Enstar Group LTD
Form 10-K
February 29, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission File Number 001-33289

ENSTAR GROUP LIMITED
(Exact name of Registrant as specified in its charter)

BERMUDA	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Windsor Place, 3rd Floor, 22 Queen Street, Hamilton HM JX, Bermuda
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (441) 292-3645

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

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

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

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

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

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

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

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

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

Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates as of June 30, 2015 was approximately $1.47 billion based on the closing price of $154.95 per ordinary share on the NASDAQ Stock Market on that date. Shares held by officers and directors of the registrant and their affiliated entities have been excluded from this computation. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant.

As of February 25, 2016, the registrant had outstanding 16,151,293 voting ordinary shares and 3,130,408 non-voting convertible ordinary shares, each par value $1.00 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to its 2016 annual general meeting of shareholders are incorporated by reference in Part III of this Form 10-K.

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Enstar Group Limited
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2015

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- risks associated with implementing our business strategies and initiatives;
- risks that we may require additional capital in the future, which may not be available or may be available only on unfavorable terms;
- the adequacy of our loss reserves and the need to adjust such reserves as claims develop over time;
- risks relating to the availability and collectability of our reinsurance;
- changes and uncertainty in economic conditions, including interest rates, inflation, currency exchange rates, equity markets and credit conditions, which could affect our investment portfolio, our ability to finance future acquisitions and our profitability;
- the risk that ongoing or future industry regulatory developments will disrupt our business, affect the ability of our subsidiaries to operate in the ordinary course or to make distributions to us, or mandate changes in industry practices in ways that increase our costs, decrease our revenues or require us to alter aspects of the way we do business;
- losses due to foreign currency exchange rate fluctuations;
- increased competitive pressures, including the consolidation and increased globalization of reinsurance providers;
- emerging claim and coverage issues;
- lengthy and unpredictable litigation affecting assessment of losses and/or coverage issues;
- loss of key personnel;
- the ability of our subsidiaries to distribute funds to us and the resulting impact on our liquidity;
- our ability to comply with covenants in our debt agreements;
- changes in our plans, strategies, objectives, expectations or intentions, which may happen at any time at management's discretion;
- operational risks, including system, data security or human failures and external hazards;
- risks relating to our acquisitions, including our ability to continue to grow, successfully price acquisitions, evaluate opportunities, address operational challenges, support our planned growth and assimilate acquired companies into our internal control system in order to maintain effective internal controls, provide reliable financial reports and prevent fraud;
- risks relating to our ability to obtain regulatory approvals, including the timing, terms and conditions of any such approvals, and to satisfy other closing conditions in connection with our acquisition agreements, which could affect our ability to complete acquisitions;

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- risks relating to our active underwriting businesses, including unpredictability and severity of catastrophic and other major loss events, failure of risk management and loss limitation methods, the risk of a ratings downgrade or withdrawal, cyclicality of demand and pricing in the insurance and reinsurance markets;
- our ability to implement our strategies relating to our active underwriting businesses;
- risks relating to our life and annuities business, including mortality and morbidity rates, lapse rates, the performance of assets to support the insured liabilities, and the risk of catastrophic events;
- risks relating to our investments in life settlements contracts, including that actual experience may differ from our assumptions regarding longevity, cost projections, and risk of non-payment from the insurance carrier;
- risks relating to the performance of our investment portfolio and our ability to structure our investments in a manner that recognizes our liquidity needs;
- tax, regulatory or legal restrictions or limitations applicable to us or the insurance and reinsurance business generally;
- changes in tax laws or regulations applicable to us or our subsidiaries, or the risk that we or one of our non-U.S. subsidiaries become subject to significant, or significantly increased, income taxes in the United States or elsewhere;
- changes in Bermuda law or regulation or the political stability of Bermuda; and
- changes in accounting policies or practices.

The factors listed above should be not construed as exhaustive and should be read in conjunction with the Risk Factors that are included in Item 1A below. We undertake no obligation to publicly update or review any forward looking statement, whether to reflect any change in our expectations with regard thereto, or as a result of new information, future developments or otherwise, except as required by law.

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PART I

ITEM 1. BUSINESS

Company Overview

Enstar Group Limited ("Enstar") is a Bermuda-based holding company, formed in 2001. Enstar is a multi-faceted insurance group that offers innovative capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations. Enstar is listed on the NASDAQ Global Select Market under the ticker symbol "ESGR". In this report, the terms "Enstar," "the Company," "us," and "we" are used interchangeably to describe Enstar and our subsidiary companies.

Our fundamental corporate objective is growing our net book value per share. We strive to achieve this primarily through growth in net earnings from both organic and accretive sources, including the completion of new acquisitions, the effective management of companies and portfolios of business acquired, and the execution of active underwriting strategies.

Enstar focuses on the acquisition and management of insurance and reinsurance companies in run-off, and the acquisition and management of portfolios of insurance and reinsurance business in run-off. Since formation, we have completed the acquisition of over 70 insurance and reinsurance companies and portfolios of business. Although achieving growth through strategic acquisitions is our primary focus, we also provide management, consulting and other services to the insurance and reinsurance industry globally.

In recent years, Enstar has diversified further, and we now operate two specialty active underwriting businesses:

- Atrium Underwriting Group Limited and its subsidiaries ("Atrium"), which manage and underwrite specialist insurance and reinsurance business for Lloyd’s Syndicate 609; and
- StarStone Insurance Bermuda Limited and its subsidiaries ("StarStone") (formerly known as the Torus group), which is an A.M. Best A- rated global specialty insurance group with multiple underwriting platforms.

Business Strategy

Enstar aims to maximize growth in net book value per share by employing the following strategies:

We Leverage Management’s Experience and Industry Relationships to Solidify Enstar’s Position in the Run-Off Market. Enstar leverages the extensive experience and relationships of our senior management team to solidify our position as a leading run-off acquirer and generate future growth opportunities.

We Engage in Highly Disciplined Acquisition, Management and Reinsurance Practices across a Diverse Portfolio of Loss Reserves. Enstar employs a disciplined approach when assessing, acquiring or managing portfolios of risk, which we believe minimizes risk and increases the probability of delivering positive operating results from the companies and portfolios acquired or managed. Enstar is highly selective in reviewing potential acquisition targets and management engagements. When considering any acquisition, we carefully analyze the target’s risk exposures, claims practices and reserve requirements.

We Aim to Profitably Underwrite Selected Specialty Lines to Enhance Future Growth Opportunities. Through our Atrium and StarStone segments, Enstar selectively underwrites in chosen specialty lines, with a focus on balancing risk exposures. Through Atrium and StarStone, the group’s underwriting activity grows organically; and when Enstar acquires run-off businesses, the group’s active underwriting companies are well-positioned to capture profitable active business in specialty lines previously identified as attractive.

We Manage Claims Professionally, Expeditiously, and Cost-Effectively. Enstar aims to manage claims made against group companies and portfolios in a professional and disciplined manner, drawing on in-house expertise to dispose of risks efficiently. Enstar strives to pay valid claims on a timely basis, while relying on well-documented policy terms and exclusions where applicable, and litigation when necessary, to defend against paying invalid claims.

We Seek to Commute Assumed Liabilities and Ceded Reinsurance Assets at a Discount to the Ultimate Liability. Using detailed claims analysis and actuarial projections, Enstar seeks to negotiate with policyholders, both in the non-life run-off insurance and reinsurance companies or portfolios that the group owns or manages, with a goal of commuting existing insurance and reinsurance liabilities at a discount to the ultimate liability.

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We Prudently Manage Investments and Capital. In managing investments and deploying group capital, Enstar strives to achieve superior risk-adjusted returns, while growing profitability and generating long-term growth in shareholder value.

Recent Developments and Strategic Growth Initiatives

Enstar transactions typically take the form of either acquisitions or portfolio transfers. In an acquisition, we acquire an insurance or reinsurance company and manage the run-off or continued underwriting of risk in its business lines. In a portfolio transfer, a reinsurance contract transfers risk from the initial insurance or reinsurance company to a company in the Enstar group. Enstar also enters into reinsurance to close ("RITC") transactions with Lloyd's of London ("Lloyd's") insurance and reinsurance syndicates in run-off, whereby a portfolio of run-off liabilities is transferred from one Lloyd’s syndicate to another.

The substantial majority of Enstar’s acquisitions have been in the non-life run-off business, which generally includes property and casualty, workers’ compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

Following our acquisitions of Atrium and Starstone, in 2013 and 2014, respectively, Enstar has evolved from a stand-alone run-off consolidator to a more diversified insurance group with active underwriting capabilities. Enstar had several rationales for acquiring Atrium and StarStone:

- Atrium’s and StarStone’s underwriting businesses now provide Enstar with a new earnings stream, which reduces the impact of volatility in earnings from non-life run-off businesses, while concurrently offering the group new growth avenues.
- We believe that having active underwriting businesses enhances the group’s overall ability to compete for new acquisition targets because the addition of active underwriting capabilities allows the group to acquire renewal rights or provide loss portfolio reinsurance in connection with such acquisitions. These capabilities can attract certain vendors, and may provide Enstar with additional flexibility in structuring proposed transactions.
- Having both run-off and active underwriting businesses within our group allows Enstar to evaluate an acquisition target not only for its fundamental run-off potential, but also for the ongoing value of its profitable business lines.

The management of claims and the control of expenses are Enstar’s core competencies and active underwriting is a relatively new area for the group. Accordingly, we partnered with the Trident V funds ("Trident") (managed by Stone Point Capital LLC) in the acquisitions of the active underwriting businesses. Stone Point Capital is a financial services-focused private equity firm that has significant experience investing in insurance and reinsurance companies and other insurance-related businesses, which Enstar believes is valuable in our active underwriting joint ventures.

In each of the Atrium and StarStone transactions, Enstar has a 59.0% equity interest, Trident has a 39.3% equity interest, and Dowling Capital Partners, L.P. ("Dowling") has a 1.7% equity interest.

Enstar has further expanded its portfolio of run-off businesses in recent years to include closed life and annuities, primarily through the acquisitions of the Pavonia companies in 2013 and National Suisse Assurance in 2015 (now renamed Alpha Insurance SA). In addition to increasing the group’s portfolio diversification, we believe the addition of life and annuities businesses has the potential to provide a stable long-term earnings and cash flow stream that may counter some of the earnings volatility in the group’s core non-life run-off business.

Recent Acquisitions and Significant New Business

Allianz SE

On February 17, 2016, we entered into a reinsurance agreement with Allianz SE ("Allianz") to reinsure portfolios of Allianz's run-off business. Pursuant to the reinsurance agreement, our subsidiary will reinsure 50% of certain portfolios of workers' compensation, construction defect, and asbestos, pollution, and toxic tort business originally held by Fireman's Fund Insurance Company, and in the process will assume net reinsurance reserves of approximately \$1.1 billion. Affiliates of Allianz will retain approximately \$1.1 billion of reinsurance premium as funds withheld collateral for the obligations of our subsidiary under the reinsurance agreement and we will transfer approximately \$110.0 million to a reinsurance trust to further support our subsidiary's obligations. We have also provided a limited parental guarantee, which is subject to a maximum cap. The combined monetary total of the support offered by us through the trust and

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parental guarantee will initially be capped at $270.0 million. Consummation of the transaction is subject to final regulatory approval.

In addition to the reinsurance transaction described above, we have entered into a consulting agreement with San Francisco Reinsurance Company, an affiliate of Allianz, with respect to the entire $2.2 billion portfolio, including the 50% share retained by affiliates of Allianz.

Doctors

On November 30, 2015, we completed the assignment and assumption of a portfolio of primarily workers' compensation business from The Doctors Company and its affiliates. Total assets and liabilities assumed were $29.5 million.

Nationale Suisse Assurance

On November 13, 2015, we acquired Nationale Suisse Assurance S.A. ("NSA") from Helvetia Group. NSA is a Belgium-based insurance company with non-life insurance and life insurance business. We changed the name of NSA to Alpha Insurance SA ("Alpha") at closing. The total consideration for the transaction was €32.8 million (approximately $35.2 million), which we financed from cash on hand.

Sun Life

On September 30, 2015, we entered into two 100% reinsurance agreements and a related administration services agreement with Sun Life Assurance Company of Canada and its U.S. branch (together, "Sun Life") pursuant to which we reinsured all of the run-off workers' compensation carve-out and occupational accident business of Sun Life. We assumed gross reinsurance reserves of $128.3 million, received total assets of $122.5 million and recorded a deferred charge of $5.8 million included in other assets. We transferred approximately $30.6 million of additional funds into trust to further support our obligations under the reinsurance agreements. We also provided limited parental guarantees, subject to an overall maximum of approximately $36.8 million.

Voya Financial Reinsurance (ReliaStar)

On May 27, 2015, we entered into two 100% reinsurance agreements and related administration services agreements with a subsidiary of Voya Financial Reinsurance ("Voya"), pursuant to which we reinsured all of the run-off workers' compensation and occupational accident assumed reinsurance business of the Voya subsidiary and that of its Canadian branch. Pursuant to the transaction, the Voya subsidiary transferred assets into two reinsurance collateral trusts securing our obligations under the reinsurance agreements. We assumed reinsurance reserves of $572.4 million, received total assets of $307.0 million and recorded a deferred charge of $265.4 million included in other assets. We transferred approximately $67.2 million of additional funds to the trusts to further support our obligations under the reinsurance agreements. We also provided a limited parental guarantee, subject to a maximum cap with respect to the reinsurance liabilities. As of December 31, 2015, the amount of the parental guarantee was $58.0 million.

Life Settlements (Wilton Re)

On May 5, 2015, we completed the acquisitions of two Delaware companies from subsidiaries of Wilton Re Limited ("Wilton Re") that own interests in life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions. The total consideration for the transaction was $173.1 million, payable in two installments. The first installment of $89.1 million was paid on closing. The second installment of $83.9 million, due on the first anniversary of closing, is expected to be funded from cash on hand. Subsequent to the closing of this transaction, Canada Pension Plan Investment Board ("CPPIB"), the majority shareholder of Wilton Re, separately acquired certain voting and non-voting shares of Enstar, as described below.

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

On January 27, 2015, we completed the acquisition of Companion Property and Casualty Insurance Company ("Companion") from Blue Cross and Blue Shield of South Carolina, an independent licensee of the Blue Cross Blue Shield Association. Companion is a South Carolina-based insurance group with property, casualty, specialty and workers' compensation business, and has also provided fronting and third-party administrative services. The total consideration for the transaction was $218.0 million in cash, which was financed 50% through borrowings under a Term Facility Agreement with National Australia Bank Limited and Barclays Bank PLC (the "Sussex Facility") and 50% from cash on hand. We changed the name of Companion to Sussex Insurance Company ("Sussex") following the acquisition, and the company is operating as part of our Non-life Run-off segment. In addition, StarStone is renewing certain business from Sussex.

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Reciprocal of America

On January 15, 2015, we completed a loss portfolio transfer reinsurance transaction with Reciprocal of America (in Receivership) ("Reciprocal") and its Deputy Receiver relating to a portfolio of workers' compensation business that has been in run-off since 2003. The total insurance reserves assumed were $162.1 million with an equivalent amount of cash and investments received as consideration.

The tables below sets forth summaries of acquisitions and significant new business in excess of $50 million in acquired assets that we have signed or completed since January 1, 2015. For a more detailed explanation of these transactions, as well as transactions completed in 2014 and 2013, refer to "Note 3 - Acquisitions" and "Note 4 - Significant New Business" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Acquisitions (January 1, 2015 - Present)

Company Name	Purchase Price	Assets Acquired	Liabilities Acquired	Goodwill	Segment	Primary Nature of Business
Alpha Insurance SA (formerly Nationale Suisse Assurance)	$35.2 million	$234.5 million	$199.3 million	Nil	Non-life Run-off and Life and Annuities	European non-life and life insurance
Wilton Re Life Settlements	$173.1 million	$173.6 million	$0.5 million	Nil	Life and Annuities	Life settlement policies
Sussex Insurance Company (formerly Companion)	$218.0 million	$1.6 billion	$1.4 billion	Nil	Non-life Run-off	U.S. property, casualty, specialty and workers' compensation

Significant New Business (January 1, 2015 - Present)

Company Name	Purchase Price	Assets Acquired	Liabilities Acquired	Deferred Charge	Segment	Primary Nature of Business
Allianz SE	N/A	$1.1 billion	$1.1 billion	Nil	Non-life Run-off	U.S. workers' compensation, construction defect, asbestos, pollution and toxic tort
Sun Life Assurance Company of Canada and its U.S. branch	N/A	$122.5 million	$128.3 million	$5.8 million	Non-life Run-off	U.S. and Canadian workers' compensation carve-out and occupational accident
Voya Financial Reinsurance (ReliaStar)	N/A	$307.0 million	$572.4 million	$265.4 million	Non-life Run-off	U.S. and Canadian workers' compensation carve-out and occupational

						accident
Reciprocal of America (in Receivership)	N/A	$162.1 million	$162.1 million	Nil	Non-life Run-off	U.S. workers' compensation reinsurance

Other Transactions

Aligned Re

We announced in December 2015 that we had agreed in principle to act as reinsurance manager for a newly-formed Bermuda company, Aligned Re Ltd. ("Aligned Re"), which is expected to be funded with third-party capital alongside anticipated investments from Enstar and certain of our affiliates, including $100.0 million that Enstar has already invested. UBS O'Connor LLC is expected to act as investment manager for Aligned Re. StarStone is expected to purchase reinsurance via quota share agreements with Aligned Re. In addition, certain Enstar run-off subsidiaries are expected to enter into loss portfolio transfer agreements with Aligned Re.

StarStone Rebranding

On September 14, 2015, Torus announced that we were changing the names of it and its subsidiary companies to StarStone with immediate effect. The rebranding reflects significant progress in strengthening the management team and reorganizing areas of the business. The business approach and organizational values remain unchanged as the leadership, underwriting and service teams continue to focus on delivering specialty products to a global client base. The new brand highlights StarStone's position within Enstar and the strength of the combined partnership with Stone Point Capital, which manages the Trident funds co-invested in StarStone. We also changed the name of the

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StarStone holding company from Bayshore Holdings Limited ("Bayshore") to StarStone Specialty Holdings Limited ("StarStone Holdings").

For the year ended December 31, 2015, we recognized an impairment charge of $4.0 million related to the Torus brand in relation to the StarStone rebranding exercise.

Reorganization of Certain Subsidiary Holding Companies

On December 23, 2015, our wholly-owned subsidiary, Kenmare Holdings Ltd. ("Kenmare"), together with its co-investors in StarStone Holdings (formerly Bayshore) and Northshore Holdings Limited ("Northshore"), completed a corporate holding company reorganization of these companies (the "Reorganization"). Our co-investors in StarStone Holdings and Northshore are Trident and Dowling. StarStone Holdings is a holding company that was formed to acquire the StarStone group of companies in 2014. Northshore is a holding company that was formed to acquire Atrium and Arden Reinsurance Company Ltd. ("Arden") in 2013. Following the Reorganization, StarStone Holdings and Northshore are owned by a common parent, North Bay Holdings Limited, a Bermuda exempted company ("North Bay"). The Reorganization streamlines the ownership structure for Enstar's two active underwriting platforms, StarStone and Atrium, and is expected to provide administrative efficiencies. The Reorganization did not materially affect any of the investor rights and obligations or the ultimate economic ownership of either company.

Repurchase of Noncontrolling Interests

On June 30, 2015, we entered into a Sale and Purchase Agreement with J.C. Flowers II L.P., J.C. Flowers II-A L.P., J.C. Flowers II-B, L.P. and Financial Service Opportunities L.P. (collectively, the "JCF II Funds"), pursuant to which we purchased all of the non-voting preference shares of Cumberland Holdings Ltd. and Courtenay Holdings Ltd., which represent all of the noncontrolling interest owned directly by the JCF II Funds in our subsidiaries, for an aggregate price of $140.0 million. Immediately prior to the repurchase, the book value of the JCF II Funds' noncontrolling interest was $182.8 million. The transaction closed on September 30, 2015.

On September 3, 2015, we entered into a Sale and Purchase Agreement with Shinsei Bank, Limited ("Shinsei"), pursuant to which we purchased all of the Class B shares of Comox Holdings Ltd., which represents all of the noncontrolling interest owned directly by Shinsei in our subsidiaries, for an aggregate price of $10.4 million. Immediately prior to the repurchase, the book value of Shinsei's noncontrolling interest was $12.5 million. The transaction closed on September 8, 2015.

Significant New Shareholder - CPPIB

On June 3, 2015, CPPIB purchased voting and non-voting shares in Enstar from FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII-A Parallel Vehicle L.P. and FR Torus Co-Investment, L.P. (collectively, "First Reserve"). These shares constitute a 9.3% voting interest and a 9.9% aggregate economic interest in Enstar. On September 29, 2015, CPPIB exercised its acquired right to appoint a representative to our Board of Directors. CPPIB has also signed a definitive agreement to acquire additional voting shares. Upon the closing of that acquisition, which is subject to regulatory approval, CPPIB and certain parties affiliated with CPPIB would own a 13.9% voting interest in Enstar and a 13.8% aggregate economic interest.

CPPIB, together with management of Wilton Re, owns 100% of the common stock of Wilton Re. The closing of our transaction with Wilton Re (described in "Acquisitions and Significant New Business" above) occurred prior to CPPIB's investment in Enstar.

Operating Segments

We have four segments of business that are each managed, operated and reported on separately: (i) Non-life Run-off; (ii) Atrium; (iii) StarStone; and (iv) Life and Annuities. For additional information and financial data relating to our segments, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations by Segment," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Investments" and "Note 22 - Segment Information" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Non-life Run-off

Our Non-life Run-off segment comprises the operations of our subsidiaries that are running off their property and casualty and other non-life lines of business, including the run-off businesses of StarStone and Arden. It also includes our smaller management business, in which we manage the run-off portfolios of third parties through our service companies.

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In the primary (or direct) insurance business, the insurer assumes risk of loss from persons or organizations that are directly subject to the given risks. In the reinsurance business, the reinsurer agrees to indemnify an insurance or reinsurance company, referred to as the ceding company, against all or a portion of the insurance risks arising under the policies the ceding company has written or reinsured. When an insurer or reinsurer stops writing new insurance business, either entirely or with respect to a particular line of business, the insurer, reinsurer, or the line of discontinued business is in run-off.

Participants in the industry often have portfolios of business that are either inconsistent with their core competency or provide excessive exposure to a particular risk or segment of the market (i.e., workers' compensation, property/casualty, asbestos, environmental, director and officer liability, etc.). These non-core and/or discontinued portfolios are often associated with potentially large exposures and lengthy time periods before resolution of the last remaining insured claims, resulting in significant uncertainty to the insurer or reinsurer covering those risks. These factors can distract management, drive up the cost of capital and surplus for the insurer or reinsurer, and negatively impact the insurer’s or reinsurer’s credit rating, which makes the disposal of the unwanted company or portfolio an attractive option. Alternatively, the insurer may wish to maintain the business on its balance sheet, yet not divert significant management attention to the run-off of the portfolio. The insurer or reinsurer, in either case, is likely to engage a third party that specializes in run-off management, such as Enstar, to purchase or manage the company or portfolio in run-off.

