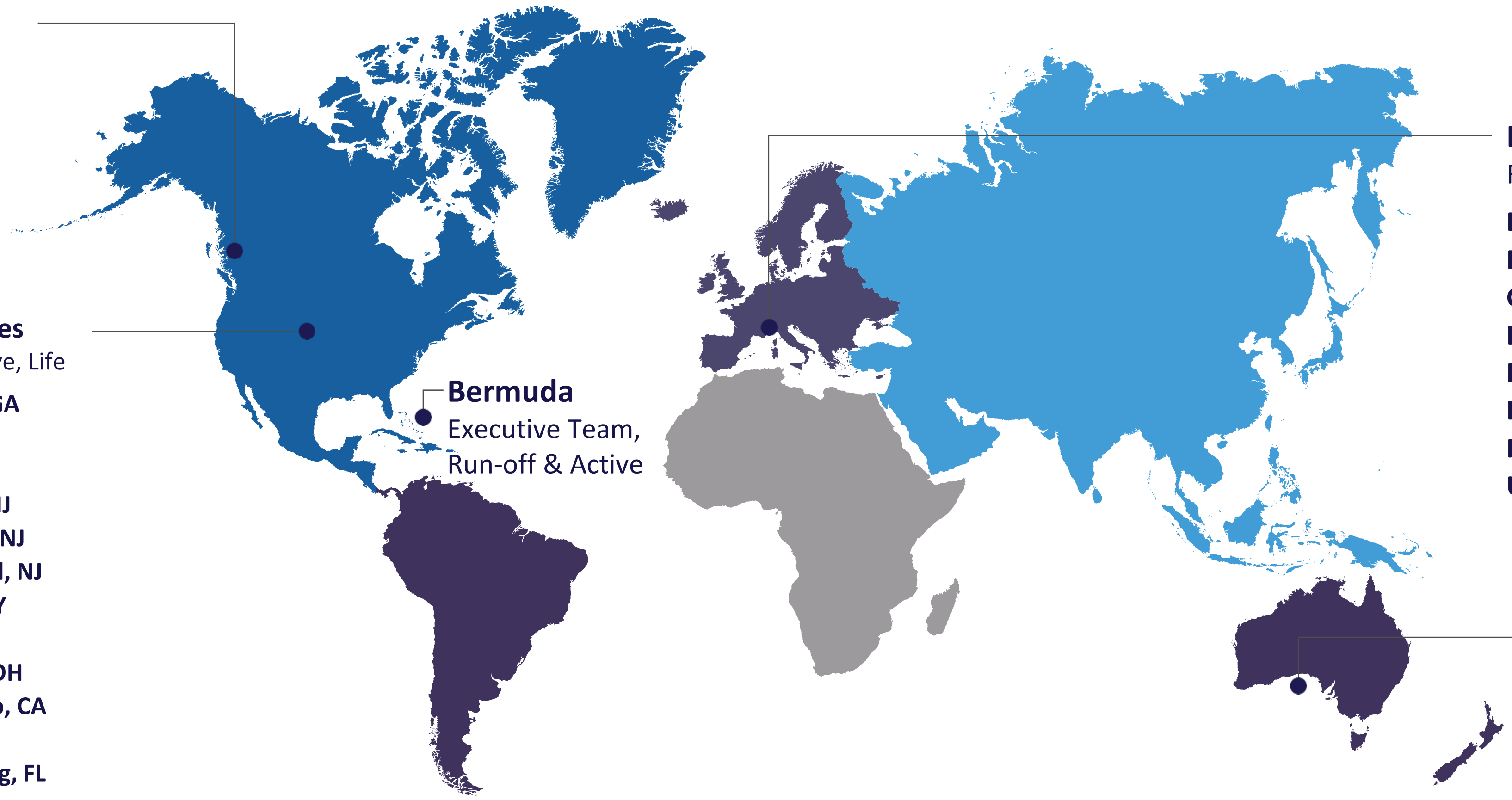
Insurance Restructuring Mechanisms and the Role of Insurance Business Transfers

January 16th, 2020

About Enstar
A Global Group

ENSTAR

With 30 offices across 12 countries, and 1,400+ staff Enstar Group offers global solutions



Canada
Active

United States
Run-off, Active, Life

Alpharetta, GA
Chicago, IL
Columbia, SC
Jersey City, NJ
Morristown, NJ
Mount Laurel, NJ
New York, NY
Orange, CA
Perrysburg, OH
San Francisco, CA
Seattle, WA
St. Petersburg, FL
Warwick, RI

Bermuda
Executive Team,
Run-off & Active

Europe
Run-off, Active, Life

Belgium
France
Germany
Ireland
Italy
Liechtenstein
Netherlands
UK

Australia
Run-off

ENSTAR | ATRIUM | CRANMORE THE PROFESSIONAL APPROACH | PALADIN Managed Care Services™ Part of the Enstar Group | STARSTONE

About Enstar
Company Overview

Founded in 2001, Enstar is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities.