In the sale of a company in run-off, a purchaser, such as Enstar, may pay a discount to the book value of the company based on the risks assumed and the relative value to the seller of no longer having to manage the company in run-off. Such a transaction can be beneficial to the seller because it receives an up-front payment for the company, eliminates the need for its management to devote any attention to the disposed company and removes the risk that the established reserves related to the run-off business may prove to be inadequate. The seller is also able to redeploy its management and financial resources to its core businesses.

In some situations, an insurer or reinsurer may wish to divest itself of a portfolio of non-core legacy business that may have been underwritten alongside other ongoing core business that the insurer or reinsurer does not want to dispose of. In such instances, we are able to provide economic finality for the insurer or reinsurer by providing a loss portfolio reinsurance contract to protect the insurer or reinsurer against deterioration of the non-core portfolio of loss reserves.

Alternatively, if the insurer or reinsurer hires a third party, such as Enstar, to manage its run-off business, the insurer or reinsurer will, unlike in a sale of the business, receive little or no cash up front. Instead, the management arrangement may provide that the insurer or reinsurer will retain the profits, if any, derived from the run-off with certain incentive payments allocated to the run-off manager. By hiring a run-off manager, the insurer or reinsurer can outsource the management of the run-off business to experienced and capable individuals, while allowing its own management team to focus on the insurer’s or reinsurer’s core businesses.

Overall, the focus of our Non-life Run-off segment is to acquire companies or portfolios in run-off and to effectively manage that business in ways that further our primary corporate objective of growing Enstar's net book value per share.

Acquisition Process

We evaluate each acquisition opportunity presented by carefully reviewing the portfolio’s risk exposures, claim practices, reserve requirements and outstanding claims, and may seek an appropriate discount and/or seller indemnification to reflect the uncertainty contained in the portfolio’s reserves. Based on this initial analysis, we can determine if a company or portfolio of business would add value to our current portfolio of run-off businesses. If we determine to pursue the purchase of a company in run-off, we then proceed to price the acquisition in a manner we believe will result in positive operating results based on certain assumptions including, without limitation, our ability to favorably resolve claims, negotiate with direct insureds and reinsurers, and otherwise manage the nature of the risks posed by the business.

At the time we acquire a company in run-off, we estimate the fair value of assets and liabilities acquired based on external actuarial advice, as well as our own views of the exposures assumed. While we earn a larger share of our total return on an acquisition from disciplined claims management and/or commuting the liabilities that we have assumed, we also try to maximize reinsurance recoveries on the assumed portfolio of business as well as investment returns from the acquired investment portfolios.

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Run-off Management

Following the acquisition of a company or portfolio of business in run-off, or a new consulting engagement to manage a company or portfolio of business in run-off, we strive to conduct the run-off in a disciplined and professional manner to efficiently discharge the liabilities associated with the business while preserving and maximizing its assets. Our approach to managing our acquired companies and portfolios of business in run-off, as well as run-off companies or portfolios of businesses we manage on behalf of third-party clients, includes, where possible, negotiating with third-party insureds and reinsureds to commute their insurance or reinsurance agreement (sometimes called policy buy-backs) for an agreed upon up-front payment by us, or the third-party client, and to more efficiently manage payment of insurance and reinsurance claims. We attempt to commute policies with direct insureds or reinsureds to eliminate uncertainty over the amount of future claims. Commutations and policy buy-backs provide an opportunity for the company to exit exposures to certain policies and insureds generally at a discount to the ultimate liability and provide the ability to eliminate exposure to further losses. Commutations can also reduce the duration, administrative burden and ultimately the future cost of the run-off.

In certain lines of business, such as direct workers’ compensation insurance, commutations and policy buy-back opportunities are not typically available, and our strategy with respect to these businesses is to derive value through efficient and effective management of claims.

An integral factor to our success is our ability to analyze, administer, and settle claims while managing related expenses, such as loss adjustment expenses ("LAE"). We have implemented claims handling guidelines along with claims reporting and control procedures in all of our claims units. All claims matters are reviewed regularly, with all material claims matters being circulated to and authorized by management prior to any action being taken. Our claims management processes also include leveraging our extensive relationships and developed protocols to more efficiently manage outside counsel and other third parties to reduce expenses. With respect to certain lines of business, we have arrangements with third-party administrators to manage and pay claims on our subsidiaries’ behalf and advise with respect to case reserves. These agreements generally set forth the duties of the third-party administrators, limits of authority, indemnification language designed for our protection and various procedures relating to compliance with laws and regulations. These arrangements are also subject to review by our relevant claims departments, and we monitor these administrators on an ongoing basis.

Following the acquisition of a company or portfolio of business in run-off, or new consulting engagement, we analyze the acquired exposures and reinsurance receivables on a policyholder-by-policyholder basis to identify those we wish to approach to discuss commutation. In addition, policyholders and reinsurers often approach us requesting commutation. We then carry out a full analysis of the underlying exposures in order to determine the viability of a proposed commutation. From the initial analysis of the underlying exposures, it may take several months, or even years, before a commutation is completed. In a number of cases, if we and the policyholder or reinsurer are unable to reach a commercially acceptable settlement, the commutation may not be achievable, in which case we will continue to settle valid claims from the policyholder, or collect reinsurance receivables from the reinsurer, as they become due. Certain insureds and reinsureds are often willing to commute with us, subject to receiving an acceptable settlement, as this provides certainty of recovery of what otherwise may be claims that are disputed in the future, and often provides a meaningful up-front cash receipt that, with the associated investment income, can provide funds to meet future claim payments or even commutation of their underlying exposure. Therefore, subject to negotiating an acceptable settlement, many of our insurance and reinsurance liabilities and reinsurance receivables are able to be either commuted or settled by way of policy buy-back over time. Properly priced commutations may reduce the expense of adjusting direct claims and pursuing collection of reinsurance, realize savings, remove the potential future volatility of claims and reduce required regulatory capital.

We manage cash flow with regard to reinsurance recoverables by working with reinsurers, brokers and professional advisors to achieve fair and prompt payment of reinsured claims, taking appropriate legal action to secure receivables where necessary. We also attempt where appropriate to negotiate favorable commutations with our reinsurers by securing a lump sum settlement from reinsurers in complete satisfaction of the reinsurer’s past, present and future liability in respect of such claims.

Consulting Services

We provide consultancy services to third parties in the insurance and reinsurance industry primarily through our subsidiaries, the Cranmore companies, Enstar Limited, Enstar (US), Inc., Paladin Managed Care Services, Inc. ("Paladin") and Kinsale Brokers Limited. The services we provide range from full-service incentive-based or fixed fee run-off management to bespoke solutions such as claims inspection, claims validation, reinsurance asset collection

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and IT consulting services. Paladin, acquired in 2013 as part of the SeaBright Holdings, Inc. ("SeaBright") transaction, provides medical bill review, utilization review, physician case management and related services in the workers' compensation area. In addition to third-party engagements, our consultancy companies also perform these services in-house for our Enstar companies, using their expertise to assist in managing our run-off portfolios and performing certain due diligence matters relating to acquired businesses.

Atrium

Our Atrium segment is comprised of the active underwriting operations and financial results of Northshore, a holding company that owns Atrium and its subsidiaries and Arden. Enstar acquired Atrium on November 25, 2013. Atrium was regarded as an attractive expansion opportunity by Enstar management primarily because of its skilled underwriting and management teams, and its strong historical performance at Lloyd's.

Atrium's wholly-owned subsidiary, Atrium Underwriters Ltd, manages Syndicate 609 which underwrites specialist insurance and reinsurance business at Lloyd's. Atrium's wholly-owned subsidiary, Atrium 5 Ltd., provides approximately 25% of the underwriting capacity and capital to Syndicate 609, with the balance provided by traditional Lloyd's Names. Atrium has offices in London, the United States, Canada, and Singapore. Generally speaking, Atrium continues to operate in accordance with the underwriting and other business strategies established pre-acquisition, although we and Trident continually review these strategies and business goals and expect to develop synergies with our existing business operations over time.

Arden is a Bermuda-based reinsurance company that provides reinsurance to Atrium (through an approximately 65% quota share reinsurance arrangement with Atrium 5 Ltd, which is eliminated upon consolidation) and is currently in the process of running off certain other discontinued businesses. Results related to Arden's discontinued business are included within our Non-life Run-off segment.

Business Lines

Syndicate 609 provides insurance and reinsurance on a worldwide basis including the United States, Europe, the Far East and Australasia. Atrium specializes in a wide range of industry classes, including accident and health, aviation, marine, property and casualty binding authorities, non marine direct and facultative, liability, reinsurance, upstream energy and war and terrorism. Lloyd's business is often underwritten on a subscription basis across the insurance market. Atrium is the lead underwriter in approximately 35% of the business it underwrites.

Lloyd's is a surplus lines insurer and an accredited reinsurer in all U.S. states and territories, and a licensed (or admitted) insurer in Illinois, Kentucky and the U.S. Virgin Islands.

A description of each of Atrium's lines of business follows:

Marine. The Marine line of business is a worldwide portfolio writing marine hull, cargo, fine art and specie, marine and energy liability and total loss only business. This includes hull all risks, hull total loss interests, yachts, fishing vessels, ship construction, ports, cable construction and cable operating risks, tows, mortgages interests, port property, war risks and a number of other specialist areas of marine insurance. Cargo, fine art and specie includes exporters, museums, auction houses, jewelers, banks and security houses. Business is written on a direct, reinsurance, proportional and excess of loss basis.

Property and Casualty Binding Authorities. The property and casualty binding authority portfolio includes a broad range of small and medium business entity insurance products offered across the United States and Canada. Typical property risks include commercial, vacant and hard-to-place residential dwellings. Typical casualty risks include owners, landlords and tenants, business owners, artisan, special events and various niche products. Business is written through both traditional binding authorities as well as online binding authorities through AUGold, Atrium's proprietary online system that is used by brokers.

Upstream Energy. The upstream energy line of business is split into two main categories of assureds: operators (private and publicly quoted companies, national oil companies and Oil Insurance Limited members) and contractors (for drilling, service and construction entities). The principal coverage is physical damage/business interruption, control of well and associated pollution, construction and Gulf of Mexico windstorm and other natural catastrophe perils. Nearly all of the upstream energy line of business is sourced through Lloyd's brokers, with the significant majority written on a facultative basis and a smaller amount written on a treaty basis.

Reinsurance. The reinsurance line is a worldwide portfolio and includes aviation reinsurance, casualty reinsurance, property reinsurance, and marine reinsurance. Business is mainly written on a risk excess of loss, catastrophe excess of loss or retrocessional basis. Aviation reinsurance is written through an underwriting consortium managed by Atrium.

Accident and Health. The accident and health line is a global account that encompasses a wide range of classes, including group and individual disability, personal accident, travel insurance, medical expenses, aviation personal accident, war risks, kidnap and ransom insurance, and sports accident insurance. The line includes both insurance and reinsurance business, written as facultative placements and under delegated underwriting facilities and both proportional and non-proportional treaties.

Non-Marine Direct and Facultative. The non-marine direct and facultative portfolio includes a diverse mix of property business offered in both the international and U.S. markets, comprised of physical loss or damage, business interruption, extra expense, construction, contingency and pecuniary loss risks in respect of onshore property and onshore engineered risks. The majority of this line of business is written through Lloyd’s brokers and under delegated underwriting facilities.

Liability. The liability line of business includes a professional liability North American portfolio of products covering a diverse range of classes including architects, consultants and lawyers and also a miscellaneous range encompassing many different professions. Included within this line of business is international liability, which is a book of primary coverholder business covering the security, leisure and hotel industries. The majority of business is produced through delegated binding authority contracts.

Aviation. The aviation portfolio includes all aspects of aviation insurance, with Atrium specializing in rotor wing and non-major airlines. The majority of the account is sourced through London brokers as direct or facultative reinsurance of a local reinsurer. This line of business also includes a space account, which covers launch as well as in-orbit risks and is written through an underwriting consortium managed by Atrium.

War and Terrorism. The war and terrorism line includes aviation war, marine war, and terrorism. Aviation war covers hull war and other perils commonly excluded from hull and liability all risk policies. Atrium leads a number of the major marine war contracts in London. This line also includes political violence business, in which Atrium focuses on writing with security consultants engaged to provide risk or country surveys.

Distribution

All of the business in the Atrium segment is placed through insurance and reinsurance brokers, and a key distribution channel for Syndicate 609 is the managing general agent binding authorities. Atrium seeks to develop relationships with insurance and reinsurance brokers, insurance and reinsurance companies, large global corporations and financial intermediaries to develop and underwrite business. Independent brokers Marsh Inc., Willis Group Holdings Ltd. and Aon Benfield Group Ltd. accounted for 11%, 11% and 8%, respectively, of Atrium’s gross premiums written for the year ended December 31, 2015 (approximately 30% collectively). Other brokers (each individually less than 10%) accounted for 70% of gross premiums written.

Atrium’s proprietary online platform, AUGold, provides end-to-end processing, quote and policy production for managing general agents across a range of classes of business. The platform provides agents with efficient and cost effective access to Lloyd’s binding authorities and is designed to enable Atrium to compete more effectively with North American excess and surplus lines carriers.

Managing Agency Services

Atrium receives a managing agency fee of 0.7% of Syndicate 609 capacity and a 20% profit commission based on the net earnings of Syndicate 609, pursuant to its management contract. Atrium also receives management fees and profit commission from the management of underwriting consortiums. These fees and profit commission are included within fees and commission income in our consolidated statement of earnings.

Claims Management

Claims in respect of business written by Syndicate 609 are primarily notified by various central market bureaus. Where a syndicate is a "leading" syndicate on a Lloyd’s policy, its underwriters and claims adjusters work directly with the broker or insured on behalf of itself and the following market for any particular claim. This may involve appointing attorneys or loss adjusters. The claims bureaus and the leading syndicate advise movement in loss reserves to all syndicates participating on the risk. If necessary, Atrium's claims department may adjust the case reserves it records from those advised by the bureaus.

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Reinsurance Ceded

On an annual basis Atrium purchases a tailored outwards reinsurance program designed to manage its risk profile. The majority of Atrium’s third-party reinsurance cover is with Lloyd’s Syndicates or other highly rated reinsurers.

StarStone

Our StarStone segment is comprised of the active underwriting operations and financial results of StarStone Holdings (formerly known as Bayshore), a holding company that owns StarStone and its subsidiaries. Results relating to StarStone’s run-off lines of business are included within our Non-life Run-off segment.

We acquired StarStone (formerly known as Torus) on April 1, 2014 in partnership with Trident (managed by Stone Point Capital). Dowling also has a minority investment. StarStone rebranded during 2015, as described above. Under our ownership, and with a strengthened management team, StarStone’s strategy emphasizes underwriting discipline and focuses on profitable lines and improvement of operational effectiveness and efficiency.

StarStone is a global specialty insurer operating worldwide from key underwriting hubs in the Lloyd's and London markets, Bermuda, Continental Europe, and the United States. StarStone has six wholly-owned insurance platforms and licenses to serve a global client base. Through Syndicate 1301, we offer a variety of specialty products at Lloyd’s. Syndicate 1301 is managed by StarStone's wholly-owned Lloyd’s managing agency.

Business Lines

StarStone offers a broad range of property, casualty and specialty insurance products to both large multi-national and small and middle-market clients around the world. A description of StarStone's business lines is as follows:

Casualty. Casualty is StarStone's largest product group, including StarStone’s U.S. excess casualty, global management and professional liability, global healthcare, and accident and health products. The U.S. excess casualty product includes umbrella, excess and retained limit products across a wide range of market segments focused on small to mid-market businesses. The global management and professional liability product specializes in directors and officers and professional liability protection for both traditional and emerging professions. Our healthcare product provides insurance for acute care centers, nursing homes, small hospitals, physician groups, senior living facilities, and others. The accident and health product provides protection for a broad range of groups and individuals such as air crew personal accident and loss of license, accidental death and permanent and temporary disability for individuals including athletes and high net worth individuals.

Marine. We provide a broad range of marine and specialty products including hull and machinery, marine and energy liabilities, cargo, war, transport, specie and fine art, and terrorism. These products are written through Lloyd's Syndicate 1301, our European branch network and by some of our U.S.-based teams. We also provide high excess casualty coverage placed in the London wholesale market which is focused on high excess layers for Fortune 500 companies.

Property. This includes all of our property insurance products. The construction portfolio focuses on large, complex, infrastructure and contractor cover across all risk areas. Property also includes our onshore, power, and upstream and offshore products written through our Lloyd's and London platforms. Most lines are written on a full value, primary, excess of loss or quota share basis.

Aerospace. We serve a diverse client base within the aerospace sector including airlines, aircraft manufacturers and airport service providers. Our products are split between short-tail and long-tail risks and by aircraft type into three areas: airlines, aviation products and liability, and general aviation. We previously wrote a space product, which we no longer offer.

Workers' compensation. This line provides workers' compensation solutions for a range of industries, including energy and maritime businesses to high-hazard operations. We also cover cross-state, multi-jurisdictional exposures in single policies. Business is written directly with clients and through partnerships with independent agents, managing general underwriters, and select wholesale brokers throughout the United States.

Distribution

StarStone's distribution strategy is to focus on proximity to clients and brokers, using its Lloyd’s platform, European branch distribution network, its U.S. wholesale distribution strategy, as well as its relationships with insurance and reinsurance brokers and risk carriers, corporations and financial intermediaries.

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Syndicate 1301 can conduct business in over 200 countries and territories worldwide. In addition to underwriting business directly at Lloyd’s in London, it provides local access to Lloyd’s in Continental Europe and the United States. In the United States, products are written locally through our admitted and excess and surplus lines carriers. Our U.S. strategy also utilizes our online e-commerce broker portal, ESCAPE, which offers immediate wholesale distribution to all 50 states. StarStone also harnesses the technology behind ESCAPE for its managing general agent partners across Europe.

Business in the StarStone segment is generally placed through insurance and reinsurance brokers and managing general agents. Independent brokers Marsh Inc., Willis Group Holdings Ltd. and Aon Benfield Group Ltd. accounted for 12%, 9% and 7%, respectively, of StarStone’s gross premiums written for the year ended December 31, 2015 (28% collectively). Other brokers and managing general agents (each individually less than 10%) accounted for 72% of gross premiums written.

Claims Management

Claims in respect of business written by Syndicate 1301, as well as in respect of StarStone’s other London market business, are primarily notified by various central market bureaus whereby the leading syndicate or company advise all participants of movement in loss reserves. If necessary, StarStone's claims department may adjust the case reserves it records from those advised by the bureaus.

Claims in respect of non-bureau business are handled by StarStone’s experienced claims professionals. StarStone uses claims handling guidelines along with a global claims management system to review, report and administer claims. With respect to certain lines of business, StarStone may use third-party administrators to manage and pay claims on its behalf and advise with respect to case reserves. StarStone also utilizes Enstar’s experience in claims management.

Reinsurance Ceded

StarStone purchases an annual tailored outwards reinsurance program designed to manage its risk profile. The majority of StarStone’s third party reinsurance cover is with highly rated reinsurers or is collateralized by letters of credit. As described above, StarStone also expects to purchase reinsurance via quota share agreements with Aligned Re, a newly-formed reinsurer.

Life and Annuities

Our Life and Annuities segment consists of the operations of our subsidiaries managing our closed-block of life and annuity business and our life settlements business. The segment includes the companies we acquired in the Pavonia acquisition in 2013, which operate primarily out of our New Jersey office. The segment also includes Laguna Life Limited, a small Irish-based closed-life company.

On May 5, 2015, we expanded this business segment with our acquisition of a life settlements business from Wilton Re. On November 13, 2015, we added Belgian insurer Alpha, a European insurance company that wrote credit and life insurance, which is now in run-off. Alpha also wrote non-life business, which is reported in our Non-life Run-off segment.

Similar to our Non-life Run-off segment, our life and annuities companies are no longer writing new policies, however, unlike that segment, these companies continue to generate premiums with respect to their in-force policies. Our strategy in the Life and Annuities segment differs from our non-life business, in particular because we have limited ability to shorten the duration of the liabilities of these businesses through either early claims settlement, commutations or policy buy-backs. Instead, we hold the policies to their natural maturity or lapse, while aiming to efficiently manage our invested assets in those businesses to match the duration and cash flows of the liability profile, and will pay claims as they come due.

Life Business

Our life run-off business consists of: (i) Pavonia's credit life and disability insurance, term life insurance, corporate owned life insurance, assumed reinsurance of term ordinary life and accidental death and dismemberment products sold in the United States and Canada; (ii) Laguna Life Limited's term life insurance primarily sold in the U.K. and Europe; and (iii) Alpha's credit and life insurance sold in Europe. The life companies continue to generate premiums, and accordingly, the reserves remain sensitive to lapse rates as well as mortality rates.

Annuities

Our annuities run-off business relates solely to business assumed by one of the Pavonia companies of a closed block of structured settlement, lottery, and other immediate annuities (the "PPA business"). Reserves relating to the PPA business constitute approximately 80% of the aggregate reserves of the Pavonia companies as at December 31, 2015. The contracts within the portfolio are largely structured settlements, although the portfolio also includes a smaller amount of lottery annuities and supplementary contracts.

The PPA business was issued from 1982 to 1995, although the majority of the reserves pertain to the period from 1985 to 1989. The contracts within the portfolio operate pursuant to a variety of different payment features, such as life contingency payments, certain payments (or a combination thereof), one-time lump payments, or payments patterns such as level, compound increase or fixed amount increase payments. Regardless of payment structure, however, the portfolio generally has known and predictable cash flows, which makes the asset liability matching process and the mitigation of interest rate risk a vital component to our management of this portfolio. We have a long-duration held-to-maturity investment portfolio designed to manage the cash flow obligations of the PPA business.

Life Settlements

Our life settlements business relates solely to our investments in life settlement contracts acquired from Wilton Re. The two Delaware companies we acquired own interests in U.S. life insurance policies acquired in the secondary and tertiary markets and through collateralized lending transactions. We pay premiums on these policies and other costs to keep the policy in force, and we recognize income upon a policy maturity event. The investments in collateralized lending transactions were transferred to the Non-life Run-off segment during 2015.

Liability for Losses and Loss Adjustment Expenses

The liability for losses and LAE, also referred to as loss reserves, represents our gross estimates before reinsurance for unpaid reported losses and losses that have been incurred but not reported ("IBNR") for our Non-life Run-off, Atrium and StarStone segments. We recognize an asset for the portion of the liability that we expect to recover from reinsurers. LAE reserves include allocated loss adjustment expenses ("ALAE"), and unallocated loss adjustment expenses ("ULAE"). ALAE are linked to the settlement of an individual claim or loss, whereas ULAE are based on our estimates of future costs to administer the claims.

Loss Reserving

We establish reserves for individual claims incurred and reported, as well as IBNR claims. We use considerable judgment in estimating losses for reported claims on an individual claim basis based upon our knowledge of the circumstances surrounding the claim, the severity of the injury or damage, the jurisdiction of the occurrence, the potential for ultimate exposure, the type of loss, and our experience with the line of business and policy provisions relating to the particular type of claim. We also use considerable judgment to establish reserves for IBNR claims using a variety of generally accepted actuarial methodologies and procedures to estimate the ultimate cost of settling IBNR claims. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Losses and Loss Adjustment Expenses" for a description of our loss reserving process.

The estimation of unpaid claim liabilities at any given point in time is subject to a high degree of uncertainty for a number of reasons. A significant amount of time can lapse between the assumption of risk, the occurrence of a loss event, the reporting of the event to an insurance or reinsurance company and the ultimate payment of the claim on the loss event. Our actuarial methodologies include industry benchmarking which, under certain methodologies, compares the trend of our loss development to that of the industry. To the extent that the trend of our loss development compared to the industry changes in any period, it is likely to have an impact on the estimate of ultimate liabilities. Unpaid claim liabilities for property and casualty exposures in general are impacted by changes in the legal environment, jury awards, medical cost trends and general inflation. Certain estimates for unpaid claim liabilities involve considerable uncertainty due to significant coverage litigation, and it can be unclear whether past claim experience will be representative of future claim experience. Ultimate values for such claims cannot be estimated using reserving techniques that extrapolate losses to an ultimate basis using loss development factors, and the uncertainties surrounding the estimation of unpaid claim liabilities are not likely to be resolved in the near future. In addition, reserves are established to cover loss development related to both known and unasserted claims. Consequently, our subsequent estimates of ultimate losses and LAE, and our liability for losses and LAE, may differ materially from our initial estimates.

In our Non-life Run-off segment, policy buy-backs and commutations provide an opportunity for us to exit and settle exposures to policies with insureds and reinsureds, often at a discount to the previously estimated ultimate liability. Commutations are beneficial to us as they extinguish liabilities and reduce the potential for future adverse loss development. Our estimates of ultimate liabilities and our estimates of IBNR reserves are based upon actuarial methodologies applied to the remaining non-commuted aggregate exposures and revised historical loss development information, after adjusting for the elimination of historical loss development relating to commuted and bought-back exposures. In addition, the routine settlement of claims, at either below or above the carried advised loss reserve, updates historical loss development information to which actuarial methodologies are applied often, resulting in revised estimates of ultimate liabilities. Our loss reserves are largely related to casualty exposures and include latent exposures primarily relating to asbestos and environmental. In establishing reserves, we consider facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy, and we can reasonably estimate its liability.

Reconciliation of Claims Reserves

A reconciliation of activity in the liability for losses and LAE is included in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Loss Reserve Development

The loss development tables for each segment below show the year-end reserves from 2005 through 2015 and the subsequent changes in those reserves presented on a historical basis. The reserves for our Atrium and StarStone segments are presented from the date of acquisition. We re-estimate the reserves as more information becomes known about the frequency and severity of losses for individual years. Prior period estimates of net liabilities may change as our management considers the combined impact of commutations, policy buy-backs, settlement of losses on carried reserves and the trend of incurred loss development compared to prior forecasts.

The information in the tables is presented in accordance with the reporting requirements of the Securities and Exchange Commission ("SEC") and differs substantially from other formats and information commonly reported by the insurance industry, such as accident year or underwriting year.

A redundancy means the original estimate was higher than the current estimate; a deficiency means that the current estimate is higher than the original estimate. The "Reserve redundancy" line represents, as of the date indicated, the difference between the latest re-estimated liability and the reserves as originally estimated. Also included in the loss development tables is the impact of foreign exchange rate movements during each year presented. Portions of our loss reserves relate to claims expected to be paid in currencies other than our reporting currency, the U.S. dollar. Movements in foreign exchange rates, therefore, result in variations in our estimated net loss reserves, and such variations are recognized as they arise in our consolidated statements of earnings.

Conditions and trends that have affected development of the ultimate liability in the past may not necessarily occur in the future. Accordingly, it may not be appropriate to extrapolate redundancies or deficiencies into the future based on the tables below.

Further information regarding net incurred losses and LAE is included in "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations by Segment."

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Non-life Run-off

Loss reserve development tables as at year end for the Non-life Run-off segment are are set forth below:

Gross Losses and LAE Reserves	2005	2006	2007	2008	2009	2010	2011	2012	2013	20
	(in thousands of U.S. dollars)									
Reserves held	$806,559	$1,214,419	$1,591,449	$2,798,287	$2,479,136	$3,291,275	$4,272,082	$3,650,127	$4,004,513	$3
1 year later	909,984	1,227,427	1,436,051	2,661,011	2,237,124	3,057,032	3,980,811	3,447,375	3,675,218	3,
2 years later	916,480	1,084,852	1,358,900	2,422,291	2,039,141	2,907,956	3,760,339	3,135,832	3,392,317	
3 years later	853,139	1,020,755	1,284,304	2,245,557	1,943,121	2,748,708	3,457,277	2,873,172		
4 years later	778,216	949,595	1,235,982	2,160,144	1,878,606	2,601,052	3,224,618			
5 years later	733,151	905,043	1,216,989	2,110,715	1,823,181	2,473,118				
6 years later	717,413	889,681	1,206,093	2,076,360	1,730,426					
7 years later	715,574	881,416	1,187,637	1,992,843						
8 years later	719,867	864,771	1,155,694							
9 years later	719,076	836,506								
10 years later	714,654									
Reserve redundancy	$91,905	$377,913	$435,755	$805,444	$748,710	$818,157	$1,047,464	$776,955	$612,196	$2

Gross Paid Losses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(in thousands of U.S. dollars)										
1 year later	$117,666	$90,185	$407,692	$364,440	$377,159	$430,284	$699,487	$463,052	$619,438	$568,998	$—
2 years later	198,407	197,751	575,522	727,205	575,814	808,213	1,091,516	835,576	1,052,393		
3 years later	268,541	353,032	688,946	912,401	768,828	1,050,863	1,407,829	1,079,824			
4 years later	402,134	423,731	726,332	1,095,603	898,643	1,273,649	1,610,731				
5 years later	442,624	455,414	772,070	1,216,762	1,033,946	1,379,192					
6 years later	458,532	481,114	822,094	1,342,439	1,097,951						
7 years later	477,456	527,804	879,784	1,402,706							
8 years later	515,762	583,969	901,563								
9 years later	564,174	605,046									
10 years later	581,443										

Net Losses and LAE Reserves	2005	2006	2007	2008	2009	2010	2011	2012	2013	201
	(in thousands of U.S. dollars)									
Reserves held	$593,160	$872,259	$1,163,485	$2,403,712	$2,131,408	$2,765,835	$2,889,079	$2,773,907	$2,882,980	$2,6
1 year later	590,153	875,636	1,034,588	2,216,928	1,851,268	2,533,710	2,731,215	2,524,247	2,553,732	2,37
2 years later	586,059	753,551	950,739	1,940,472	1,673,922	2,422,811	2,486,405	2,208,555	2,244,125	
3 years later	532,804	684,999	874,961	1,783,372	1,596,536	2,274,204	2,193,988	1,945,307		

4 years later	454,933	611,182	816,039	1,719,195	1,527,355	2,085,025	1,965,287				
5 years later	408,270	557,109	797,815	1,664,375	1,457,990	1,923,246					
6 years later	388,471	543,052	782,676	1,617,183	1,355,406						
7 years later	385,410	531,279	755,346	1,527,523							
8 years later	386,128	505,972	722,089								
9 years later	377,448	475,794									
10 years later	370,380										
Reserve redundancy	$222,780	$396,465	$441,396	$876,189	$776,002	$842,589	$923,792	$828,600	$638,855	$26	

Net Paid Losses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(in thousands of U.S. dollars)										
1 year later	$79,398	$43,896	$112,321	$247,823	$250,635	$313,642	$326,110	$209,221	$299,629	$317,578	$—
2 years later	125,272	(70,430)	243,146	480,102	381,820	601,029	471,195	380,476	488,289		
3 years later	(14,150)	58,228	324,735	603,875	530,845	805,020	594,539	500,326			
4 years later	102,776	108,109	347,215	752,318	640,974	946,521	680,043				
5 years later	132,405	128,567	376,674	857,605	733,183	1,006,973					
6 years later	143,252	150,412	419,383	945,106	774,406						
7 years later	158,503	191,829	459,747	987,728							
8 years later	191,589	231,988	477,597								
9 years later	226,554	249,697									
10 years later	240,110										

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The following table provides a reconciliation between net reserve redundancy per the loss development table above and net incurred losses and LAE relating to prior periods in our Non-life Run-off segment for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
	(in thousands of U.S. dollars)		
Net reserve redundancy	$260,493	$329,249	$249,660
Foreign exchange movement	(28,046)	(51,972)	(237)
Net reduction in incurred losses and LAE liabilities relating to companies and portfolios acquired during the year	67,699	7,157	13,448
Premium and commission adjustments triggered by incurred losses	10,608	4,512	(5,757)
Net incurred losses and LAE - prior periods	$310,754	$288,946	$257,114

The following table provides a reconciliation between net paid losses per the loss development table above and net paid losses relating to prior periods in our Non-life Run-off segment for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
	(in thousands of U.S. dollars)		
Net paid losses per development tables	$(317,578)	$(299,629)	$(209,221)
Net paid losses for prior year liabilities relating to companies and portfolios acquired during the year	(194,276)	(17,298)	(145,236)
Premium and commission adjustments triggered by incurred losses	10,608	4,512	(5,757)
Net paid losses - prior periods	$(501,246)	$(312,415)	$(360,214)

Atrium

Loss reserve development tables as at year end for the Atrium segment are are set forth below:

Gross Losses and LAE Reserves	2013	2014	2015
	(in thousands of U.S. dollars)		
Reserves held	$215,392	$212,611	$201,017
1 year later	200,203	187,732	
2 years later	179,100		
Reserve redundancy	$36,292	$24,879	

Net Losses and LAE Reserves	2013	2014	2015
	(in thousands of U.S. dollars)		
Reserves held	$190,337	$184,333	$175,165
1 year later	171,671	162,412	
2 years later	153,997		
Reserve redundancy	$36,340	$21,921	

Gross Paid Losses	2013	2014	2015
	(in thousands of U.S. dollars)		
1 year later	$31,741	$34,675	—
2 years later	58,406		

Net Paid Losses	2013	2014	2015
	(in thousands of U.S. dollars)		
1 year later	$27,985	$30,890	—
2 years later	51,315		

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StarStone

Loss reserve development tables as at year end for the Starstone segment are are set forth below:

Gross Losses and LAE Reserves	2014	2015	Net Losses and LAE Reserves	2014	2015
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)	
Reserves held	$861,800	$933,678	Reserves held	$536,591	$633,895
1 year later	837,336		1 year later	497,235	
Reserve redundancy	$24,464		Reserve redundancy	$39,356	

Gross Paid Losses	2014	2015	Net Paid Losses	2014	2015
	(in thousands of U.S. dollars)			(in thousands of U.S. dollars)	
1 year later	$268,490	—	1 year later	$149,820	—

Life and Annuity Benefits and Claims Reserves

We estimate our life and annuity benefit and claim reserves on a present value basis using standard actuarial techniques and cash flow models. We establish and maintain our life and annuity reserves at a level that we estimate will, when taken together with future premium payments and investment income expected to be earned on associated premiums, be sufficient to support future cash flow benefit obligations and third-party servicing obligations as they become payable.

The following table summarizes our policy benefits for life and annuity contracts as at December 31, 2015 and 2014:

	2015	2014
	(in thousands of U.S. dollars)	
Life	$436,603	$344,215
Annuities	921,654	938,121
	1,358,257	1,282,336
Fair value adjustments	(53,560)	(61,472)
	$1,304,697	$1,220,864

See "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation - Policy Benefits for Life and Annuity Contracts" for a discussion of our reserves in this segment.

Investments

For information regarding our investment strategy, portfolio and results, refer to "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Investments."

Ratings

In our active underwriting businesses, financial strength ratings are an important factor in establishing competitive position and in product marketing. Financial strength ratings by third-party organizations provide an opinion of an insurer’s or reinsurer’s financial strength and ability to meet ongoing obligations to its policyholders. These ratings reflect A.M. Best’s, S&P’s, and Fitch’s opinions of capitalization, performance and management, and are not a recommendation to buy, sell or hold our securities. These ratings may be changed, suspended or withdrawn at the discretion of the agencies. These rating agencies charge us fees for their services.

Our Lloyd’s Syndicates 609 (Atrium) and 1301 (StarStone) are part of a group rating for the Lloyd's overall market. Lloyd’s is rated "A" (Excellent) by A.M. Best, "A+" (Strong) by Standard and Poor’s (or S&P) and "AA-" (Very Strong) by Fitch Ratings.

StarStone’s operating insurance entities have been assigned a financial strength rating of "A-" (Excellent) by A.M. Best. The A.M. Best rating for StarStone of "A-" (Excellent) by A.M. Best is the fourth highest of 16 rating levels. Refer to "Item 1A. Risk Factors - Downgrades of financial strength ratings at StarStone or Lloyd’s could materially and negatively impact our active underwriting business and our company," for more information regarding the importance of financial strength ratings.

Competition

Our Non-life Run-off and Life and Annuities segments compete in international markets with domestic and international reinsurance companies to acquire and manage insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off. The acquisition and management of companies and portfolios in run-off is highly competitive, and driven by a number of factors, including proposed acquisition price, reputation, and financial resources. Some of these competitors have greater financial resources than we do, have been operating for longer than we have and have established long-term and continuing business relationships throughout the insurance and reinsurance industries, which can be a significant competitive advantage. As a result, we may not be able to compete successfully in the future for suitable acquisition candidates or run-off portfolio management engagements.

Our Atrium and StarStone active underwriting segments operate in the highly competitive insurance and reinsurance markets, where companies compete on the basis of many factors, including premium rates, reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments and quality of administrative services, relationships with insurance and reinsurance companies and insurance intermediaries, capacity and coverage offered, experience in the particular risk to be underwritten, and various other factors.

Atrium and StarStone compete in the international insurance and reinsurance markets directly with numerous other parties, including established global insurance and reinsurance companies, start-up insurance and reinsurance entities, other Lloyd’s syndicates, as well as capital markets and securitization structures aimed at managing risk. Many of these competitors have significant operating histories, underwriting expertise and capacity, extensive capital resources, and longstanding customer relationships. Any of these factors can be a significant competitive advantage and may make it difficult for us to write business effectively and profitably. Because few barriers exist to prevent insurers and reinsurers from entering the non-life active underwriting business, market conditions and capital capacity influence the degree of competition at any specific point in time. Periods of intense competition, which typically include broader coverage terms, lower prices and excess underwriting capacity, are referred to as a "soft market," while a favorable insurance market is referred to as a "hard market" and is characterized by stricter coverage terms, higher prices and lower underwriting capacity. Historically, the performance of the non-life active underwriting business has tended to fluctuate in cyclical periods of price competition and excess underwriting capacity, followed by periods of high premium rates and shortages of underwriting capacity. This cyclical market pattern can be more pronounced in the specialty insurance and reinsurance markets in which Atrium and StarStone compete.

Employees

As of December 31, 2015, we had 1,327 employees, as compared to 1,201 as of December 31, 2014. The increase was primarily due to employees added in connection with the Sussex and Alpha acquisitions. Our employee count is not expected to be consistent from period to period due to our business strategies, which include anticipated ongoing acquisition and integration activities. As of December 31, 2015, the percentage of our total employees in each segment was approximately as follows: Non-life Run-off, 55%; StarStone, 29%; Atrium, 12%; and Life and Annuities, 4%.

Financial Information About Geographic Areas

For financial information about geographic areas, see "Note 22 - Segment Information" in the notes to our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

Enterprise Risk Management

Risk assumption is inherent in our business and appropriately setting risk appetite and executing our business strategies in accordance therewith is key to our performance. Effective risk oversight is an important priority for our Boards of Directors (both at the Company level and at a subsidiary level), and we place strong emphasis on ensuring we have a robust risk management framework to identify, measure, manage, report and monitor risks that affect the achievement of our strategic, operational and financial objectives.

The overall objective of our enterprise risk management ("ERM") framework is to support good risk governance, support the achievement of business objectives, and provide overall benefits to us by adding value to the control environment and contributing to an effective business strategy, efficiency in operations and processes, strong financial performance, reliable financial reporting, regulatory compliance, a good reputation with key stakeholders, business continuity planning, and capital planning.

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Risk Governance and Risk Management Organization

Our ERM framework consists of numerous processes and controls that have been designed by our senior management (including our risk management team), with oversight by our Board of Directors and its committees, management by our executive leaders, and implementation by employees across our organization. Accountability for the implementation and oversight of risk appetite and processes is aligned with individual corporate executives. Risk committees and boards receive regular risk management information to support risk governance at the group and subsidiary levels.

Board of Directors

The Board of Directors and its committees have risk oversight responsibility and play an active role in overseeing management of the risks we face. Our Underwriting and Risk Committee has responsibility for the oversight of underwriting strategy and ERM, reviews our overall risk appetite with input from management, reviews our ERM methodologies and oversees management's execution of our ERM objectives. Our Audit Committee, comprised entirely of independent directors, oversees our accounting and financial reporting-related risks. Our Investment Committee is responsible for overseeing investment-related risk, including those related to our cash and investment portfolio and investment strategy. Our Compensation Committee oversees compensation-related risks; and our Nominating and Governance Committee is responsible for overseeing corporate governance-related risks.

Executive and Risk Management Organization

Our Global ERM Committee ("GERMC"), a group of senior management personnel charged with assessing all significant risk issues on a global basis, reviews and evaluates the risks to which the Group is exposed, and monitors and oversees the guidelines and policies that govern the processes by which the Group identifies, assesses and manages its exposure to risk. The GERMC is chaired by the Chief Risk Officer ("CRO"). Its membership includes our Chief Financial Officer ("CFO"), Chief Integration Officer ("CIO") and senior management from across our corporate functions and business units. Our CRO reports periodically on behalf of the GERMC to both the Underwriting and Risk Committee and the Audit Committee of the Board of Directors.

In addition to director oversight, our ERM governance structure is directed by local jurisdictional and subsidiary risk committees, which include senior management and members of the global senior management team. The committees provide oversight and governance of our ERM initiatives, oversee the operation of our internal controls, monitor the identified risks compared to our risk appetite, and provide analysis to management in order to appropriately manage and govern the business and the associated risks on a day-to-day basis.

Our Risk Management department focuses primarily on implementing and overseeing the administration of the Underwriting and Risk Committee and GERMC directives and facilitating an efficient, effective and consistent approach to ERM across our Group. Our Internal Audit department independently reviews the effectiveness of our ERM framework. The results of audits are monitored by the Audit Committee. Our executive management committees have oversight of specific risk management processes, including, for example, those relating to underwriting, investments and reserving matters.

Entity Level Management

At the operating subsidiary level, risks attendant to our individual insurance and reinsurance subsidiaries are also overseen by the subsidiary boards of directors, subsidiary risk committees and other committees, and management teams, consistent with applicable regulatory requirements and our risk management framework.

Certain risks related to our Atrium and StarStone segments are distinct from our Non-life Run-off and Life and Annuities segments, and these businesses include external stakeholders that also differ from our other businesses, including our joint venture partners, rating agencies, and, with respect to Atrium, third-party Lloyd's names who provide approximately 75% of the underwriting capacity to Syndicate 609. Accordingly, in addition to the Group oversight of risks relating to our active underwriting businesses, Atrium and StarStone each maintain dedicated risk governance and management frameworks to manage risk, return and capital in their individual businesses, which fit into and form part of our Group ERM framework. These include oversight at the Atrium and StarStone holding company boards of directors, as well as executive risk committees and other committees that manage and monitor risks relevant to specified functional areas. Individualized risk policies and risk appetites are established and tailored to the specific needs of Atrium and StarStone, respectively. Enstar senior executives serve as members of the Atrium and StarStone boards of directors and certain committees.

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Each regulated insurance and reinsurance subsidiary has its own risk register documenting its risk landscape with risk and control owners assigned, which is maintained through a risk management software system. The Group information technology department maintains risk registers with more detailed IT and information security-specific risks. We recognize the importance of information technology and management of data in supporting our businesses, and we utilize a number of technology platforms to assist in our ERM, underwriting, investments, financial and regulatory reporting processes and procedures across our organization. We review and seek to enhance our technology platforms on an ongoing basis.

We frequently conduct the risk assessment process for the Group and for each of our regulated insurance and reinsurance subsidiaries. The assessment process utilizes a risk management software system. The risk management department reviews and consolidates these risk assessments on a quarterly basis and aggregates the assessment at a jurisdictional and Group level to facilitate discussion and challenge and to assess the overall risk categories.

Risk Appetite

Our risk appetite considers material risks relating to, among other things, strategic risk, insurance risk, market risk, liquidity risk, credit/counterparty risk, operational risk, and regulatory/reputational risk. Our risk appetite is established at the Group level and represents the amount of risk that we are willing to accept compared to risk metrics based on our shareholders equity, capital resources, potential financial loss, and other risk-specific measures. Risk levels are monitored and any deviations from pre-established levels are reported in order to facilitate responsive action.

Our non-life run-off and life and annuities subsidiaries set individual risk appetites and risk level monitoring consistent with the Group-wide risk management framework.

Atrium and StarStone establish individual risk appetites unique to each business, aligned to their business plan and strategy and consistent with the Group-wide risk management framework. Their risk appetites are set in conjunction with annual business planning and include, among other things, risk tolerances with respect to risk categories and underwriting limits by individual lines of business. We consider and review group risk aggregation across our active underwriting businesses.

Risk Categories

We manage our ERM process based on the major categories of risk within our business discussed below. Our ERM is a dynamic process, with updates continually being made as a result of changes in our business, industry and the economic environment. This process and our controls cannot provide absolute assurance that our risk management objectives will be met or that all risks will be appropriately identified and managed, and accordingly, the possibility of material adverse effects on our company remains. See "Item 1A. Risk Factors" for important information on the risks we face.

Strategic Risk. Strategic risk is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, inability to adapt to changes in the external environment, or circumstances that are beyond our control. We manage strategic risk by utilizing a strategic business planning process involving our executive management and Board of Directors. Our annual business plan is reviewed and overseen by our executive management and Board of Directors, and actual performance, trends, and uncertainties are monitored in comparison to the plan throughout the year. We specifically evaluate acquisition opportunities pursuant to a detailed and proprietary process that takes into account, among other things, the risk of the transaction and potential returns, the portfolio’s risk exposures, claims management practices, reserve requirements and outstanding claims, as well as risks specifically related to our ability to integrate the acquired business. Our governance process, led by our Board of Directors, reviews newly proposed transaction opportunities, capital-raising matters, and other significant business initiatives.

Insurance Risk. Insurance risk refers to the risks spanning many aspects of our insurance operations, including underwriting risk, risk assumed upon acquisitions/portfolio transfers, risk associated with our reserving assumptions, and life and annuities portfolio risk.

Underwriting risk in our active underwriting businesses relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities we assume through our underwriting process. Our Atrium and StarStone subsidiaries manage exposure levels across risk categories to maintain them within the approved risk appetite. Underwriting risk management strategies may differ depending on the line of business involved and the type of account being insured or reinsured.