$18.2bn **Assets** *September 30, 2019*	$4.3bn **Market Capitalization *(Common Shares)*** *November 6, 2019*	$188.81 **Fully Diluted Book Value per Share** *September 30, 2019*
$14.0bn **Investable Assets [1]** *September 30, 2019*	$853.2m **StarStone & Atrium** ***Gross Written** Premium* *September 30, 2019*	20.7% **Debt to Capital Ratio[3]** *September 30, 2019*
$10.0bn **Total Reserves[2]** *September 30, 2019*	$708.3m **Net Earnings (Losses)** *Nine Months Ended September 30, 2019*	100 **Total acquisitive transactions / new business since formation**

1 Includes total investments, cash and cash equivalents, restricted cash and cash equivalents and funds held

2 Total capital attributable to Enstar includes Enstar Group Limited shareholders' equity and debt obligations and excludes noncontrolling interest and redeemable noncontrolling interest.

Non-Life Run-off
Acquisitions – The Cornerstone of our Business

100

total acquisitive transactions/new business since formation

51

companies acquired through stock purchase or merger

49

portfolios of insurance or reinsurance business

Dedicated, cross-functional acquisition review teams

Secure business partner

Focused on execution

Non-Life Run-off
Market Opportunity: Size of the Market

The non-life legacy market is large with Global non-life run-off liabilities exceeding $700B

According to PwC's 11th edition of its survey on the run-off market, the majority of respondents (75% in U.K. and 60% in U.S. and Continental Europe) view run-off/legacy management as a medium to high priority for Boards, and the demand for run-off solutions continues to attract new competitors spread across new start-ups and strategic investors.

Why Do Companies Restructure?

Desire to use capital more efficiently	Focused management of non-core lines
• Ability to divest non-core business and redeploy capital more strategically • Saves costs and protects financial solvency of seller entity • Internal reorganization can reduce management and other costs	• Specialized live or run-off carrier can handle the business more efficiently • Better policyholder service can be provided through transfer of business

Current Restructuring Options in the US to Date

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

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

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

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

In most instances it will be impossible to obtain positive consent to a novation from all policyholders, especially on older books of business

Non-Life Run-off

Methods of Acquisition for Run-off Companies

Most jurisdictions have similar methodologies to enable business to be placed into run-off:

	Bermuda	USA	UK	Europe	All Other
Company Acquisition (stock purchase / merger)	✓	✓	✓	✓	✓
Reinsurance Loss Portfolio Transfer / RITC	✓	✓	✓	✓	✓
Direct Claims Transfer	✓ Scheme of Arrangement	✓ Insurance Business Transfer (limited to certain states)	✓ Part VII Transfer	✓ Various, under the 'Change of Control' Directive	Varies by Jurisdiction

Overseas Legislation

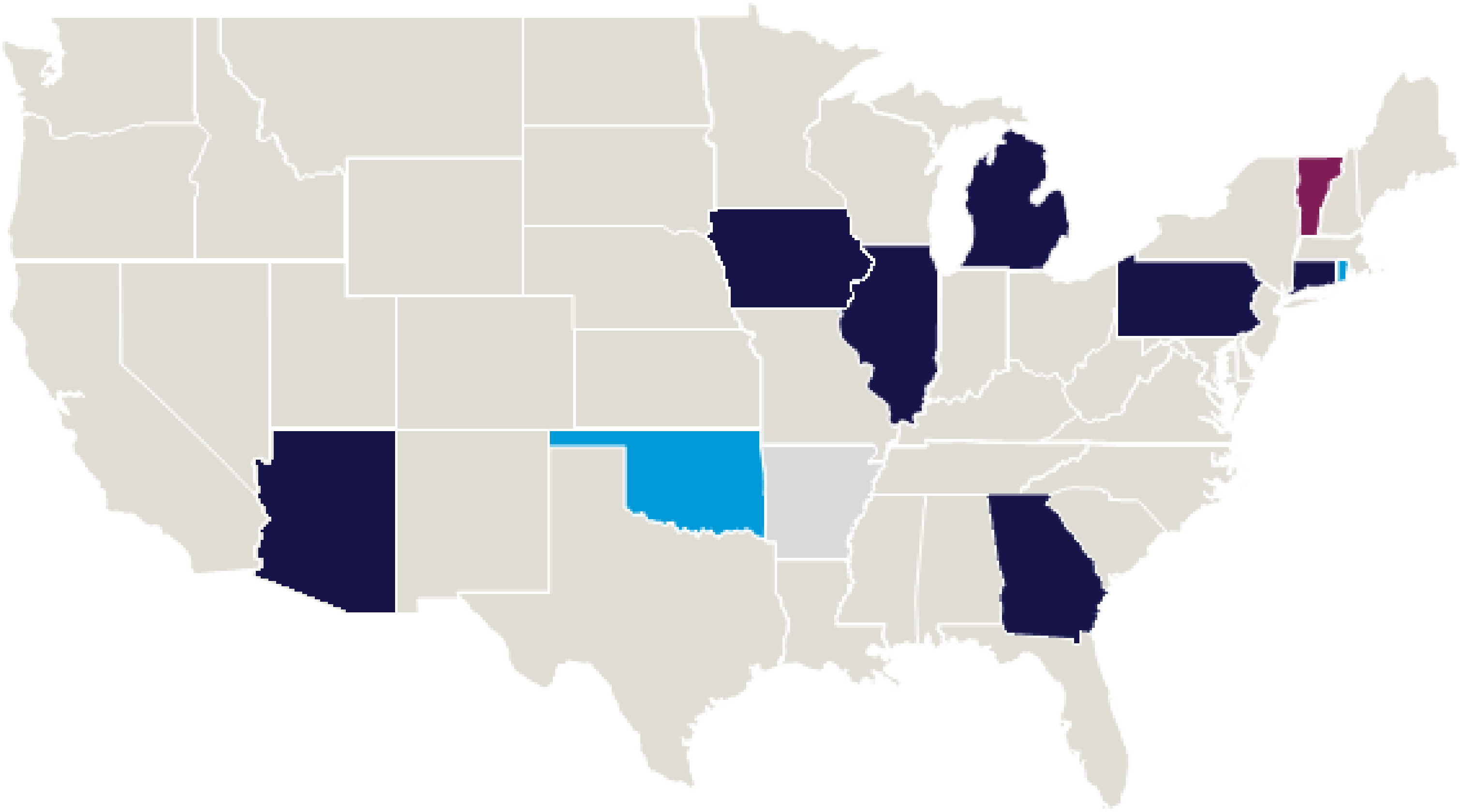
In the European Union, member states are required to have mechanisms for the transfer of insurance business, many of which have been used successfully for a number of years