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We strive to mitigate underwriting risk through our controls and strategies, including our underwriting risk selection, diversification of our underwriting portfolios by class and geography, purchasing reinsurance, establishing a business plan and associated parameters, underwriting peer review, authority limits, underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialized underwriting teams supported by actuarial, catastrophe modeling, claims, risk management, legal, finance, and other technical personnel. We utilize internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites. We also use internally developed capital models, which provide information on key risks and facilitate an understanding of the interaction among the risks and related exposures, as a comprehensive tool for business and capital planning.

In some business lines we are exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). We model and manage our individual and aggregate exposures to these events and other material correlated exposures in accordance with our risk appetite. Our modeling process utilizes a major commercial vendor model to measure certain of these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable, and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around our ability to measure exposures, which can cause actual exposures and losses to deviate from our estimates.

To monitor catastrophe risk, we review exceedance probability curves aggregated across Atrium and StarStone together with aggregated realistic disaster scenarios. We consider occurrence exceedance probability and aggregate exceedance probability, which reflect losses resulting from single or multiple events, from individual perils and in the aggregate. In addition, Atrium manages its underwriting exposure through a combination of reporting zonal aggregations, realistic disaster scenarios and stochastic modeling. StarStone also manages its underwriting exposure through monitoring realistic disaster scenarios for man-made events and certain natural catastrophe risks, and applying absolute maximum limits by line of business.

We manage acquisition and reserving risks through our acquisition evaluation process, and reserving practices discussed above in "Operating Segments," as well as through our commutation and policy buy-back strategy and claims management practices.

Market Risk. We are principally exposed to four types of market risk: interest rate risk, credit risk, equity price risk and foreign currency risk. We manage market risk in a number of ways, including use of investment guidelines; regular reviews of investment opportunities; market conditions; portfolio duration; oversight of the selection and performance of external asset managers; regular stress testing of the portfolio against known and hypothetical scenarios; established tolerance levels; and, where possible, foreign currency asset/liability matching. Investments are primarily managed by our Investment Department, which is overseen by our Investment Committee.

Liquidity Risk. Liquidity risk is the risk that we are unable to realize investments and other assets in order to settle financial obligations when they fall due or that we would have to incur excessive cost to do so. We manage this risk generally by following a conservative investment strategy designed to emphasize the preservation of our invested assets and provide sufficient liquidity for the prompt payment of claims and contract liabilities, as well as for settlement of commutation payments. Liquidity risk also includes the risk of our dependence of our future cash flows upon the availability of dividends or other statutorily permissible payments from our subsidiaries, which is limited by applicable laws and regulations. We manage this risk through our capital planning processes, which include reviews of minimum capital resources requirements at our regulated subsidiaries and anticipated distributions, as well as anticipated capital needs.

Credit / Counterparty Risk. Credit risk relates to the uncertainty of a counterparty’s ability to make timely payments in accordance with contractual terms of the instrument or contract. We are exposed to direct credit risk primarily within our portfolios of fixed maturity and short-term investments, and through customers, brokers and reinsurers in the form of premiums receivable and reinsurance recoverables. In our run-off businesses, we manage credit risk with respect to our reinsurance recoverables by ongoing monitoring of counterparty ratings and working to achieve prompt payment of reinsured claims, as well as through our commutation strategy. In our active underwriting businesses, we firstly mitigate credit risk through our reinsurance purchasing process, where reinsurers are subject to financial security and rating requirements prior to approval and by limiting exposure to individual reinsurers. Thereafter we manage credit risk by the regular monitoring of reinsurance recoveries and premium due directly or via brokers and other intermediaries. In our fixed maturity and short-term investment portfolios, we attempt to mitigate credit risk through diversification and issuer exposure limitation.

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Operational Risk. Operational risk is the risk of a loss arising from inadequate or failed internal processes, or from external events, personnel, systems or third parties. Due to our acquisitive strategy, operational risk also includes risks and challenges associated with integrating new companies into the Group. We seek to mitigate operational risks through the application of our policies and procedures and internal control and compliance processes throughout the Group and a focus on acquisition integration and assimilation of new companies into our internal control systems, including but not limited to business continuity planning, information security procedures, financial reporting controls and a review process for material third-party vendor usage.

Regulatory / Reputational Risk. Regulatory and reputational risk is the risk that an act or omission by us or any of our employees could result in damage to our reputation or loss of trust among our stakeholders. We manage reputational risk through a focus on compliance with laws and regulations, adherence to our policies and procedures (including our Code of Conduct) and our internal controls, an established corporate governance framework and practices, and communication and engagement with external stakeholders.

Regulation

General

The business of insurance and reinsurance is regulated in most countries, although the degree and type of regulation varies significantly from one jurisdiction to another. Our material operations are in Bermuda, the United Kingdom, the United States, Australia and several European countries. We are subject to extensive regulation under the applicable statutes in these countries and any others in which we operate. In addition, the Bermuda Monetary Authority ("BMA") began acting as group supervisor of our insurance and reinsurance companies (our "Group") on January 1, 2016. A summary of the material regulations governing us in these countries is set forth below.

We may become subject in the future to regulation in new jurisdictions or additional regulations in existing jurisdictions depending on the location and nature of any companies acquired and the volume and location of business being written by our existing companies.

Bermuda

The Insurance Act 1978 of Bermuda and related regulations, as amended (together, the "Insurance Act"), regulate the insurance and reinsurance business of our operating subsidiaries in Bermuda. The Insurance Act imposes certain solvency and liquidity standards and auditing and reporting requirements and grants the BMA powers to supervise, investigate, require information and the production of documents and intervene in the affairs of insurance companies. Significant requirements pertaining to our regulated Bermuda subsidiaries vary depending on the class in which our company is registered, but generally include the appointment of a principal representative in Bermuda, the appointment of an independent auditor, the appointment of an approved loss reserve specialist, the filing of annual statutory financial statements, the filing of statutory financial returns, compliance with group solvency and supervision rules (if applicable), and compliance with the Insurance Code of Conduct (relating to corporate governance, risk management and internal controls).

Our regulated Bermuda subsidiaries must also comply with a minimum liquidity ratio and minimum solvency margin. The minimum liquidity ratio requires that the value of relevant assets must not be less than 75% of the amount of relevant liabilities. The minimum solvency margin, which varies depending on the class of the insurer, is determined as a percentage of either net reserves for losses and LAE or premiums or pursuant to a risk-based capital measure. StarStone Insurance Bermuda Limited, a Class 4 insurer, and Cavello Bay Reinsurance Limited, a Class 3A insurer, both domiciled in Bermuda, are subject to an enhanced capital requirement ("ECR") determined pursuant to a risk-based capital measure.

Each of our regulated Bermuda subsidiaries would be prohibited from declaring or paying any dividends if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, each of our regulated Bermuda subsidiaries is prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital as set out in its previous year’s statutory financial statements. Our Bermuda insurance companies that are in run-off are required to seek BMA approval for any dividends or distributions.

The BMA’s group supervision objective is to provide a coordinated approach to the regulation of an insurance group and its supervisory and capital requirements. Bermuda has been recognized by the U.S. National Association of Insurance Commissioners ("NAIC") as a qualified jurisdiction. Recognition by the E.U. of Bermuda's full equivalence under Solvency II is subject to a three-month review process of a delegated act sent to the European Parliament and

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Council. This review process commenced on November 26, 2015 and, if the act is agreed, Solvency II equivalence is expected to be effective retroactively from January 1, 2016.

As our Group supervisor, the BMA performs a number of functions including: (i) coordinating the gathering and dissemination of information for other regulatory authorities; (ii) carrying out a supervisory review and assessment of our Group; (iii) carrying out an assessment of our Group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (iv) planning and coordinating, through regular meetings with other authorities, supervisory activities in respect of our Group; (v) coordinating any enforcement action that may need to be taken against our Group or any Group members; and (vi) coordinating meetings of colleges of supervisors in order to facilitate the carrying out of these functions. StarStone Insurance Bermuda Limited has been named as our Group’s Designated Insurer. As Designated Insurer, StarStone Insurance Bermuda Limited is required to facilitate compliance by our Group with the insurance solvency and supervision rules.

On an annual basis, the Group is required to file Group statutory financial statements, a Group statutory financial return, a Group capital and solvency return, audited Group financial statements and a Group Solvency Self-Assessment ("GSSA") with the BMA. The GSSA is designed to document our perspective on the capital resources necessary to achieve our business strategies and remain solvent, and to provide the BMA with insights on our risk management, governance procedures and documentation related to this process. In addition, SIBL and the Group are required to file a quarterly financial return with the BMA.

We are required to maintain available Group statutory capital and surplus in an amount that is at least equal to the group enhanced capital requirement ("Group ECR"). The BMA has also established a group target capital level equal to 120% of the Group ECR.

The BMA also maintains supervision over the controllers of all Bermuda registered insurers, and accordingly, any person who, directly or indirectly, becomes a holder of at least 10%, 20%, 33% or 50% of our ordinary shares must notify the BMA in writing within 45 days of becoming such a holder (or ceasing to be such a holder). The BMA may object to such a person and require the holder to reduce its holding of ordinary shares and direct, among other things, that voting rights attaching to the ordinary shares shall not be exercisable.

United Kingdom and Lloyd’s

United Kingdom

Our U.K.-based insurance subsidiaries consist primarily of run-off companies and StarStone Insurance Limited. These subsidiaries are authorized by the U.K. Prudential Regulatory Authority (the "PRA"), and regulated by the Financial Conduct Authority (the "FCA", together with the PRA, the "U.K. Regulator"). Our U.K. run-off subsidiaries may not underwrite new business without the approval of the U.K. Regulator. E.U. directives also allow certain of our regulated U.K. subsidiaries to conduct business in E.U. states other than the U.K. within the scope of permission granted by the U.K. Regulator without the necessity of additional licensing or authorization in E.U. countries.

Our U.K.-based insurance subsidiaries are required to maintain adequate financial resources in accordance with the requirements of the U.K. Regulator. The calculation of the minimum capital resources requirements in any particular case depends on, among other things, the type and amount of insurance business written and claims paid by the insurance company.

In addition, until January 1, 2016, the U.K. Regulator’s Individual Capital Adequacy Standards ("ICAS") framework required insurance companies to carry out various capital modeling and risk management exercises in order to calculate a company-specific Individual Capital Assessment ("ICA") amount, which was the company’s internal calculation of its capital requirements under the ICAS framework. For companies in run-off, the U.K. Regulator typically required specific loadings (i.e., increasing the company's estimated capital requirements by a specified percentage) to be applied to a company’s ICA (as stipulated by the U.K. Regulator) in order to calculate a company’s Individual Capital Guidance ("ICG"), which represents the amount of capital a company was required to hold at all times such that there would be no material risk that its policyholder liabilities could not be met as they fell due.

The Solvency II framework directive took effect on January 1, 2016, although our U.K. subsidiaries had been preparing for compliance in the years leading up to its effectiveness. Solvency II sets out new E.U.-wide requirements on capital adequacy and risk management for insurers with the aim of further increasing policyholder protection, instilling greater risk awareness and improving the international competitiveness of E.U. insurers. In place of the ICAS framework, insurers must now comply with a Solvency Capital Requirement ("SCR"), which is calculated using either the Solvency II standard formula or a bespoke internal model. Our non-Lloyd's U.K. companies intend to use the standard formula.

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The U.K. Regulator's rules require our U.K. insurance subsidiaries to obtain regulatory approval for any proposed or actual payment of a dividend. Until January 1, 2016, the U.K. Regulator used the ICG and the estimated SCR when assessing requests to make distributions. From January 1, 2016, the U.K. Regulator uses the SCR, among other tests, when assessing requests to make distributions.

Under the Financial Services and Markets Act of 2000 ("FSMA"), any company or individual (together with its or his concert parties) proposing to directly or indirectly acquire "control" over a U.K. authorized insurance company (which is generally defined as acquiring 10% or more of the shares or voting power in a U.K. authorized insurance company or its parent company) must seek prior approval of the U.K. Regulator of his intention to do so. A person who is already deemed to have "control" will require prior regulatory approval if the person increases the level of "control" beyond 20%, 30% and 50%.

Lloyd's

We participate in the Lloyd's market through our interests in: (i) Atrium's Syndicate 609, which is managed by Atrium Underwriters Limited, a Lloyd's managing agent, and the Atrium corporate member; (ii) StarStone's Syndicate 1301, which is managed by StarStone Underwriting Limited ("SUL"), a Lloyd's managing agent, and the StarStone corporate member; and (iii) Syndicate 2008, a wholly aligned syndicate that has permission to underwrite RITC business and other run-off or discontinued business type transactions with other Lloyd's syndicates, and its corporate member. During 2015, SUL assumed the role of managing agent for Syndicate 2008 in place of Shelbourne Syndicate Services Limited as we streamlined our organizational structure and combined Shelbourne and StarStone resources into one agency.

Our Lloyd's operations are subject to authorization and regulation by the U.K. Regulator and compliance with the Lloyd's Act(s) and Byelaws and regulations, as well as the applicable provisions of the FSMA. The Council of Lloyd's has wide discretionary powers to regulate members' underwriting, and its exercise of these powers might affect the return on an investment of the corporate member in a given underwriting year. This discretion includes the ability to assess up to 3% of a member's underwriting capacity in any one year as a Central Fund contribution.

The underwriting capacity of a member of Lloyd's must be supported by providing a deposit (referred to as "Funds at Lloyd's") in the form of cash, securities or letters of credit in satisfaction of its capital requirement. The amount of the Funds at Lloyd's is assessed annually and is determined by Lloyd's in accordance with applicable capital adequacy rules.

Business plans, including maximum underwriting capacity, for Lloyd's syndicates requires annual approval by the Lloyd's Franchise Board, which may require changes to any business plan or additional capital to support underwriting plans.

In order to achieve finality and to release their capital, Lloyd's members are usually required to have transferred their liabilities through an approved RITC, such as offered by Syndicate 2008. RITC is generally put in place after the third year of a syndicate year of account. On successful conclusion of RITC, any profit from the syndicate for that year of account can be remitted by the managing agent to the syndicate's members.

The Lloyd's market has applied the Solvency II internal model under Lloyd's supervision, and our Lloyd's operations are required to meet Solvency II standards. Effective January 1, 2016, the Society of Lloyd's received approval from the PRA to use its internal model under the Solvency II regime.

Lloyd's approval is required before any person can acquire control of a Lloyd's managing agent or Lloyd's corporate member.

United States

Our insurance and reinsurance companies domiciled in the United States consist of property and casualty companies and life and annuities companies in run-off, as well as StarStone Specialty Insurance Company (a U.S. excess and surplus lines insurer) and StarStone National Insurance Company (a U.S. admitted insurer that is licensed in all 50 states and the District of Columbia). Our U.S. insurers are subject to extensive governmental regulation and supervision by the states in which they are domiciled, licensed and/or eligible to conduct business. The insurance laws and regulations of the state of domicile have the most significant impact on operations. We currently have U.S. insurers domiciled in Illinois, Michigan, New York, South Carolina, Delaware and Rhode Island, with two of these insurers also commercially domiciled in California.

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Generally, regulatory authorities have broad regulatory powers over such matters as licenses, standards of solvency, premium rates, policy forms, marketing practices, claims practices, investments, security deposits, restrictions on size of risks that may be insured under a single policy, methods of accounting, form and content of financial statements, reserves and provisions for unearned premiums, unpaid losses and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations, annual and other report filings, and transactions among affiliates.

U.S. insurers are also required to maintain minimum levels of solvency and liquidity as determined by law, and to comply with risk-based capital requirements and licensing rules. Insurers having less statutory surplus than required by the risk-based capital calculation will be subject to varying degrees of regulatory action. If any of our U.S. insurers were to have risk-based capital levels that are below required levels, they would be subject to increased regulatory scrutiny and control by their domestic and possibly other insurance regulators. As of December 31, 2015, all of our U.S. insurers exceeded their required levels of risk-based capital.

Applicable insurance laws also limit the amount of dividends or other distributions our U.S. insurers can pay to us. The insurance regulatory limitations are generally based on statutory net income and/or certain levels of statutory surplus as determined by the insurer’s state or states of domicile. Generally, prior regulatory approval must be obtained before an insurer may pay a dividend or make a distribution above a specified level.

All states have enacted legislation regulating insurance holding company systems that requires each insurance company in the system to register with the insurance department of its state of domicile and furnish information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system. The NAIC has adopted amendments to the Insurance Holding Company System Regulatory Act and associated regulations, which all states in which our U.S. insurers are domiciled or commercially domiciled have adopted. The amendments provide the regulators with additional tools to evaluate risks to an insurance company within the insurance holding company system. They impose more extensive informational requirements on parents and other affiliates of licensed insurers with the purpose of protecting them from enterprise risk, including requiring an annual enterprise risk report by the ultimate controlling person of the insurers identifying the material risks within the insurance holding company system that could pose enterprise risk to the insurers and requiring a person divesting its controlling interest to make a confidential advance notice filing.

The NAIC has also adopted the Risk Management and Own Risk and Solvency Assessment Model Act, which requires insurers to maintain a risk management framework and establishes a legal requirement for insurers or their insurance group to conduct an Own Risk and Solvency Assessment ("ORSA") in accordance with the NAIC’s ORSA Guidance Manual. The ORSA Model Act has been adopted in all of the states in which our U.S. insurers are domiciled with the exception of South Carolina, and our insurers in these states may become subject to ORSA requirements beginning in 2016 if certain premium thresholds are exceeded. Where applicable, we must regularly conduct an ORSA consistent with the ORSA Model Act, including undertaking an internal risk management review no less often than annually and preparing a summary report assessing the adequacy of risk management and capital in light of our insurers’ current and future business plans.

The Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), represents a comprehensive overhaul of the financial services industry within the United States and, among other things, established the Financial Services Oversight Council and created within the United States Department of the Treasury a Federal Insurance Office. These bodies are authorized to study, monitor and report to Congress on the U.S. insurance industry and the significance of global reinsurance to the U.S. insurance market. The Dodd-Frank Act also authorizes the federal preemption of certain state insurance laws and streamlines the regulation of reinsurance and surplus lines/non-admitted insurance. Many provisions of the Dodd-Frank Act continue to become effective over time, and certain provisions of the Dodd-Frank Act require the implementation of regulations that have not yet been adopted. These regulations may affect our industry and our business.

Before a person can acquire control of a domestic insurer (including a reinsurer) or any person controlling such insurer (including acquiring control of Enstar Group Limited), prior written approval must be obtained from the insurance commissioner of the state in which the domestic insurer is domiciled and, under certain circumstances, from insurance commissioners in other jurisdictions. Generally, state statutes and regulations provide that "control" over a domestic insurer or person controlling a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities or securities convertible into voting securities of the domestic insurer or of a person who controls the domestic insurer.

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One of our Pavonia companies has a Canadian branch operation, which is subject to regulation by the Office of Superintendent of Financial Institutions in Canada. Canadian regulations require compliance with risk-based capital measures and also place certain restrictions on dividends.

Australia

Our Australian regulated insurance entities (which include our insurance subsidiary and our non-operating holding company) are subject to prudential supervision by the Australian Prudential Regulation Authority ("APRA"). APRA is the primary regulatory body responsible for regulating compliance with the Insurance Act 1973. APRA has issued prudential standards that apply to general insurers in relation to capital adequacy, the holding of assets in Australia, risk management, business continuity management, reinsurance management, outsourcing, audit and actuarial reporting and valuation, the transfer and amalgamation of insurance businesses, governance, and the fit and proper assessment of the insurer’s responsible persons.

APRA’s prudential standards require that all insurers maintain and meet prescribed capital adequacy requirements to enable their insurance obligations to be met under a wide range of circumstances.

As of January 1, 2015, APRA introduced revised prudential standards on risk management and governance. These requirements include the need for regulated insurance entities to have a risk management framework that is consistent and integrated with its risk profile and capital strength, supported by a risk management function and subject to comprehensive review. APRA’s proposed risk management enhancements include the requirement that regulated insurance entities have a board risk committee that provides the Board with objective non-executive oversight of the implementation and on-going operation of its risk management framework, and the requirement that regulated insurance entities designate a chief risk officer who is involved in, and provides effective challenge to, activities and decisions that may materially affect the regulated insurance entities’ risk profile. Our Australian regulated insurance entities are compliant with these standards.

An insurer must obtain APRA’s written consent prior to making any capital releases, including any payment of dividends in excess of current year earnings. Our insurance subsidiary must provide APRA a valuation prepared by an appointed actuary that demonstrates that the tangible assets of the insurer, after the proposed capital reduction, are sufficient to cover its insurance liabilities to a 99.5% level of sufficiency of capital before APRA will consent to a capital release or dividend.

Under the Financial Sector (Shareholdings) Act 1998, the interest of an individual shareholder or a group of associated shareholders in an insurer is generally limited to a 15% "stake" of the insurer. A person’s stake is the aggregate of the person’s voting power and the voting power of the person’s associates. A higher percentage limit may be approved by the Treasurer of the Commonwealth of Australia on national interest grounds. Any shareholder of Enstar Group Limited with a "stake" greater than 15% has received approval to hold that stake from the Treasurer of the Commonwealth of Australia.

Europe

In addition to Bermuda, the United Kingdom, Australia and the United States, we have subsidiaries in Switzerland, Ireland and Belgium, as well as StarStone Insurance Europe AG, a Liechtenstein-based company that continues to underwrite new business. Certain of our U.K. entities also have branches in European jurisdictions.

Our Swiss insurance subsidiary is regulated by the Swiss Financial Market Supervisory Authority ("FINMA") pursuant to the Insurance Supervisory Act 2004. This subsidiary is obligated to maintain a minimum solvency margin based on the Swiss Solvency Test regulations as stipulated by the Insurance Supervisory Act. From January 1, 2016, Switzerland has been granted full Solvency II equivalence by the European Commission. The amount of dividends that this subsidiary is permitted to distribute is restricted to freely distributable reserves, which consist of retained earnings, the current year profit and free reserves. Any dividend exceeding the current year profit requires FINMA’s approval. The solvency and capital requirements must continue to be met following any distribution.

Our subsidiaries and branches in European jurisdictions such as Ireland, Belgium and Liechtenstein are regulated in their respective home countries. Typically, such regulation is for the protection of policyholders and ceding insurance companies rather than shareholders. Regulatory authorities generally have broad supervisory and administrative powers over such matters as licenses, standards of solvency, investments, reporting requirements relating to capital structure, ownership, financial condition and general business operations, special reporting and prior approval requirements with respect to certain transactions among affiliates, reserves for unpaid losses and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations

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and annual and other report filings. The application of the Solvency II framework across such European jurisdictions from January 1, 2016 may result in a more uniform approach to regulation.

Other

Through Atrium, we have an agency in Singapore that writes business on behalf of Syndicate 609. Through StarStone, we participate in a separate joint venture in Singapore. We also own two run-off entities in Hong Kong. These Asian operations are not material, but our companies in these countries are subject to applicable regulations.