For example, a UK Part VII transfer:

- Allows for the transfer of a block of business by way of a statutory novation
- Transfers outwards reinsurance with the policies (as well as other assets and liabilities where required)
- Needs UK regulator approval
- Requires court approval and independent expert report

US Regulatory Landscape

States Introducing Legislation to Facilitate Restructuring Options



- The expectation is that as pioneering states introduce legislation supporting restructuring options, more states will follow suit
- Vermont has implemented transfer legislation - LIMA
- Rhode Island has fully implemented insurance business transfer ('IBT') regulation
- Oklahoma IBT legislation signed into law in early May; effective Date of November 1, 2018
- Division laws have taken effect in Arizona, Connecticut, Pennsylvania, and recently Georgia, Illinois, Iowa, and Michigan

Insurance Business Transfer Legislation

An insurance business transfer (IBT) is the ability to transfer a block of insurance business from one insurance company to another without the need for policyholder consent

Rhode Island (RI) was the first jurisdiction to pass IBT legislation (limited to P&C commercial run-off business – no Workers' Compensation)

On November 1, 2018, the Oklahoma (OK) Insurance Business Transfer Act became effective, which applies to all lines of insurance and is not limited to runoff

OK IBT legislation is similar to existing legislation from the 2000 Financial Services and Markets Act in the UK, known as the "Part VII transfer"

Regulatory Safeguards – Checks and Balances

Robust procedure of Checks and Balances:

- Approval of the Domestic Regulator of the Transferring company
- Regulatory review and approval by the Domestic Regulator of the Assuming company (E.g. Oklahoma under its IBT statute)
- Independent Expert Review
- Court Review and approval

Significantly more checks and balances than a standard Form A review

Over 250 transfers successfully completed in Europe under similar legislation

Regulatory Safeguards – Notice and Hearing

Due Process – Extensive Notice Provisions

- Policyholders
- Agents and brokers of record
- State regulators
- State guarantee funds
- Reinsurers

Ability to comment and present evidence to the court at the hearing

Assuming Insurer will be regulated in the same states as the Transferring Insurer under its certificate of authority

Value of Passing IBT Legislation

- IBT legislation provides a new method for domestic companies to grow and acquire liabilities
- IBT legislation can ensure consumer protections are maintained when IBTs occur in other states, like guaranty fund coverage
- IBT legislation can drive business growth and economic development
- IBT legislation does not replace existing legislation allowing for different methods of liability transfers
- The amount of insurance business placed into runoff will continue to grow

Other Regulatory Initiatives?

NAIC Activity

Restructuring Mechanisms (E) Working Group

2019 Charges:
- Prepare a White Paper
- Review Guaranty Association Model Act
- Review Protected Cell Companies Model Act
- Develop financial requirements for companies in runoff

NCOIL Activity

Joint State-Federal Relations and International Insurance Issues Committee

- Began discussing Oklahoma IBT law as basis for model, Dec. 2018

Enstar – Providence Washington IBT

Transferring Insurer – Providence Washington Insurance Co (“PWIC”)	Assuming Insurer – Yosemite Insurance Co (“Yosemite”)
• Rhode Island domicile • In run-off since 2004 • Wholly owned by Enstar since 2010	• Oklahoma domicile • Wholly owned by Enstar since 2018 • Licensed in all states (and DC) except MA and NY

Both PWC and Yosemite are managed by Enstar (US) Inc. under shared services agreements

Thank you

For further discussion, please write to robert.redpath@enstargroup.com