Available Information

We maintain a website with the address http://www.enstargroup.com. The information contained on our website is not included as a part of, or incorporated by reference into, this filing. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports, as soon as reasonably practicable after the material is electronically filed with or otherwise furnished to the U.S. Securities and Exchange Commission, (the "SEC"). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are also available on the SEC’s website at http://www.sec.gov. In addition, copies of our Code of Conduct and the governing charters for the Audit, Investment, Nominating and Governance, Compensation, and Underwriting and Risk Committees of our Board of Directors are available free of charge on our website. The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

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ITEM 1A. RISK FACTORS

Any of the following risk factors could cause our actual results to differ materially from historical or anticipated results. These risks and uncertainties are not the only ones we face. There may be additional risks that we currently consider not to be material or of which we are not currently aware, and any of these risks could cause our actual results to differ materially from historical or anticipated results.

You should carefully consider these risks along with the other information included in this document, including the matters addressed above under "Cautionary Note Regarding Forward-Looking Statements" before investing in any of our securities. We may amend, supplement or add to the risk factors described below from time to time in future reports filed with the SEC.

Risks Relating to our Insurance Businesses

If we are unable to implement our business strategies successfully, including with respect to our newer active underwriting and Life and Annuities segments, our business, results of operations and financial condition may be materially and adversely affected.

Our future results of operations will depend in significant part on the extent to which we can implement our business strategies successfully, including with respect to our newer active underwriting and Life and Annuities segments, which we have less experience operating. Our ability to develop and execute our business strategies with respect to these businesses and our core non-life run-off business is essential to our success, future growth opportunities, expanded market visibility and increased access to capital.

Our business strategies are described in "Item 1. Business - Business Strategy." We may not be able to implement these strategies or any future strategies fully or realize the anticipated results of our strategies as a result of significant business, economic and competitive uncertainties, many of which are beyond our control. If we are unable to successfully implement our business strategies, we may not be able to achieve future growth in our earnings and our financial condition may suffer and, as a result, holders of our ordinary shares may receive lower returns.

Inadequate loss reserves could reduce our net earnings and capital and surplus, which could have a materially adverse impact on our results of operations and financial condition.

Our success is dependent upon our ability to assess accurately the risks associated with the business we have insured and reinsured. We are required to maintain reserves to cover the estimated ultimate liability for losses and LAE for both reported and unreported incurred claims. These reserves are only estimates for what we consider the settlement and administration of claims will cost based on facts and circumstances known to us, as well as actuarial methodologies, historical industry loss ratio experience, loss development patterns, estimates of future trends and developments and other variable factors such as inflation. We cannot be certain that ultimate losses will not exceed our estimates of losses and LAE because of the uncertainties that surround the estimation process (which are discussed above in "Item 1. Business - Liability for Losses and Loss Adjustment Expense"). As a result, actual losses and LAE paid will deviate, perhaps substantially, from the reserve estimates reflected in our financial statements. If our reserves are insufficient to cover the actual losses and LAE, we would have to augment our reserves and incur a charge to our earnings. These charges could be material and would reduce our net earnings and capital and surplus.

In our non-life run-off businesses, loss reserves include potential asbestos and environmental ("A&E") liabilities. Ultimate values for A&E claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating potential losses for these claims. Factors contributing to the uncertainty include long waiting periods, reporting delays and difficulties identifying contamination sources and allocating damage liability. Developed case law and adequate claim history do not always exist for A&E claims, and changes in the legal and tort environment affect the development of such claims. To further understand this risk, see "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Losses and Loss Adjustment Expenses - Non-Life Run-off - Latent Claims."

In our active underwriting businesses, U.S. GAAP does not permit insurers and reinsurers to reserve for catastrophes until they occur, which means that claims from these events could cause substantial volatility in our financial results for any fiscal quarter or year and could have a material adverse effect on our financial condition and results of operations, as well as our financial strength ratings.

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Our active underwriting businesses present inherent risks and uncertainties which could have a material adverse effect on our business, financial condition and results of operations.

Underwriting is inherently a matter of judgment, involving assumptions about matters that are unpredictable and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. In addition to the risks and uncertainties that impact all of our business segments, our Atrium and StarStone active underwriting businesses expose us to significant risks that could result in under performance of the active underwriting businesses compared to our expectations, which could have a material adverse effect on our business, financial condition and results of operations. Those risks include, but are not limited to:

- exposure to claims arising out of unpredictable natural and man-made catastrophic events (including hurricanes, windstorms, tsunamis, severe weather, earthquakes, floods, fires, droughts, explosions, environmental contamination, acts of terrorism, war or political unrest) and changing climate patterns and ocean temperature conditions;
- failure of our risk management and loss limitation methods (described in "Item 1. Business - Enterprise Risk Management") to adequately manage our loss exposure or provide sufficient protection against losses;
- the intense competition for business in this industry, including competition from major global insurance and reinsurance companies and underwriting syndicates that may have greater experience and resources than our companies or that may be more highly rated than our companies, or competition resulting from industry consolidation;
- dependence on a limited number of brokers, managing general agents and other third parties to support our business, both in terms of the volume of business we rely on them to place and the credit risk we assume from them; and
- susceptibility to the effects of inflation due to premiums being established before the ultimate amounts of losses and LAE are known.

The cyclical nature of the insurance and reinsurance industries may make it more difficult for Atrium and StarStone to operate profitably, which could negatively impact our ability to execute our active underwriting strategies successfully.

The insurance and reinsurance industry has historically been characterized by periods of intense price competition due to excess underwriting capacity, as well as periods of more favorable pricing due to limited underwriting capacity. Periods of favorable pricing attract additional underwriting capacity (by new entrants, market instruments and structures, and additional commitments by existing insurers) that ultimately cause prices to decrease.

Changes in the frequency and severity of losses suffered by insureds and insurers also impact industry cycles. There can be no assurance that we will be able to accurately predict whether market conditions will improve, remain constant or deteriorate. Unfavorable market conditions could lead to a significant reduction in premium rates, impair our ability to underwrite at rates that we consider appropriate given the risk assumed, result in less favorable policy terms and drive fewer submissions for our active underwriting services. These factors could decrease our earnings and cause our results of operations to fluctuate significantly from period to period.

Cyclical market conditions also impact the availability and cost of reinsurance purchased by Atrium and StarStone as part of our risk management strategy. Market conditions may limit or prevent our active underwriting companies from obtaining adequate reinsurance protection for our business needs. If our active underwriting companies are unable to purchase reinsurance, or if reinsurance is available on unfavorable terms or only with less creditworthy reinsurers, we may retain a higher proportion of risks than we would otherwise prefer, incur additional expense, or purchase reinsurance from companies with higher credit risk, or we may underwrite fewer or smaller contracts. Any of these factors could negatively impact our financial performance.

Downgrades of financial strength ratings at StarStone or Lloyd’s could materially and negatively impact our active underwriting business and our company.

Financial strength ratings are an important factor in establishing the competitive position of insurance and reinsurance companies. The StarStone operating insurance entities are currently assigned a financial strength rating of "A-" (Excellent) by A.M. Best with a stable outlook. A ratings downgrade, outlook change or withdrawal could negatively impact StarStone’s competitive position in the industry, and severely limit or prevent StarStone from writing new insurance and reinsurance contracts if policyholders move their business to other more highly-rated companies. Such a change could also inhibit our ability to implement our business and growth strategies successfully. Additionally, many

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of StarStone's reinsurance contracts permit the ceding companies to cancel the contract if StarStone's financial strength rating is downgraded. Whether a ceding company would cancel a reinsurance contract after a ratings downgrade would depend on a number of factors (including the reason for and extent of the downgrade, and the pricing and availability of replacement reinsurance) and, accordingly, we cannot predict the extent to which these cancellation rights would be exercised or what effect any such cancellations would have on our financial condition or results of operations.

Lloyd’s ratings apply to business written through Syndicate 609 (Atrium) and Syndicate 1301 (StarStone). Lloyd’s is rated "A" (Excellent) by A.M. Best, "A+" (Strong) by Standard and Poor’s (or S&P) and "AA-" (Very Strong) by Fitch Ratings. Financial strength ratings downgrades at Lloyd’s could adversely affect our Lloyd’s syndicates’ ability to trade in certain classes of business at current levels.

Emerging claim and coverage issues could adversely affect our business.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the adequacy of our provision for losses and LAE by either extending coverage beyond the envisioned scope of insurance policies and reinsurance contracts, or by increasing the number or size of claims. Our exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation. The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. In some instances, these changes may not become apparent until long after we have acquired or issued the contracts that are affected by the changes. As a result, the full extent of liability under these insurance or reinsurance contracts may not be known for many years after a contract has been issued.

Our life and annuities business is subject to the risk that actual mortality, morbidity, policy persistency, and investment yield may be different than our assumptions and could render our reserves inadequate or cause our results of operations in this business to suffer materially.

The performance of our life and annuities business depends on our ability to manage the run-off successfully and operate the business effectively and efficiently. Our reserves for life and annuity policy benefits are based on certain assumptions, including mortality, morbidity, lapse rates, expenses, and discount rates based on expected yields at acquisition. The adequacy of our reserves is contingent on actual experience related to these key assumptions, which were established at acquisition. Under U.S. GAAP, these assumptions are locked in throughout the life of the contract unless a premium deficiency develops, which means the impact of the difference between assumptions and actual experience is reflected in results of operations in the current reporting period. This involves reducing any asset for Value of Business Acquired ("VOBA") that remains from acquisition until a premium deficiency no longer exists. If a premium deficiency still exists after VOBA has been eliminated, we are required to unlock our reserve assumptions and reset to management’s best estimate to remove the deficiency. These revised assumptions are then locked in and used as the basis for reserve calculations going forward. This could materially and adversely impact our results of operations and financial condition.

Our life insurance subsidiaries have exposure to the risk of catastrophic mortality, such as a pandemic or other event that causes a large number of deaths. In an economic downturn, our life subsidiaries may experience an elevated incidence of lapses of life insurance policies due to increased risk that policyholders may choose to cease paying insurance premiums (resulting in a non-diversified pool of policyholders). Any of these events could adversely affect our results of operations and financial condition.

Risks Relating to Our Acquisitions

There can be no assurance that we will continue to be able to grow our business through acquisitions.

We have pursued and, as part of our strategy, will continue to pursue growth through acquisitions. Since our formation in August 2001, we have acquired over 70 insurance and reinsurance companies and portfolios of insurance and reinsurance business, primarily in our run-off segments, and we expect to continue to make such acquisitions in the future. However, the acquisition and management of companies and portfolios in run-off is highly competitive, and driven by a number of factors, including proposed acquisition price, reputation, and financial resources. Some of our competitors have greater financial resources than we do, have been operating for longer than we have and have established long-term and continuing business relationships throughout the insurance and reinsurance industries, which can be a significant competitive advantage. As a result, we may not be able to compete successfully in the future for suitable acquisition candidates, and if we do not continue to acquire companies, we may not be able to achieve our strategic goals.

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There can be no assurance that our acquisitions of insurance and reinsurance companies will be financially beneficial to us or our shareholders.

The evaluation and negotiation of potential acquisitions, as well as the integration of an acquired business or portfolio, could result in a substantial diversion of management resources. Acquisitions could involve numerous additional risks such as potential losses from unanticipated litigation, levels of claims or other liabilities and exposures, an inability to generate sufficient revenue to offset acquisition costs and financial exposures in the event that the sellers of the entities we acquire are unable or unwilling to meet their indemnification, reinsurance and other obligations to us (if any such obligations are in place).

Our run-off business entails acquiring and managing insurance and reinsurance companies and portfolios of insurance and reinsurance. Unlike traditional insurers and reinsurers, our companies and portfolios in run-off no longer underwrite new policies and are subject to the risk that their stated provisions for losses and LAE, may not be sufficient to cover future losses and the cost of run-off. Because our non-life companies and portfolios in run-off generally no longer collect underwriting premiums, our sources of capital to cover losses are limited to our stated reserves, reinsurance coverage and retained earnings.

To achieve positive operating results from an acquisition, we must first price transactions on favorable terms relative to the risks posed by the acquired businesses and then successfully manage the acquired businesses by efficiently managing claims, collecting from reinsurers and controlling expenses. Failure to do these things successfully could result in us having to cover losses sustained with retained earnings, which would materially and adversely impact our ability to grow our business and may result in material losses.

We may not be able to realize the anticipated benefits of acquisitions, which may result in underperformance relative to our expectations and a material adverse effect on our business, financial condition or results of operations.

The acquisitions we have made and expect to make in the future may pose operational challenges that divert management’s time and energy and expose us to risks relating to:

- funding cash flow shortages that may occur if anticipated revenues are not realized or are delayed, or if expenses are greater than anticipated;
- the value of assets being lower than expected or diminishing because of credit defaults or changes in interest rates, or liabilities assumed being greater than expected;
- integrating financial and operational reporting systems and internal controls, including assurance of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and our reporting requirements under the Securities Exchange Act of 1934, as amended (the "Exchange Act");
- leveraging our existing capabilities and expertise into the business acquired and establishing synergies within our organization;
- funding increased capital needs and overhead expenses;
- integrating technology platforms and managing any increased cyber security risk;
- obtaining and retaining management personnel required for expanded operations;
- fluctuating foreign currency exchange rates relating to the assets and liabilities we may acquire;
- goodwill and intangible asset impairment charges; and
- complying with applicable laws and regulations.

If we are unable to address some or all of these challenges, our acquisitions may underperform relative to our expectations and our business may be materially and adversely affected.

We may not complete future acquisitions within the time frame we anticipate or at all, which could have a negative effect on our business, financial condition or results of operations.

Once we have signed a definitive agreement to acquire a business or portfolio, conditions to closing, such as obtaining regulatory approvals or shareholder approvals, must be met before the acquisition can be consummated.

These and other closing conditions may not be satisfied at all, or may cause a material delay in the anticipated timing of closing. In addition, our ability to complete the acquisition on the originally anticipated terms, or at all, could be jeopardized if a seller receives competing proposals, if litigation is brought challenging the transaction or certain of its terms, or if regulators impose unexpected terms and conditions on the transaction. Failure to consummate an acquisition on the originally anticipated terms, or a significant delay in the closing, could result in significant expense, diversion of time and resources, reputational damage, litigation and a failure to realize the anticipated benefits of the acquisition, all of which could materially adversely impact our business, financial condition and results of operations.

Risks Relating to Liquidity and Capital Resources

We may require additional capital and credit in the future that may not be available or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including acquisition activity, our ability to manage the run-off of our assumed policies, our ability to establish reserves at levels sufficient to cover losses, our underwriting plans, and our obligations to satisfy statutory capital requirements. We may need to raise additional funds through equity or debt financings in the future. Our ability to secure this financing may be affected by a number of factors, including volatility in the worldwide financial markets and the strength of our capital position and operating results. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. In the case of equity financings, dilution to our existing shareholders could result, and any securities that are part of an equity financing may have rights, preferences and privileges that are senior to those of our already outstanding securities. If we cannot obtain adequate capital or credit, our business, results of operations and financial condition could be adversely affected by, among other things, our inability to finance future acquisitions.

Uncertain conditions in the global economy generally may materially adversely affect our business, results of operations and financial condition.

In the event of financial turmoil affecting the global banking system and global financial markets (including the sovereign debt markets), additional consolidation of the financial services industry, or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed maturity, credit, currency, and equity markets. This could have a number of effects on our business, including our ability to obtain financing for future acquisitions. Even if financing is available, it may only be available at an unattractive cost of capital, which would decrease our profitability.

Global and local economic conditions could also affect demand for and claims made under our products, our counter-party credit risk, and the ability of our customers and other counterparties to establish or maintain their relationships with us.

Net investment income and net realized and unrealized gains or losses also could vary materially from expectations depending on gains or losses realized on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in the fair value of financial and derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk that the actual amounts realized in the future on our financial instruments could differ significantly from the fair values currently assigned to them.

Reinsurers may not satisfy their obligations to our insurance and reinsurance subsidiaries, which could result in significant losses or liquidity issues for us.

Our insurance and reinsurance subsidiaries are subject to credit risk with respect to their reinsurers because the transfer of risk to a reinsurer does not relieve our subsidiaries of their liability to the insured. Reinsurance companies may be negatively impacted or downgraded during difficult financial and economic conditions in the worldwide capital markets and economies. In addition, reinsurers may be unwilling to pay our subsidiaries even though they are able to do so, or disputes may arise regarding payment obligations. The failure of one or more of our subsidiaries' reinsurers to honor their obligations in a timely fashion may affect our cash flows, reduce our net earnings or cause us to incur a significant loss. Disputes with our reinsurers may also result in unforeseen expenses relating to litigation or arbitration proceedings. A reinsurer's inability or unwillingness to honor its obligations to Atrium or StarStone may negate the intended risk-reducing impact of our reinsurance purchasing programs.

Exposure to reinsurers who from time to time represent meaningful percentages of our total reinsurance balances recoverable may increase the risks described above. For information on reinsurance balances recoverable, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Reinsurance Balances Recoverable."

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We are a holding company, and we are dependent on the ability of our subsidiaries to distribute funds to us.

We are a holding company and conduct substantially all of our operations through subsidiaries. Our only significant assets are the capital stock of our subsidiaries. As a holding company, we are dependent on distributions of funds from our subsidiaries to fund acquisitions, fulfill financial obligations in the normal course of our business, and pay dividends (in the event we sought to do so). Our subsidiaries may not generate sufficient cash from operations to enable us to make future acquisitions, fulfill other financial obligations or pay dividends.

In addition, the ability of our insurance and reinsurance subsidiaries to make distributions to us is limited by various business considerations and applicable insurance laws and regulations (which are described in "Item 1. Business - Regulation"). These laws and regulations and the determinations by the regulators implementing them may significantly restrict distributions, and, as a result, our overall liquidity. The ability of all of our subsidiaries to make distributions to us may also be restricted by, among other things, other applicable laws and regulations and the terms of our bank loans and our subsidiaries' bank loans.

Fluctuations in currency exchange rates may cause us to experience losses.

We maintain a portion of our investments, insurance liabilities and insurance assets denominated in currencies other than U.S. dollars. Consequently, we and our subsidiaries may experience foreign exchange losses, which could adversely affect our results of operations. We publish our consolidated financial statements in U.S. dollars. Therefore, fluctuations in exchange rates used to convert other currencies, particularly Australian dollars, Canadian dollars, British pounds and Euros, into U.S. dollars will impact our reported financial condition, results of operations and cash flows from year to year.

Our failure to comply with covenants contained in our credit facilities could trigger prepayment obligations, which could adversely affect our results of operations and financial condition.

We and our subsidiaries currently have two outstanding credit facilities: our Revolving Credit Facility and the Sussex Facility. We depend on access to funds from our credit facilities in operating our business. These credit facilities contain various business and financial covenants that impose restrictions on us and certain of our subsidiaries with respect to, among other things, limitations on mergers and consolidations, acquisitions, indebtedness and guarantees, restrictions as to certain dispositions of stock and dividends and stock repurchases, investment constraints and limitations on liens on stock. We may also enter into future credit facilities or other debt arrangements containing similar or different restrictive covenants. Our failure to comply with these covenants could result in an event of default under the credit facilities, which could result in us being required to repay the amounts outstanding under these facilities prior to maturity. These prepayment obligations could have an adverse effect on our results of operations and financial condition.

In addition, complying with these covenants could limit our financial and operational flexibility. Our credit facilities are described in more detail in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Loan Facilities."

Risks Relating to Our Investments

The value of our insurance and reinsurance subsidiaries' investment portfolios and the investment income that our insurance and reinsurance subsidiaries receive from these portfolios may decline materially as a result of market fluctuations and economic conditions, including those related to interest rates and credit spreads.

We derive a significant portion of our income from our invested assets, which consist primarily of investments in fixed maturity securities. The net investment income that our subsidiaries realize from investments in fixed maturity securities will generally increase or decrease in an inverse relationship with changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A rise in interest rates would increase net unrealized losses, which would be offset over time by our ability to earn higher rates of return on funds reinvested. Conversely, a decline in interest rates would decrease net unrealized losses, which would be offset over time by lower rates of return on funds reinvested. The fair market value can also decrease as a result of any downturn in the business cycle that causes the credit quality of those securities to deteriorate. Any such deterioration of credit ratings on our fixed

maturity security investments may result in the need to liquidate these securities in the financial markets. If we are required to liquidate these securities during a period of tightening credit, we may realize a significant loss.
In addition, some of our fixed maturity securities, such as mortgage-backed and other asset-backed securities, carry prepayment risk, or the risk that principal will be returned more rapidly or slowly than expected, as a result of interest rate fluctuations. When interest rates decline, consumers will generally make prepayments on their mortgages, causing us to be repaid more quickly than we might have originally anticipated, meaning that our opportunities to reinvest these proceeds back into the investment markets may be at reduced interest rates (with the converse being true in a rising interest rate environment). Mortgage-backed and other asset-backed securities are also subject to default risk on the underlying securitized mortgages, which would decrease the value of our investments.
The changes in the market value of our securities that are classified as trading or available-for-sale are reflected in our financial statements. Other-than-temporary impairment losses in the value of our fixed maturity securities are also reflected in our financial statements. As a result, a decline in the value of the securities in our investment portfolios may materially reduce our net income and shareholders’ equity, and may cause us to incur a significant loss. For more information on our investment portfolios, see "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Investments."
Our investments in alternative investments may be illiquid and volatile in terms of value and returns, which could negatively affect our investment income and liquidity.
In addition to fixed maturity securities, we have invested, and may from time to time continue to invest, in alternative investments such as private equity funds, fixed income funds, fixed income and multi-strategy hedge funds, equity funds, real estate debt funds and CLO equity funds, as well as direct investments in CLO equities. These and other similar investments may be illiquid due to restrictions on sales, transfers and redemptions, may have different, more significant risk characteristics than our investments in fixed maturity securities and may also have more volatile values and returns, all of which could negatively affect our investment income and liquidity.
Alternative or "other" investments may not meet regulatory admissibility requirements, which may limit our subsidiaries’ ability to make capital distributions to us and, consequently, negatively impact our liquidity. For more information on our alternative investments, see "Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Investments."
The valuation of our investments may include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our financial condition or results of operations.
Fixed maturity and alternative investments, such as private equity funds, fixed income funds, fixed income and multi-strategy hedge funds, equity funds, real estate debt funds and CLO equity funds, as well as direct investments in CLO equities, represent the majority of our total cash and invested assets. Other than fixed maturity securities classified as held-to-maturity and carried at amortized cost, these investments are reported at fair value on our consolidated balance sheet. Fair value prices for all trading and available-for-sale securities in the fixed maturities portfolio are independently provided by our investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. We record the unadjusted price provided by our accounting service providers, managers or custodians, after we perform an internal validation process. Fair value for our alternative investments is estimated based primarily on the most recently reported net asset values reported by the fund manager, which we may adjust following our internal review.
These valuation procedures involve estimates and judgments, and during periods of market disruptions (such as periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity), it may be difficult to value certain of our securities if trading becomes less frequent or market data becomes less observable. In addition, there may be certain asset classes that are now in active markets with significant observable data that become illiquid due to changes in the financial environment. In these cases, the valuation of a greater number of securities in our investment portfolio may require more subjectivity and management judgment. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods that are more sophisticated or require greater estimation, which may result in valuations greater than the value at which the

investments could ultimately be sold. Further, rapidly changing and unpredictable credit and equity market conditions could materially affect the valuation of securities carried at fair value as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our financial condition and results of operations.

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The nature of our business liquidity demands and the structure of our entities' investment portfolios may adversely affect the performance of our investment portfolio and financial results and our investing flexibility.

We strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. Because of the unpredictable nature of losses that may arise under the insurance and reinsurance policies issued by certain of our subsidiaries and as a result of our opportunistic commutation strategy, our liquidity needs can be substantial and may arise at any time. In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile. If we are unsuccessful in managing our investment portfolio within the context of this strategy, we may be forced to liquidate our investments at times and at prices that are not optimal, and we may have difficulty liquidating some of our alternative investments due to restrictions on sales, transfers and redemptions. This could have a material adverse effect on our business and the performance of our investment portfolio.

We maintain each acquired company and portfolio of insurance and reinsurance business in separate stand-alone entities, and therefore, we have many individual portfolios of cash and investments. Each investment portfolio has its own regulatory admissibility requirements, and each run-off entity is likely to have negative operating and financing cash flows due to commutation activity, claims settlements and capital distributions. These factors reduce our overall investing flexibility.

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

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

The actual value of any life settlement contract cannot be determined until the policy matures (i.e., the insured has died and the insurance carrier has paid out the death benefit to the holder). We pay continuing costs to keep the policies in force, primarily life insurance premiums, which increases the carrying amount of the investment. Because we recognize income on individual investments at an amount equal to the excess of the investment proceeds over the carrying amount of the investment at the time the insured dies, the profitability of our life settlements investments is contingent on actual experience relative to the key assumptions we made when the life settlement investment was acquired. If actual experience differs from these assumptions, our carrying value of these investments may increase. The investments are subject to a quarterly impairment review on a contract-by-contract basis. A significant negative difference between the carrying cost of contracts and death benefits expected to be received at maturity of contracts could adversely affect our net investment income and our results of operations.

Risks Relating to Laws and Regulation

Insurance laws and regulations restrict our ability to operate, and any failure to comply with these laws and regulations, or any investigations by government authorities, may have a material adverse effect on our business.

We are subject to the insurance laws and regulations of a number of jurisdictions worldwide. Existing laws and regulations limit the amount of dividends that can be paid to us by our insurance and reinsurance subsidiaries, prescribe solvency and capital adequacy standards, impose restrictions on the amount and type of investments that can be held to meet solvency and capital adequacy requirements, require the maintenance of reserve liabilities, and require pre-approval of acquisitions and certain affiliate transactions. Failure to comply with these laws and regulations or to maintain appropriate authorizations, licenses, and/or exemptions under applicable laws and regulations may cause authorities to preclude or suspend our subsidiaries from carrying on some or all of their activities, place one or more of them into rehabilitation or liquidation proceedings, impose monetary penalties on them, or commence insurance company delinquency proceedings against them. The application of these laws and regulations by various governmental authorities, including authorities outside the United States, may affect our liquidity and restrict our ability to expand our business operations through acquisitions or to pay dividends on our ordinary shares. Furthermore, compliance with

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legal and regulatory requirements may result in significant expenses, which could have a negative impact on our profitability. To further understand these risks, see "Item 1. Business - Regulation."

In addition to legal and regulatory requirements, the insurance and reinsurance industry has experienced substantial volatility as a result of investigations, litigation and regulatory activity by various insurance, governmental and enforcement authorities, including the SEC, concerning certain practices within the insurance and reinsurance industry. Our life insurance subsidiaries may be subject to life industry-specific investigations, including ongoing industry-wide investigations by state attorneys general and other regulators into compliance with unclaimed property laws and practices relating to forced-placed insurance. Insurance and reinsurance companies that we have acquired, or may acquire in the future, may have been or may become involved in these or other investigations and may have lawsuits filed against them. Our involvement in any investigations and related lawsuits would cause us to incur legal costs and, if we or any of our insurance or reinsurance subsidiaries were found to have violated any laws, we could be required to pay fines and damages, perhaps in material amounts.

Political, regulatory and industry initiatives could adversely affect our business by increasing the amount of regulation we face or changing the nature of the regulations that apply to us in operating our insurance businesses or acquiring new insurance businesses.

Increasingly, governmental authorities have taken interest in the potential systemic risks posed by the insurance and reinsurance industry as a whole. The insurance regulatory environment has become subject to increased scrutiny across a number of jurisdictions, and authorities regularly consider enhanced or new regulatory requirements and seek to exercise their supervisory authority in new and more extensive ways. Regulators are generally concerned with the protection of policyholders above other constituencies, including our shareholders. Additional laws and regulations have been and may continue to be enacted in the wake of the recent or future financial and credit crises that may have adverse effects on our operations, financial condition and liquidity. We cannot predict the exact nature, timing or scope of these initiatives; however, we believe it is likely there will be increased regulatory intervention in our industry in the future, and these initiatives could adversely affect our business.

For example, the implementation of Solvency II, an E.U.-wide directive covering the capital adequacy, risk management and regulatory reporting for insurers, requires significant resources to ensure compliance by our E.U. companies. Additionally, if our non-E.U. subsidiaries engage in E.U. insurance or reinsurance business, additional capital requirements may be imposed for such companies to continue to insure or reinsure E.U.-domiciled risk or cedants if their regulatory regime is not deemed to have Solvency II equivalence.

In the United States, the Dodd-Frank Act addresses the entire financial services industry and includes initiatives such as the creation of a Federal Insurance Office and other federal oversight agencies, the requiring of more transparency, accountability and focus in protecting investors and businesses, the input of shareholders regarding executive compensation, and the enhanced empowerment of regulators to punish fraud and unethical business practices. Continued compliance with these laws and regulations is likely to result in additional regulation and additional costs for us.

In many of the jurisdictions in which we operate, including Bermuda, there are increased initiatives relating to group supervision though cooperation and coordination among insurance regulators regardless of an individual company’s domiciliary jurisdiction. As of January 1, 2016, the BMA began acting as our group supervisor, as described in "Item 1. Business - Regulation," which has led to increased regulatory reporting and oversight.

In addition, increased scrutiny by insurance regulators of investments in or acquisitions of insurers or insurance holding companies by private equity firms or hedge funds may result in imposition of additional regulatory requirements and restrictions. We have in the past partnered with private equity firms in making acquisitions and may do so in the future. This increased scrutiny may make it difficult to complete U.S. acquisitions with private equity or hedge funds should we seek to do so. In addition, private equity firms have invested in Enstar and may seek to do so in the future. This increased scrutiny may materially and adversely impact our ability to raise capital through transactions with these types of investors.

Changes in accounting principles and financial reporting requirements could impact our reported financial results and our reported financial condition.

Our financial statements are prepared in accordance with U.S. GAAP, which is periodically revised by the Financial Accounting Standards Board ("FASB"), and they are subject to the accounting-related rules and interpretations of the SEC. We are required to adopt new and revised accounting standards implemented by the FASB.

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Unanticipated developments in accounting practices, for example a convergence of U.S. GAAP with International Financial Reporting Standards ("IFRS"), may require us to incur considerable additional expenses to comply with such developments, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in accounting standards, particularly those that apply to insurance companies, cannot be predicted but may affect the calculation of net earnings, shareholders' equity and other relevant financial statement line items. In addition, such changes may cause additional volatility in reported earnings, decrease the understandability of our financial results and affect the comparability of our reported results with the results of others.

Risks Relating to our Operations

We are dependent on our executive officers, directors and other key personnel and the loss of any of these individuals could adversely affect our business.

Our success substantially depends on our ability to attract and retain qualified employees and upon the ability of our senior management and other key employees to implement our business strategy. We believe that there are only a limited number of available qualified personnel in the businesses in which we compete, and the pool of highly skilled employees available to fill key positions at our companies may fluctuate based on market conditions. We rely substantially upon the services of our executive officers and our subsidiaries' executive officers and directors, as well as our local management teams, to implement our business strategies. The loss of the services of any of our management or other key personnel, or the loss of the services of or our relationships with any of our directors, could have a material adverse effect on our business. Higher demand for employees having desired talents could lead to increased compensation expectations for existing and prospective personnel across our organization, which could also make it difficult to maintain labor expenses at desired levels.

Our directors and executive officers may have ownership interests or other involvement with entities that could compete against us, and conflicts of interest might prevent us from pursuing desirable acquisitions, investments and other business opportunities.

Our directors and executive officers may have ownership interests or other involvement with entities that could compete against us or otherwise have interests that could, at times, be considered potentially adverse to us, either in the pursuit of acquisition targets, investments or in our business operations. We have also participated in transactions in which one or more of our directors or executive officers or their affiliates had an interest, and we may do so in the future. The interests of our directors and executive officers in such transactions or such entities may result in a conflict of interest for those directors and officers.

The Audit Committee of our Board of Directors, which is comprised entirely of independent directors, reviews any material transactions involving a conflict of interest and may take actions as it deems appropriate in the particular circumstances. We may not be able to pursue all advantageous transactions that we would otherwise pursue in the absence of a conflict, in particular if our Audit Committee is unable to determine that any such transaction is on terms as favorable as we could otherwise obtain in the absence of a conflict.

Cybersecurity events or other difficulties with our information security assets could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.

We rely heavily on the successful, uninterrupted functioning of our information technology assets and telecommunications systems, as well as those of any third-party service providers we use. We depend on information technology systems to perform functions critical to our business such as paying claims, performing actuarial and other modeling functions, pricing, quoting and processing policies, cash and investment management, acquisition work and other necessary support functions. A failure of our information technology assets or telecommunications systems could materially impact our ability to perform these functions, affect the confidentiality, availability or integrity of our proprietary information and expose us to litigation and increase our administrative expenses.

Computer viruses, cyber-attacks, and other external hazards, as well as any internal process or employee failures, could expose our information technology assets to security breaches that may cause critical data to be corrupted or confidential or proprietary information to be exposed, or cause system disruptions or shut-downs. In addition to our own information, we receive and may be responsible to protect confidential information from clients and other third parties, which could also be compromised in the event of a security breach. Our active underwriting companies rely on broker portals to bind certain business, and, therefore, a service interruption would negatively impact our ability to write business.

Where we rely on third parties for outsourced functions and other services, our information may be exposed to the risk of a data breach or cyber-security incident through their systems. Although we utilize numerous controls, protections and risk management strategies to attempt to mitigate these risks, and management is not aware of a material cybersecurity incident to date, the sophistication and volume of these security threats continues to increase. The potential consequences of a data breach or cyber-security incident could include claims against us, significant reputational damage to our company, damage to our business as a result of disclosure of proprietary information, and regulatory action against us. Such an incident could cause us to lose business and commit resources, management time and money to remediate these breaches, any of which in turn could have an adverse impact on our business.

If outsourced providers such as third-party administrators, managing general agents, investment managers or other service providers were to breach obligations owed to us, our business and results of operations could be adversely affected.

We outsource certain business functions to third-party providers, and these providers may not perform as anticipated or may fail to adhere to their obligations to us. For example, certain of our subsidiaries rely on relationships with a number of third-party administrators, under contracts pursuant to which these third-party administrators manage and pay claims on our subsidiaries' behalf and advise with respect to case reserves. In these relationships, we rely on controls incorporated in the provisions of the administration agreement, as well as on the administrator's internal controls, to manage the claims process within our prescribed parameters. Our StarStone and Atrium subsidiaries use managing general agents, general agents and other producers to write and administer business on their behalf within underwriting authorities prescribed by StarStone and Atrium. We also rely on external investment managers to provide services pursuant to the terms of our investment management agreements, including following established investment guidelines. Although we monitor these administrators, agents and producers, and managers on an ongoing basis, our monitoring efforts may not be adequate or our service providers could exceed their authorities or otherwise breach obligations owed to us, which, if material, could adversely affect our business and results of operations.

With respect to certain of our subsidiaries' life insurance products, our subsidiaries depend upon the counterparty to an administrative services agreement in order to collect policy premiums and maintain necessary customer data. There is a risk that the counterparty may fail to perform its obligations under the agreement to provide accurate and timely premiums and data, or that we or the counterparty could experience difficulties with the operation of the supporting technology systems. Any of these risks could result in underperformance of our life and annuities business compared to our expectations, and could also have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Ownership of Our Ordinary Shares

Our stock price may experience volatility, thereby causing a potential loss of value to our investors.

The market price for our ordinary shares may fluctuate substantially and could cause investment losses due to, among other things, the following factors:

- announcements with respect to an acquisition or investment;
- changes in the value of our assets;
- our quarterly and annual operating results;
- sales, or the possibility or perception of future sales, by our existing shareholders;
- changes in general conditions in the economy and the insurance industry;
- the financial markets; and
- adverse press or news announcements.

A few significant shareholders may influence or control the direction of our business. If the ownership of our ordinary shares continues to be highly concentrated, it may limit your ability and the ability of other shareholders to influence significant corporate decisions.

We have a number of shareholders with large interests, including several that may be affiliated with members of our Board of Directors. The interests of Messrs. Silvester, O'Shea and Packer, CPPIB, Trident, Akre Capital Management ("Akre Capital"), Beck Mack & Oliver ("Beck Mack") and Goldman, Sachs & Co. and its affiliates ("Goldman Sachs") may not be fully aligned with your interests, and this may lead to a strategy that is not in your best interest. As of December 31, 2015, Messrs. Silvester, O'Shea and Packer (collectively), CPPIB, Trident, Akre Capital, Beck

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Mack and Goldman Sachs beneficially owned approximately 10.7%, 9.3%, 8.4%, 7.3%, 5.7%, and 4.2%, respectively, of our outstanding voting ordinary shares. Goldman Sachs also owns additional non-voting ordinary shares that, together with its voting shares, represented an economic interest of approximately 17.5% as of December 31, 2015. Goldman Sachs owns warrants that, if exercised and combined with its voting and non-voting ordinary shares, would represent an economic interest of approximately 19% as of December 31, 2015. CPPIB owns additional non-voting ordinary shares that, together with its voting shares, represented an economic interest of approximately 9.9% as of December 31, 2015 (which is expected to increase to approximately 13.8% following closing of its definitive agreement to acquire additional voting shares).

Although they do not act as a group, these shareholders may exercise significant influence over matters requiring shareholder approval, and their concentrated holdings may delay or deter possible changes in control of Enstar, which may reduce the market price of our ordinary shares.

Some aspects of our corporate structure may discourage third-party takeovers and other transactions, limit voting rights of certain shareholders to 9.5% or prevent the removal of our board of directors and management.

Some provisions of our bye-laws have the effect of making more difficult or discouraging unsolicited takeover bids from third parties or preventing the removal of our current board of directors and management. In particular, our bye-laws make it difficult for any U.S. shareholder or Direct Foreign Shareholder Group (a shareholder or group of commonly controlled shareholders of Enstar that are not U.S. persons) to own or control ordinary shares that constitute 9.5% or more of the voting power of all of our ordinary shares. The votes conferred by such shares will be reduced by whatever amount is necessary so that after any such reduction the votes conferred by such shares will constitute 9.5% of the total voting power of all ordinary shares entitled to vote generally. The primary purpose of this restriction is to reduce the likelihood that we or any of our non-U.S. subsidiaries will be deemed a "controlled foreign corporation" within the meaning of Internal Revenue Code of 1986, as amended (the "Code") for U.S. federal tax purposes. However, this limit may also have the effect of deterring purchases of large blocks of our ordinary shares or proposals to acquire us, even if some or a majority of our shareholders might deem these purchases or acquisition proposals to be in their best interests. In addition, our bye-laws provide for a classified board, whose members may be removed by our shareholders only for cause by a majority vote, and contain restrictions on the ability of shareholders to nominate persons to serve as directors, submit resolutions to a shareholder vote and request special general meetings.

These bye-law provisions make it more difficult to acquire control of us by means of a tender offer, open market purchase, proxy contest or otherwise. These provisions may encourage persons seeking to acquire control of us to negotiate with our directors, which we believe would generally best serve the interests of our shareholders. However, these provisions may have the effect of discouraging a prospective acquirer from making a tender offer or otherwise attempting to obtain control of us. In addition, these bye-law provisions may prevent the removal of our current board of directors and management. To the extent these provisions discourage takeover attempts, they may deprive shareholders of opportunities to realize takeover premiums for their shares or may depress the market price of the shares.

There are regulatory limitations on the ownership and transfer of our ordinary shares.

Insurance laws and regulations in the jurisdictions in which our insurance and reinsurance subsidiaries operate require prior notices or regulatory approval of changes in control of an insurer or its holding company. Different jurisdictions define changes in control differently, and generally any purchaser of 10% or more of our ordinary shares could become subject to regulation and be required to file certain notices and reports with the applicable insurance authorities. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us, including transactions that some shareholders might consider to be desirable.

The market value of our ordinary shares may decline if large numbers of shares are sold, including pursuant to existing registration rights.

We have several registration rights agreements in place with certain of our shareholders, primarily including Mr. Silvester, CPPIB, Trident, Goldman Sachs and Corsair Capital. These agreements include demand registration rights pursuant to which these shareholders may require that we register certain of their ordinary shares under the Securities

Act of 1933, as amended (the "Securities Act"), on up to an aggregate of eight occasions. All of these investors also have "piggyback" registration rights with respect to our registration of voting ordinary shares for our own account or for the account of one or more of our shareholders. As of December 31, 2015, an aggregate of approximately 8 million ordinary shares (approximately 3.1 million of which are non-voting ordinary shares) are subject to these registration rights agreements.

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By exercising their registration rights, these holders could cause a large number of ordinary shares to be registered and generally become freely tradable without restrictions under the Securities Act immediately upon the effectiveness of the registration. Our ordinary shares have in the past been, and may from time to time continue to be, thinly traded, and significant sales, pursuant to the existing registration rights or otherwise, could adversely affect the market price for our ordinary shares and impair our ability to raise capital through offerings of our equity securities.

Because we are incorporated in Bermuda, it may be difficult for shareholders to serve process or enforce judgments against us or our directors and officers.

We are a Bermuda company. In addition, certain of our officers and directors reside in countries outside the United States. All or a substantial portion of our assets and the assets of these officers and directors are or may be located outside the United States. Investors may have difficulty effecting service of process within the United States on our directors and officers who reside outside the United States or recovering against us or these directors and officers on judgments of U.S. courts based on civil liabilities provisions of the U.S. federal securities laws even though we have appointed an agent in the United States to receive service of process. Further, no claim may be brought in Bermuda against us or our directors and officers for violation of U.S. federal securities laws, as such laws do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

We believe that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as our independent auditors, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us or these persons predicated solely upon U.S. federal securities laws. Further, there is no treaty in effect between the United States and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against us based upon such judgments.

Shareholders who own our ordinary shares may have more difficulty in protecting their interests than shareholders of a U.S. corporation.

The Bermuda Companies Act (the "Companies Act"), which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. As a result of these differences, shareholders who own our shares may have more difficulty protecting their interests than shareholders who own shares of a U.S. corporation. For example, class actions and derivative actions are generally not available to shareholders under Bermuda law. Under Bermuda law, only shareholders holding collectively 5% or more of our outstanding ordinary shares or numbering 100 or more are entitled to propose a resolution at our general meeting.

We do not intend to pay cash dividends on our ordinary shares.

We do not intend to pay a cash dividend on our ordinary shares. Rather, we intend to use any retained earnings to fund the development and growth of our business. From time to time, our board of directors will review our alternatives with respect to our earnings and seek to maximize value for our shareholders. In the future, we may decide to commence a dividend program for the benefit of our shareholders. Any future determination to pay dividends will be at the discretion of our board of directors and will be limited by our position as a holding company that lacks direct operations, the results of operations of our subsidiaries, our financial condition, cash requirements and prospects and other factors that our board of directors deems relevant. In addition, there are significant regulatory and other constraints that could prevent us from paying dividends in any event. As a result, capital appreciation, if any, on our ordinary shares may be your sole source of gain for the foreseeable future.

Our board of directors may decline to register a transfer of our ordinary shares under certain circumstances.

Our board of directors may decline to register a transfer of ordinary shares under certain circumstances, including if it has reason to believe that any non-de minimis adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders may occur as a result of such transfer. Further, our bye-laws provide us with the option to repurchase, or to assign to a third party the right to purchase, the minimum number of shares necessary to eliminate any such non-de minimis adverse tax, regulatory or legal consequence. In addition, our board of directors may decline to approve or register a transfer of shares unless all applicable consents, authorizations, permissions or approvals of any governmental body or agency in Bermuda, the United States, the United Kingdom or any other

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applicable jurisdiction required to be obtained prior to such transfer shall have been obtained. The proposed transferor of any shares will be deemed to own those shares for dividend, voting and reporting purposes until a transfer of such shares has been registered on our shareholders register.

It is our understanding that while the precise form of the restrictions on transfer contained in our bye-laws is untested, as a matter of general principle, restrictions on transfers are enforceable under Bermuda law and are not uncommon. These restrictions on transfer may also have the effect of delaying, deferring or preventing a change in control.

Risks Relating to Taxation

We might incur unexpected U.S., U.K. or Australia tax liabilities if companies in our group that are incorporated outside those jurisdictions are determined to be carrying on a trade or business there.

We and a number of our subsidiaries are companies formed under the laws of Bermuda or other jurisdictions that do not impose income taxes; it is our contemplation that these companies will not incur substantial income tax liabilities from their operations. Because the operations of these companies generally involve, or relate to, the insurance or reinsurance of risks that arise in higher tax jurisdictions, such as the United States, United Kingdom and Australia, it is possible that the taxing authorities in those jurisdictions may assert that the activities of one or more of these companies creates a sufficient nexus in that jurisdiction to subject the company to income tax there. There are uncertainties in how the relevant rules apply to insurance businesses, and in our eligibility for favorable treatment under applicable tax treaties. Accordingly, it is possible that we could incur substantial unexpected tax liabilities.

U.S. persons who own our ordinary shares might become subject to adverse U.S. tax consequences as a result of "related person insurance income," if any, of our non-U.S. insurance company subsidiaries.

For any of our wholly-owned non-U.S. insurance company subsidiaries, if (1) U.S. persons are treated as owning 25% or more of our shares, (2) the related person insurance income ("RPII") of that subsidiary were to equal or exceed 20% of its gross insurance income in any taxable year, and (3) direct or indirect insureds of that subsidiary (and persons related to such insureds) own (or are treated as owning) 20% or more of the voting power or value of our shares, then a U.S. person who owns our shares directly, or indirectly through non-U.S. entities, on the last day of the taxable year would be required to include in income for U.S. federal income tax purposes that person's pro rata share of the RPII of such a non-U.S. insurance company for the entire taxable year, whether or not any such amounts are actually distributed. (In the case of any of our partially-owned non-U.S. insurance company subsidiaries, the RPII provisions apply similarly, except that the percentage share ownership thresholds described in the preceding sentence are measured in terms of indirect ownership of the subsidiary’s shares rather than in terms of ownership of our shares.) Moreover, if the RPII rules of the Code were to apply to any of our non-U.S. insurance company subsidiaries, any RPII that is includible in the income of a U.S. tax-exempt organization would generally be treated as unrelated business taxable income. Although we and our subsidiaries intend to operate generally in a manner so as to avoid exceeding the foregoing thresholds for application of the RPII rules, there can be no assurance that this will always be the case. Accordingly, there can be no assurance that U.S. persons who own our ordinary shares will not be required to recognize gross income inclusions attributable to RPII.

In addition, the RPII rules provide that if a shareholder who is a U.S. person disposes of shares in a foreign insurance company that has RPII and in which U.S. persons collectively own 25% or more of the total combined voting power of all classes of stock entitled to vote, or the total value of the stock, any gain from the disposition will generally be treated as dividend income to the extent of the shareholder’s share of the corporation’s undistributed earnings and profits that were accumulated during the period that the shareholder owned the shares (whether or not those earnings and profits are attributable to RPII). Such a shareholder would also be required to comply with certain reporting requirements, regardless of the amount of shares owned by the shareholder. These rules should not apply to dispositions of our ordinary shares because we will not be directly engaged in the insurance business. The RPII rules have not been interpreted by the courts or the U.S. Internal Revenue Service (the "IRS") and regulations interpreting the RPII rules exist only in proposed form. Accordingly, there is no assurance that our views as to the inapplicability of these rules to a disposition of our ordinary shares will be accepted by the IRS or a court.

U.S. persons who own our ordinary shares would be subject to adverse tax consequences if we were considered a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes.

We believe that we will not be a PFIC for U.S. federal income purposes for the current year. In particular, we believe that the income of our non-U.S. subsidiaries that are insurance companies is derived in the "active conduct of an insurance business" by corporations that are predominately engaged in such business, and that this is also the

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case for us when the operations of our subsidiaries are considered as a whole, under the look-through rules applicable to foreign holding companies. Moreover, we do not expect to conduct our activities in a manner that will cause us to become a PFIC in the future. However, there can be no assurance that the IRS will not challenge this position or that a court will not sustain such challenge. Accordingly, it is possible that we might be deemed a PFIC by the IRS or a court for the current year or any future year. If we were a PFIC, it could have material adverse tax consequences for an investor that is subject to U.S. federal income taxation, including subjecting the investor to a substantial acceleration and/or increase in tax liability.

There are currently no final regulations regarding the application of the PFIC provisions of the Code to an insurance company, so the application of those provisions to insurance companies remains unclear in certain respects. The IRS issued proposed regulations on this subject in April 2015, which, if finalized as proposed, might be construed to cause us to be treated as a PFIC. In response to the proposed regulations, comments have been submitted to the IRS on behalf of Bermuda-based insurance holding companies and others, requesting changes and clarifications to the proposed regulations so that a holding company with our structure will not be considered a PFIC. There is no assurance that the regulations will be finalized in a manner that clearly accommodates our existing structure.

U.S. persons who own 10 percent or more of our shares may be subject to taxation under the "controlled foreign corporation" ("CFC") rules.

A U.S. person that is a "10% U.S. Shareholder" of a non-U.S. corporation (i.e., a U.S. person who owns or is treated as owning at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation) that is a CFC for an uninterrupted period of 30 days or more during a taxable year, that owns shares in the CFC directly or indirectly through non-U.S. entities on the last day of the CFC's taxable year, must include in gross income for U.S. federal income tax purposes the person's pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. "Subpart F income" of a non-U.S. insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income) other than, under certain circumstances, income from insuring non-U.S. risks.

A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities, or by attribution by application of the constructive ownership rules of section 958(b) of the Code (i.e., "constructively")) more than 50% of the total combined voting power of all classes of stock of that foreign corporation, or the total value of all stock of that foreign corporation. For purposes of taking into account insurance income, a CFC also may include a non-U.S. insurance company that has more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) owned directly, indirectly through non-U.S. entities, or constructively by 10% U.S. Shareholders on any day during the corporation's taxable year.

We believe that because of the dispersion of our share ownership, and provisions in our organizational documents that limit voting power, no U.S. person (including our subsidiary Enstar USA, Inc., which owns certain of our non-voting shares) should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total combined voting power of all classes of our shares. However, the IRS could challenge the effectiveness of these provisions in our organizational documents. Accordingly, no assurance can be given that a U.S. person who owns our shares will not be characterized as a 10% U.S. Shareholder.

Changes in U.S. federal income tax law could materially affect us or our shareholders.

Legislation has been proposed on various occasions to eliminate perceived tax advantages of insurance companies that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation has been proposed to disallow the deduction of reinsurance premiums paid by U.S. companies to certain non-U.S. affiliates, although no such provision has been enacted to date. It is possible that such legislation could be enacted or similar legislation could be introduced in and enacted by the current Congress or future Congresses and enactment of some version of such legislation, or other changes in U.S. tax laws, regulations or interpretations thereof, could have an adverse impact on us or our shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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ITEM 2. PROPERTIES

We lease office space in Hamilton, Bermuda, where our principal executive office is located. We also lease office space in a number of U.S. states, the United Kingdom, Australia, Ireland, Switzerland, Canada, India, Singapore and several Continental European countries.

We renew and enter into new leases in the ordinary course of our business. We believe that this office space is sufficient for us to conduct our current operations for the foreseeable future, although in connection with future acquisitions from time to time, we may expand to different locations or increase space to support any such growth.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see "Note 21 - Commitments and Contingencies" in the notes to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our ordinary shares trade on the NASDAQ Global Select Market under the ticker symbol "ESGR".

Market and Dividend Information

On February 25, 2016, the last reported sale price for our shares was $159.00 per share. The price range per ordinary share presented below represents the highest and lowest sale prices for our ordinary shares on the NASDAQ Global Select Market during the quarterly periods indicated:

	2015		2014	
	High	Low	High	Low
First Quarter	$152.91	$133.35	$141.64	$119.82
Second Quarter	$161.24	$139.36	$152.47	$127.31
Third Quarter	$166.40	$143.63	$153.74	$136.31
Fourth Quarter	$161.97	$145.73	$161.94	$135.05

Enstar has not historically declared a dividend. Our strategy is to retain earnings and invest distributions from our subsidiaries back into the company. We do not currently expect to pay any dividends on our ordinary shares. Any payment of dividends must be approved by our Board of Directors. Our ability to pay dividends is subject to certain restrictions, as described in "Note 20 - Dividend Restrictions and Statutory Requirements" in the notes to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

Holders

On February 25, 2016 there were 1,902 shareholders of record of our voting ordinary shares and 6 shareholders of record of our non-voting ordinary shares. The number of shareholders of record of our voting ordinary shares does not represent the actual number of beneficial owners of our voting ordinary shares because shares are frequently held in "street name" by securities dealers and others for the benefit of beneficial owners who may vote the shares.

Issuer Purchases of Equity Securities

None.

Performance Graph

The following performance graph compares the cumulative total return on our ordinary shares with the cumulative total return on the NASDAQ Composite Index and the NASDAQ Insurance Index for the period that commenced December 31, 2010 and ended on December 31, 2015. The performance graph shows the value as of December 31 of each calendar year of $100 invested on December 31, 2010 in our ordinary shares, the NASDAQ Composite Index, and the NASDAQ Insurance Index assuming the reinvestment of dividends. Returns have been weighted to reflect relative market capitalization. This information is not necessarily indicative of future returns.

	Indexed Returns* for Years Ended December 31,					
	2010	2011	2012	2013	2014	2015
Enstar Group Limited	100.00	116.10	132.40	164.24	180.76	177.39
NASDAQ Composite Index	100.00	100.53	116.92	166.19	188.78	199.95
NASDAQ Insurance Index	100.00	103.11	119.30	159.38	176.36	190.89

*$100 invested on December 31, 2010 in stock or index, including reinvestment of dividends.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected historical financial information for each of the past five fiscal years has been derived from our audited historical financial statements. This information is only a summary and should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included in Item 8 of this Annual Report on Form 10-K. The results of operations for historical accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

Since our inception, we have made numerous acquisitions of companies and portfolios of business that impact the comparability between periods of the information reflected below. In particular, our 2015 acquisitions of Alpha, the life settlement companies of Wilton Re, and Sussex, our 2014 acquisition of StarStone and our 2013 acquisitions of SeaBright, Pavonia, Arden and Atrium impact comparability to other periods, including with respect to net premiums earned. Our acquisitions and significant new business are described in "Item 1. Business - Recent Acquisitions and Significant New Business" and Notes 3 and 4 of our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands of U.S. dollars, except share and per share data)				
Statements of Earnings Data:					
Net premiums earned	$839,071	$646,450	$239,807	$3,511	$3,543
Fees and commission income	35,905	33,079	12,817	8,570	17,858
Net investment income	157,654	101,406	89,920	68,864	60,848
Net realized and unrealized gains (losses)	(41,252)	62,619	70,651	73,612	9,214
Gain on bargain purchase	—	—	—	—	13,105
Net incurred losses and loss adjustment expenses	(104,333)	(9,146)	163,672	237,953	293,461
Life and annuity policy benefits	(96,926)	(108,046)	(78,354)	300	(1,557)
Acquisition costs	(177,430)	(132,573)	(23,199)	—	—
Total other expenses, net	(402,348)	(366,553)	(251,492)	(201,291)	(188,014)
Net earnings	210,341	227,236	223,822	191,519	208,458
Less: Net loss (earnings) attributable to noncontrolling interests	9,950	(13,487)	(15,218)	(23,502)	(54,765)
Net earnings attributable to Enstar Group Limited	$220,291	$213,749	$208,604	$168,017	$153,693
Per Ordinary Share Data: (1)					
Net earnings per share attributable to Enstar Group Limited ordinary shareholders — basic	$11.44	$11.61	$12.62	$10.22	$11.03
Net earnings per share attributable to Enstar Group Limited ordinary shareholders — diluted	$11.35	$11.44	$12.49	$10.10	$10.81
Weighted average ordinary shares outstanding — basic	19,252,072	18,409,069	16,523,369	16,441,461	13,930,221
Weighted average ordinary shares outstanding — diluted	19,407,756	18,678,130	16,703,442	16,638,021	14,212,440

(1) Earnings per share is a measure based on net earnings divided by weighted average ordinary shares outstanding. Basic earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average

number of ordinary shares outstanding for the period, giving no effect to dilutive securities. Diluted earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of shares and share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.

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	December 31,				
	2015	2014	2013	2012	2011
	(in thousands of U.S. dollars, except per share data)				
Balance Sheet Data:					
Total investments	$7,454,355	$6,004,149	$5,519,798	$3,352,875	$3,335,199
Total cash and cash equivalents (inclusive of restricted)	1,333,264	1,498,376	1,041,498	954,855	1,223,665
Reinsurance balances recoverable	1,474,004	1,331,555	1,363,819	1,122,919	1,789,582
Total assets	11,832,132	9,936,885	8,620,155	5,878,261	6,606,138
Losses and loss adjustment expense liabilities	5,720,149	4,509,421	4,219,905	3,650,127	4,272,081
Policy benefits for life and annuity contracts	1,304,697	1,220,864	1,273,100	11,027	10,835
Loans payable	600,250	320,041	452,446	107,430	242,710
Total Enstar Group Limited shareholders’ equity	2,516,872	2,304,850	1,755,523	1,553,755	1,386,066
Book Value per Share:(1)					
Basic	$130.65	$120.04	$106.21	$94.29	$84.56
Diluted	$129.65	$119.22	$105.20	$93.30	$82.97
Shares Outstanding:					
Basic	19,263,742	19,201,017	16,528,343	16,477,809	16,391,076
Diluted	19,714,810	19,332,864	16,707,115	16,653,120	16,705,767

(1) Basic book value per share is calculated as total Enstar Group Limited shareholders’ equity available to ordinary shareholders divided by the number of ordinary shares outstanding as at the end of the period, giving no effect to dilutive securities. Diluted book value per share is calculated as total Enstar Group Limited shareholders’ equity available to ordinary shareholders plus the assumed proceeds from the exercise of both restricted shares and outstanding warrants divided by the sum of the number of ordinary shares and ordinary share equivalents and warrants outstanding at the end of the period.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. Some of the information contained in this discussion and analysis or included elsewhere in this annual report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Cautionary Statement Regarding Forward-Looking Statements", "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K.

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Business Overview

We are a Bermuda-based holding company with a core focus of acquiring and managing insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off, and providing management, consulting and other services to the insurance and reinsurance industry. We operate our business internationally through our insurance and reinsurance subsidiaries and our consulting subsidiaries in Bermuda, the United States, the United Kingdom, Continental Europe, Australia, and other international locations.

Until 2013, all but one of our acquisitions had been in the non-life run-off business, which for us generally includes property and casualty, workers' compensation, asbestos and environmental, construction defect, marine, aviation and transit, and other closed business.

While our core focus remains acquiring and managing non-life run-off business, in recent years, we expanded our business to include active underwriting through our acquisitions of Atrium and StarStone. We partnered with Trident in the Atrium and StarStone acquisitions, with Enstar owning a 59.0% interest, Trident owning a 39.3% interest, and Dowling owning a 1.7% interest. We also expanded our portfolio of run-off businesses to include closed life and annuities, primarily through our acquisition of Pavonia from HSBC Holdings plc on March 31, 2013.

Our strategies with respect to these new lines of business and our core non-life run-off business are discussed in "Item 1. Business - Company Overview", "- Business Strategy", and "- Recent Acquisitions and Significant New Business."

Key Performance Indicator

Our primary corporate objective is growing our fully diluted book value per share. This is driven primarily by growth in our net earnings, which is in turn driven in large part by successfully completing new acquisitions, effectively managing companies and portfolios of business that we have acquired, and executing on our active underwriting strategies. The drivers of our book value growth are discussed in "Item 1. Business - Business Strategy."

During the year ended December 31, 2015, we increased our book value per share on a fully diluted basis by 8.7% to $129.65 per share. The increase was primarily attributable to net earnings of $220.3 million, partially offset by other comprehensive loss of $22.5 million attributable to Enstar Group Limited. See "Item 6. Selected Financial Data" herein for the computation of fully diluted book value per share.

The growth of our fully diluted book value per share since becoming a public company is shown in the table below.

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Current Outlook

Run-off

Our business strategy includes generating growth through acquisitions and reinsurance transactions, particularly in our Non-life Run-off segment. Our non-life run-off reserves were $4.6 billion as at December 31, 2015, an increase of $1.2 billion during 2015, and we continue to evaluate opportunities for future growth. Most recently, on February 17, 2016, we entered into an agreement to assume net reserves of $1.1 billion from Allianz SE ("Allianz"); we will also provide consulting services to Allianz on this portfolio of business. Our reserves for policyholder benefits in our life and annuities segment were $1.3 billion as at December 31, 2015, having recently acquired approximately $117.2 million of reserves through our purchase of Belgium-based Nationale Suisse Assurance S.A., which we renamed Alpha Insurance SA ("Alpha"). We will continue to employ a disciplined approach when assessing, acquiring or managing portfolios of risk.

We manage claims in a professional and disciplined manner, drawing on our global team of in-house claims management experts as we aim to proactively manage risks and claims efficiently. We employ an opportunistic commutation strategy in which we negotiate with policyholders and claimants with a goal of commuting or settling existing insurance and reinsurance liabilities at a discount to the ultimate liability and also to avoid unnecessary or expensive legal and other associated run-off fees and expense.

As a result of the number of transactions we have completed over the years, we have a complex organizational structure consisting of numerous licensed entities across many jurisdictions. In managing our group, we look for opportunities to simplify our legal structure by way of company amalgamations and mergers, reinsurance, or other transactions in order to improve capital efficiency and decrease ongoing compliance and operational costs over time. In addition, we seek to pool risk in areas where we maintain the expertise to manage such risk to achieve operational efficiencies, which will allow us to most efficiently manage our assets and to achieve capital diversification benefits.

Underwriting

Our underwriting results can be affected by changes in premium rates, significant losses, development of prior year loss reserves and current year underwriting margins. In general, our expectation for 2016 is that underwriting margins will be flat or lower than in 2015, with premium rates expected to be impacted by both market and general economic conditions. We continue to see overcapacity in many markets for insurable risks, resulting in continued pressure on premium rates and terms and conditions. If general economic conditions worsen, a decrease in the level of economic activity may impact insurable risks and our ability to write premium that is acceptable to us. We may adjust our level of reinsurance to maintain an amount of net exposure that is aligned with our risk tolerance.

Our strategy is to maintain our disciplined underwriting approach and strong risk management practices, which may result in us writing less premium in certain lines of business than we wrote in 2015. However, we will seek to mitigate these challenging conditions through our diversified book of business, established distribution channels and geographic reach. We will continue to seek growth in certain areas where we have identified opportunities for expansion and the opportunity for increases in premium rates. In addition, our underwriting operations are well-positioned to capture profitable active business from our run-off transactions, where such business is in attractive specialty lines. In both our Atrium and StarStone segments we will maintain our focus on underwriting for profitability. In our StarStone segment we aim to continue reducing our expense base and generating operational efficiencies through ongoing integration into Enstar's operations.

Investments

We expect to maintain our investment strategy, which emphasizes the preservation of our assets, credit quality, and diversification. We will continue to seek superior risk-adjusted returns, by allocating a portion of our portfolio to non-investment grade securities or alternative investments in accordance with our investment guidelines. In the near-term, we expect to maintain a relatively short average effective duration, except in our Life and Annuities segment where we maintain a longer duration than our other segments.

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Net investment income is a significant component of our earnings. We are in a period of considerable market uncertainty in which we see fully priced asset valuations across many asset classes compared to historical averages and deteriorating underlying company fundamentals in certain classes. If investment conditions or general economic conditions worsen during 2016, we may experience further pressure on our investment yields and realized or unrealized losses on investments could materialize. For further discussion of our investments, see "Investments" below.

Non-GAAP Financial Measures

In presenting our results for the Atrium and StarStone segments, we discuss the loss ratio, acquisition cost ratio, other operating expense ratio, and the combined ratio of our active underwriting operations within these segments. While we consider these measures to be non-GAAP, management believes that these ratios provide the most meaningful measure for understanding our underwriting profitability. These non-GAAP measures may be defined or calculated differently by other companies. There are no comparable GAAP measures to our insurance ratios.

The loss ratio is calculated by dividing net incurred losses and LAE by net premiums earned. The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned. The other operating expense ratio is calculated by dividing other operating expenses by net earned premiums. The combined ratio is the sum of the loss ratio, the acquisition cost ratio and the other operating expense ratio. The ratios exclude expenses related to the holding companies, which we believe is the most meaningful presentation because these expenses are not incremental and/or directly related to the individual underwriting operations.

In the loss ratio, the excluded net premiums earned and net incurred losses and LAE of the holding companies relate to the amortization of our fair value adjustments associated with the liabilities for unearned premiums and losses and LAE acquired on acquisition date. Fair value purchase accounting adjustments established at date of acquisition are recorded by the holding companies.

In Atrium's other operating expense ratio, the excluded holding company general and administrative expenses relate to amortization of the definite-lived intangible assets. The excluded salaries and benefits expenses relate to AUL managing agency employee salaries, benefits, bonuses and current year share grant costs. The excluded AUL general and administrative expenses relate to expenses incurred in managing the syndicate, and eliminated items represent Atrium 5's share of the fees and commissions paid to AUL. We believe it is a more meaningful presentation to exclude the costs in managing the syndicate because they are principally funded by the profit commission fees earned from Syndicate 609, which is a revenue item not included in the insurance ratios.

In StarStone's other operating expense ratio for 2015, the excluded general and administrative expenses relate to the amortization of the definite-lived intangible assets, and acquisition-related expenses, in each case recorded at the holding company level. In StarStone's other operating expense ratio for 2014, the excluded general and administrative expenses relate to management fee expenses charged by our Non-life Run-off segment primarily related to our costs incurred in managing StarStone, the amortization of the definite-lived intangible assets, and acquisition-related expenses, in each case recorded at the holding company level.

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Consolidated Results of Operations - For the Years Ended December 31, 2015, 2014 and 2013

The following table sets forth our consolidated statements of earnings for each of the periods indicated. For a discussion of the critical accounting policies that affect the results of operations, see "Critical Accounting Policies" below.

	Years Ended December 31,		
	2015	2014	2013
	(in thousands of U.S. dollars)		
INCOME			
Net premiums earned	$839,071	$646,450	$239,807
Fees and commission income	35,905	33,079	12,817
Net investment income	157,654	101,406	89,920
Net realized and unrealized gains (losses)	(41,252)	62,619	70,651
Other income	38,019	15,963	3,375
	1,029,397	859,517	416,570
EXPENSES			
Net incurred losses and LAE	104,333	9,146	(163,672)
Life and annuity policy benefits	96,926	108,046	78,354
Acquisition costs	177,430	132,573	23,199
Salaries and benefits	238,588	211,222	124,616
General and administrative expenses	161,013	141,270	86,612
Interest expense	19,403	12,922	12,389
Net foreign exchange losses (gains)	3,545	5,960	(4,369)
	801,238	621,139	157,129
EARNINGS BEFORE INCOME TAXES	228,159	238,378	259,441
INCOME TAXES	(17,818)	(11,142)	(35,619)
NET EARNINGS	210,341	227,236	223,822
Less: Net loss (earnings) attributable to noncontrolling interest	9,950	(13,487)	(15,218)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$220,291	$213,749	$208,604

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

	Years Ended December 31,		
	2015	2014	2013
	(in thousands of U.S. dollars)		
Segment split of net earnings attributable to Enstar Group Limited:			
Non-life Run-off	$173,216	$203,282	$199,873
Atrium	16,558	10,431	5,237
StarStone	13,664	(10,553)	(1,544)
Life and Annuities	16,853	10,589	5,038
Net earnings attributable to Enstar Group Limited	$220,291	$213,749	$208,604

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Highlights

Consolidated Results of Operations for the Year Ended December 31, 2015

- Consolidated net earnings of $220.3 million and basic and diluted earnings per share of $11.44 and $11.35, respectively
- Net earnings from Non-life Run-off and Life and Annuities segments of $173.2 million and $16.9 million, respectively
- Net premiums earned of $839.1 million, including $573.1 million and $134.7 million in our StarStone and Atrium segments
- Combined ratios of 98.6% and 81.5% for the active underwriting operations within our StarStone and Atrium segments, respectively (refer to "Non-GAAP Financial Measures" above)
- Net investment income of $157.7 million, partially offset by net realized and unrealized losses of $41.3 million

Consolidated Financial Condition as at December 31, 2015

- Total investments and cash of $8,787.6 million
- Total reinsurance balances recoverable of $1,474.0 million
- Total assets of $11,810.1 million
- Shareholder's equity of $2,516.9 million and redeemable noncontrolling interest of $417.7 million.
- Total gross reserves for losses and LAE of $5,720.1 million, with $1,515.0 million of reserves acquired and assumed in our non-life run-off operations during 2015
- Policy benefits for life and annuity contracts of $1,304.7 million
- Diluted book value per common share of $129.65

Consolidated Overview

2015 versus 2014: We reported consolidated net earnings attributable to Enstar Group Limited shareholders of $220.3 million for the year ended December 31, 2015, an increase of $6.6 million from $213.7 million for the year ended December 31, 2014. Our results were impacted by our acquisition activity during 2015, when we acquired Sussex, Wilton Re’s life settlements business, and Alpha, and completed loss portfolio transfer reinsurance transactions with Reciprocal of America, Voya, and Sun Life. During 2014, our primary acquisition was StarStone. The most significant drivers of the change in our financial performance during 2015 as compared to 2014 included:

- Net Incurred Losses and LAE in our Non-life Run-off Segment - Net reduction in the liability for net incurred losses and LAE within our Non-life Run-off segment continued to be the predominant driver of our consolidated earnings for the year ended December 31, 2015, improving by $6.1 million from 2014. Net earnings provided by the Non-life Run-off segment were lower by $30.1 million in 2015 compared to 2014 primarily due to net realized and unrealized losses in 2015 as compared to net realized and unrealized gains in 2014. Excluding net investment income and net realized and unrealized gains (losses), net earnings in the Non-life Run-off segment increased from $97.4 million in 2014 to $120.2 million in 2015;
- Higher Net Investment Income - Total net investment income increased by $56.2 million for the year ended December 31, 2015 compared to 2014. The increase was attributable to an increase of $1.3 billion in our average invested assets (due to our 2015 acquisitions and significant new business transactions) and an average increase of 44 basis points in the book yield we obtained on those assets, due to our asset allocation and a broad increase in treasury yields;
- StarStone - Net earnings attributable to the StarStone segment were $13.7 million for the year ended December 31, 2015, as compared to a net loss of $10.6 million for the nine months we owned StarStone in 2014. We saw improvement in the underwriting profitability of StarStone, as well as a decrease in other operating expenses attributable to the continued execution of expense management initiatives;

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- Atrium - Net earnings attributable to the Atrium segment increased by $6.1 million for the year ended December 31, 2015 compared to 2014, as the Atrium active underwriting operations continued their strong underwriting performance despite challenging underwriting conditions;
- Life Settlements Business - The life settlements business we acquired from Wilton Re on May 5, 2015 contributed $16.5 million to earnings; partially offset by
- Change in Net Realized and Unrealized Gains (Losses) - For the year ended December 31, 2015, net realized and unrealized losses amounted to $41.3 million, as compared to net realized and unrealized gains of $62.6 million for 2014. The net realized and unrealized losses in 2015 were primarily attributable to an increase in treasury yields on our fixed maturity securities, widening corporate credit spreads and a decrease in liquidity in fixed income markets; and
- Noncontrolling Interest - Noncontrolling interest in losses (earnings) is directly attributable to the results from those subsidiary companies in which there are either noncontolling interests or redeemable noncontrolling interests. For the year ended December 31, 2015, the noncontrolling interest in losses was $10.0 million as compared to the noncontrolling interest in earnings of $13.5 million in 2014.

2014 versus 2013: We reported consolidated net earnings attributable to Enstar Group Limited shareholders of $213.7 million for the year ended December 31, 2014, an increase of $5.1 million from $208.6 million for the year ended December 31, 2014. Our comparative results for most line items in 2014, including net premiums earned, fees and commission income, net investment income, acquisition costs, salaries and benefits and general and administrative expenses, were materially impacted by our acquisitions of StarStone in April 2014 and owning companies acquired in 2013 (i.e., Atrium, Arden, Pavonia, and SeaBright) for a full year in 2014. The most significant drivers of the change in our financial performance during 2014 as compared to 2013 included:

- Net Incurred Losses and LAE in our Non-life Run-off Segment - Net reduction in the liability for net incurred losses and LAE within our Non-life Run-off segment continued to be the predominant driver of our consolidated earnings for the years ended December 31, 2014 and 2013, improving by $81.7 million from 2013, with segment earnings increasing by $3.4 million;
- Net investment income and Net Realized and Unrealized Gains - Net investment income increased by $11.5 million for the year ended December 31, 2014 compared to 2013, partially offset by a decrease in net realized and unrealized gains of $8.0 million;
- Life and Annuities - Net earnings attributable to the Life and Annuities segment increased by $5.6 million for the year ended December 31, 2014 compared to 2013, primarily due to the results for 2014 reflecting a full year of Pavonia whereas the 2013 period included only nine months from the acquisition of Pavonia on March 31, 2013;
- Atrium - Net earnings attributable to the Atrium segment increased by $5.2 million for the year ended December 31, 2014 compared to three months in 2013, as we acquired Atrium late in 2013; and
- Lower Income Tax Expense - The decrease in income taxes was due principally to a lower effective tax rate due to the geographical distribution of where our pre-tax net earnings arose between our taxable and non-taxable jurisdictions; partially offset by
- StarStone - Net losses attributable to the StarStone segment in 2014 were impacted by general and administrative expenses relating to our management of StarStone, the amortization of definite-lived intangible assets and acquisition-related expenses.

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Results of Operations by Segment - For the Years Ended December 31, 2015, 2014 and 2013

We have four segments of business that are each managed, operated and reported on separately: (i) Non-life Run-off; (ii) Atrium; (iii) StarStone; and (iv) Life and Annuities. For a description of our segments, see "Item 1. Business - Operating Segments." The following is a discussion of our results of operations by segment.

Non-life Run-off Segment

The following is a discussion and analysis of the results of operations for our Non-life Run-off segment for the years ended December 31, 2015, 2014 and 2013, which are summarized below:

	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
INCOME					
Net premiums earned	$44,369	$31,168	$13,201	$112,611	$(81,443)
Fees and commission income	21,366	19,342	2,024	12,785	6,557
Net investment income	84,185	57,899	26,286	61,925	(4,026)
Net realized and unrealized gains (losses)	(31,193)	48,030	(79,223)	79,368	(31,338)
Other income	29,293	13,310	15,983	2,123	11,187
	148,020	169,749	(21,729)	268,812	(99,063)
EXPENSES					
Net incurred losses and LAE	(270,830)	(264,711)	(6,119)	(182,975)	(81,736)
Acquisition costs	8,860	8,393	467	14,379	(5,986)
Salaries and benefits	148,592	127,776	20,816	117,141	10,635
General and administrative expenses	90,397	70,287	20,110	67,979	2,308
Interest expense	14,565	7,493	7,072	12,057	(4,564)
Net foreign exchange losses (gains)	4,372	8,015	(3,643)	(5,909)	13,924
	(4,044)	(42,747)	38,703	22,672	(65,419)
EARNINGS BEFORE INCOME TAXES	152,064	212,496	(60,432)	246,140	(33,644)
INCOME TAXES	(12,570)	622	(13,192)	(34,191)	34,813
NET EARNINGS	139,494	213,118	(73,624)	211,949	1,169
Less: Net loss (earnings) attributable to noncontrolling interest	33,722	(9,836)	43,558	(12,076)	2,240
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$173,216	$203,282	$(30,066)	$199,873	$3,409

Overall Results

2015 versus 2014: The decrease in net earnings for the year ended December 31, 2015 as compared with the year ended December 31, 2014 was primarily attributable to the change in net realized and unrealized losses and the increases in salaries and benefits and general and administrative expenses, partially offset by an increase in net investment income and a change in net loss (earnings) attributable to noncontrolling interest.

2014 versus 2013: Net earnings for the years ended December 31, 2014 and 2013 were relatively consistent. The increase in net earnings for the year ended December 31, 2014 as compared with the year ended December 31, 2013 was primarily attributable to a decrease in net incurred losses and LAE and a decrease in income taxes, partially offset by a reduction in net premiums earned and a reduction in net realized and unrealized gains.

Investment results are separately discussed below in "Investments."

Net Premiums Earned:

	Years Ended December 31,				
	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
Gross premiums written	$38,704	$12,818	$25,886	$14,166	$(1,348)

Ceded reinsurance premiums written	(16,110)	(2,546)	(13,564)	(4,933)	2,387
Net premiums written	22,594	10,272	12,322	9,233	1,039
Gross premiums earned	116,494	45,684	70,810	124,262	(78,578)
Ceded reinsurance premiums earned	(72,125)	(14,516)	(57,609)	(11,651)	(2,865)
Net premiums earned	$44,369	$31,168	$13,201	$112,611	$(81,443)

Because business in this segment is in run-off, our general expectation is for premiums associated with legacy reserves to decline in future periods. However, the actual amount in any particular year will be impacted by new acquisitions during the year, and the run-off of premiums from acquisitions completed in recent years.

2015 versus 2014: Premiums written and earned in 2015 related primarily to Sussex's run-off business whereas premiums written and earned in 2014 related to StarStone's run-off business.

2014 versus 2013: Premiums written and earned in 2014 related primarily to StarStone’s run-off business whereas premiums written and earned in 2013 related to SeaBright.

Fees and Commission Income:

2015 versus 2014: Our management companies in the Non-life Run-off segment earned fees and commission income of approximately $21.4 million and $19.3 million for the years ended December 31, 2015 and 2014, respectively. The increase in fees and commission income related primarily to management fees charged to our StarStone segment. These internal fees are eliminated upon consolidation of our results of operations. While our consulting subsidiaries continue to provide management and consultancy services, claims inspection services and reinsurance collection services to third-party clients in limited circumstances, the core focus of these subsidiaries is providing in-house services to companies within the Enstar group.

2014 versus 2013: Our management companies in the Non-life Run-off segment earned fees and commission income of approximately $19.3 million and $12.8 million for the years ended December 31, 2014 and 2013, respectively. The increase in fees and commission income related primarily to management fees charged to our StarStone segment.

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Net Incurred Losses and LAE:

The following table shows the components of net incurred losses and LAE for the Non-life-Run-off segment for the years ended December 31, 2015, 2014 and 2013:

	2015			2014			2013		
	Prior Periods	Current Period	Total	Prior Periods	Current Period	Total	Prior Periods	Current Period	Total
	(in thousands of U.S. dollars)								
Net losses paid	$501,246	$16,049	$517,295	$312,415	$87,681	$400,096	$360,214	$10,656	$370,870
Net change in case and LAE reserves [1]	(366,262)	10,927	(355,335)	(285,814)	(24,600)	(310,414)	(310,488)	29,555	(280,933)
Net change in IBNR reserves [1]	(377,722)	12,948	(364,774)	(262,384)	(39,400)	(301,784)	(265,206)	33,928	(231,278)
Increase (reduction) in estimates of net ultimate losses	(242,738)	39,924	(202,814)	(235,783)	23,681	(212,102)	(215,480)	74,139	(141,341)
Increase (reduction) in provisions for bad debt	(25,271)	—	(25,271)	(7,700)	—	(7,700)	1,999	—	1,999
Increase (reduction) in provisions for unallocated LAE	(62,653)	—	(62,653)	(49,445)	554	(48,891)	(49,580)	—	(49,580)
Amortization of fair value adjustments	19,908	—	19,908	3,982	—	3,982	5,947	—	5,947
Net incurred losses and LAE	$(310,754)	$39,924	$(270,830)	$(288,946)	$24,235	$(264,711)	$(257,114)	$74,139	$(182,975)

[1] Net change in case and LAE reserves comprises the movement during the year in specific case reserve liabilities as a result of claims settlements or changes advised to us by our policyholders and attorneys, less changes in case reserves recoverable advised by us to our reinsurers as a result of the settlement or movement of assumed claims. Net change in IBNR represents the gross change in our actuarial estimates of IBNR, less amounts recoverable.

2015 versus 2014: The net reduction in incurred losses and LAE for the year ended December 31, 2015 of $270.8 million included net incurred losses and LAE of $39.9 million related to current period net earned premium of $43.3 million (primarily for the portion of the run-off business acquired with Sussex). Excluding current period net incurred losses and LAE of $39.9 million, net incurred losses and LAE liabilities relating to prior periods were reduced by $310.8 million, which was attributable to a reduction in estimates of net ultimate losses of $242.7 million, a reduction in provisions for bad debt of $25.3 million and a reduction in provisions for unallocated LAE of $62.7 million, relating to 2015 run-off activity, partially offset by amortization of fair value adjustments over the estimated payout period relating to companies acquired amounting to $19.9 million.

The reduction in estimates of net ultimate losses relating to prior periods of $242.7 million comprised reductions in IBNR reserves of $377.7 million partially offset by net incurred loss development of $135.0 million. The decrease in the estimate of net IBNR reserves of $377.7 million (compared to $262.4 million during the year ended December 31, 2014), was comprised of $32.0 million relating to asbestos liabilities (compared to $59.4 million in 2014), $1.6 million relating to environmental liabilities (compared to $6.2 million in 2014), $3.0 million relating to general casualty liabilities (compared to $62.5 million in 2014), $243.4 million relating to workers' compensation liabilities (compared to $63.6 million in 2014) and $97.7 million relating to all other remaining liabilities (compared to $70.7 million in 2014).

The reduction in net IBNR reserves of $377.7 million relating to prior periods was a result of the application, on a basis consistent with the assumptions applied in the prior period, of our actuarial methodologies to revised historical loss development data, following 79 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and LAE relating to non-commuted exposures. The prior period estimate of net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2015, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $366.3 million for net paid losses of $501.2 million, related to the settlement of non-commuted losses in the year and 79 commutations and policy buy-backs of assumed and ceded exposures (including the partial commutation of one of our top ten ceded recoverables as at January 1, 2015). Net advised case and LAE reserves settled by way of commutation and policy buyback during the year ended December 31, 2015 amounted to $56.6 million (comprising $140.3 million of ceded incurred reinsurance recoverable case reserves partially offset by $83.7 million of assumed case reserves and LAE reserves).

The reduction in provisions for bad debt of $25.3 million was a result of the collection of certain reinsurance recoverables against which bad debt provisions had been provided in earlier periods, and the reduction in bad debt provisions for insolvent reinsurers as a result of dividends received, partially offset by additional provisions being made for contractual disputes with reinsurers.

2014 versus 2013: The net reduction in incurred losses and LAE for the year ended December 31, 2014 of $264.7 million included current period net incurred losses and LAE of $24.2 million related to current period net earned premium of $31.2 million (primarily for the portion of the run-off business acquired with StarStone). Excluding current period net incurred losses and LAE of $24.2 million, net incurred losses and LAE liabilities relating to prior periods were reduced by $288.9 million, which was attributable to a reduction in estimates of net ultimate losses of $235.8 million, reduction in provisions for bad debts of $7.7 million and a reduction in provision for unallocated LAE of $49.5 million, relating to 2014 run-off activity, partially offset by amortization of fair value adjustments over the payout period relating to companies acquired amounting to $4.0 million.

The reduction in estimates of net ultimate losses relating to prior periods of $235.8 million comprised reductions in IBNR reserves of $262.4 million partially offset by net incurred loss development of $26.6 million. The decrease in the estimate of net IBNR reserves of $262.4 million (compared to $265.2 million during the year ended December 31, 2013), was comprised of $59.4 million relating to asbestos liabilities (compared to $69.8 million in 2013), $6.2 million relating to environmental liabilities (compared to $4.9 million in 2013), $62.5 million relating to general casualty liabilities (compared to $42.6 million in 2013), $63.6 million relating to workers' compensation liabilities (compared to $42.1 million in 2013) and $70.7 million relating to all other remaining liabilities (compared to $105.8 million in 2013).

The reduction in net IBNR reserves of $262.4 million relating to prior periods was a result of the application, on a basis consistent with the assumptions applied in the prior period, of our actuarial methodologies to revised historical loss development data, following 98 commutations and policy buy-backs, to estimate loss reserves required to cover liabilities for unpaid losses and LAE relating to non-commuted exposures. The prior period estimate of net IBNR reserves was reduced as a result of the combined impact on all classes of business of loss development activity during 2014, including commutations and the favorable trend of loss development related to non-commuted policies compared to prior forecasts. The net incurred loss development resulting from settlement of net advised case and LAE reserves of $285.8 million for net paid losses of $312.4 million, related to the settlement of non-commuted losses in the year and 98 commutations and policy buy-backs of assumed and ceded exposures (including the commutation of two of our top ten assumed exposures and two of our top ten ceded recoverables as at January 1, 2014). Net advised case and LAE reserves settled by way of commutation and policy buy-back during the year ended December 31, 2014 amounted to $29.1 million (comprising $99.5 million of assumed case reserves and LAE reserves partially offset by $70.4 million of ceded incurred reinsurance recoverable case reserves).

The reduction in provisions for bad debts of $7.7 million was a result of the collection of certain reinsurance recoverables against which bad debt provisions had been provided in earlier periods.

Acquisition Costs:

Acquisition costs for the Non-life Run-off segment were $8.9 million for the year ended December 31, 2015, while we reported acquisition costs of $8.4 million for the year ended 2014. Acquisition costs for the year ended December 31, 2015 primarily related to net premiums earned on the portion of Sussex business that was placed into run-off. For the same period in 2014, acquisition costs primarily related to the portion of StarStone business that was placed into run-off. The $14.4 million in acquisition costs in 2013 primarily related to SeaBright.

Salaries and Benefits:

2015 versus 2014: Salaries and benefits for the Non-life Run-off segment, which include expenses relating to our discretionary bonus and employee share plans, were $148.6 million and $127.8 million for the years ended December 31, 2015 and 2014, respectively. The principal changes in salaries and benefits were:

- an increase in salaries and benefits of $17.5 million primarily attributable to an increase in headcount associated with acquisitions including Sussex; and
- an increase in stock compensation costs of approximately $3.3 million due to new equity-based awards made during the year to our employees. As we continue to grow our organization, we anticipate increased usage of equity-based awards in future years as a way of incentivizing our employees.

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2014 versus 2013: Salaries and benefits for the Non-life-Run-off segment, which include expenses relating to our discretionary bonus and employee share plans, were $127.8 million and $117.1 million for the years ended December 31, 2014 and 2013, respectively. The principal changes in salaries and benefits were:

- an increase in stock compensation costs of approximately $4.7 million due to new equity-based awards made during the year to our employees; and
- an increase of $4.4 million in our 2014 bonus accrual primarily relating to a bonus accrual rate of 14.6% of pre-bonus net after tax profits under our annual incentive compensation program, as compared to 13.3% for 2013.

General and Administrative Expenses:

2015 versus 2014: General and administrative expenses for the Non-life-Run-off segment increased by $20.1 million, from $70.3 million in the year ended December 31, 2014 to $90.4 million in the year ended December 31, 2015. The increase in expenses in 2015 related primarily to:

- an increase of $21.2 million related principally to an increase in professional fees of $12.1 million (primarily due to acquisitions and projects), information technology costs of $6.8 million (due to our growth), and an increase in office expenses and travel costs of $2.3 million; partially offset by
- a decrease in rent and related expenses of $1.5 million due largely to non-recurring fees associated with the termination of various U.K. lease agreements in 2014.

2014 versus 2013: General and administrative expenses for the Non-life-Run-off segment increased by $2.3 million, from $68.0 million in the year ended December 31, 2013 to $70.3 million in the year ended December 31, 2014. The increase in expenses in 2014 related primarily to:

- an increase of $6.0 million related principally to an increase in: (a) professional fees of $1.9 million, (b) information technology costs of $1.6 million (due to increased project-related costs), and (c) $2.5 million of other costs related largely to amortization of fair value adjustments for assets and liabilities previously acquired;
- an increase in rent and related expenses of $2.5 million due largely to an increase in office space and fees associated with the termination of various U.K. lease agreements as we consolidate staff into one office location; partially offset by
- a decrease in bank charges of $6.2 million due to lower arrangement fees incurred on various loan and revolving credit facilities in 2014 as compared to 2013.

Interest Expense:

2015 versus 2014: Interest expense was $14.6 million and $7.5 million for the years ended December 31, 2015 and 2014, respectively. The increase in interest expense was primarily a result of the increase in loans outstanding as a result of acquisitions and general corporate purposes.

2014 versus 2013: Interest expense was $7.5 million and $12.1 million for the years ended December 31, 2014 and 2013, respectively. The decrease in interest expense was a result of a decrease in the total amount of loans outstanding as a result of the repayment of both the Clarendon and SeaBright loan facilities during 2014.

Net Foreign Exchange Losses (Gains)

2015 versus 2014: We recorded net foreign exchange losses of $4.4 million and $8.0 million for the Non-life-Run-off segment for the years ended December 31, 2015 and 2014, respectively. The net foreign exchange losses for the years ended December 31, 2015 and 2014 arose primarily as a result of the holding of surplus Euro and British pound assets at a time when the U.S. dollar appreciated against these currencies. In addition to the net foreign exchange losses recorded in our consolidated statement of earnings, we recorded in our consolidated statement of comprehensive income currency translation adjustment losses, net of noncontrolling interest, related to our Non-life-Run-off segment of $5.9 million and $6.4 million for the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, the currency translation adjustments related primarily to our Australian-based subsidiaries whose functional currency is the Australian dollar.

2014 versus 2013: We recorded net foreign exchange losses of $8.0 million for the non-life run-off segment for the year ended December 31, 2014 as compared to net foreign exchange gains of $5.9 million for the year ended

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December 31, 2013. The net foreign exchange losses for the year ended December 31, 2014 arose primarily as a result of holding surplus Euro and British pound assets at a time when the U.S. dollar appreciated against these currencies.
Income Taxes:
2015 versus 2014: We recorded income tax expense (benefit) for our Non-life Run-off segment of $12.6 million and $(0.6) million for the years ended December 31, 2015 and 2014, respectively. The increase in income taxes of $13.2 million was due principally to a higher effective tax rate due to increased pre-tax net income recorded in our U.S. and U.K. based subsidiaries as compared to the prior year along with a decrease in the valuation allowance on our deferred tax assets. The effective tax rate was 8.3% for the year ended December 31, 2015 compared with (0.3)% for the year ended December 31, 2014. Income tax expense is primarily generated through our foreign operations outside of Bermuda, principally in the United States, the United Kingdom, Continental Europe and Australia. The effective tax rate, which is calculated as income tax expense or benefit divided by income before tax, is driven primarily by the geographic distribution of pre-tax net income between jurisdictions with comparatively higher tax rates and those with comparatively lower income tax rates and as a result may fluctuate significantly from period to period.
2014 versus 2013: We recorded income tax expense (benefit) for our Non-life-Run-off segment of $(0.6) million and $34.2 million for the years ended December 31, 2014 and 2013, respectively. The effective tax rate was (0.3)% for the year ended December 31, 2014 compared with 13.9% for the year ended December 31, 2013 due to having proportionately lower net income in our tax paying subsidiaries in 2014 than in 2013 as well as a decrease in the valuation allowance on our deferred tax assets in the U.S.
Noncontrolling Interest:
2015 versus 2014: We recorded a noncontrolling interest in losses (earnings) of our Non-life Run-off segment of $33.7 million and $(9.8) million for the years ended December 31, 2015 and 2014, respectively. The increase in losses associated with the noncontrolling interests for the year ended December 31, 2015 was due primarily to the decrease in earnings for those companies where there is a noncontrolling interest. The number of subsidiaries in this segment with a noncontrolling interest decreased from 7 as at December 31, 2014 to 2 as at December 31, 2015 due primarily to the repurchases made during the year as described in "Item 1. Business - Other Transactions."
2014 versus 2013: We recorded a noncontrolling interest in earnings of our Non-life-Run-off segment of $9.8 million and $12.1 million for the years ended December 31, 2014 and 2013, respectively. The decrease for the year ended December 31, 2014 was due primarily to the decrease in earnings for those companies where there is a noncontrolling interest. The number of subsidiaries in this segment with a noncontrolling interest decreased from 8 as at December 31, 2013 to 7 as at December 31, 2014.

Atrium Segment

The Atrium segment includes Atrium 5 Ltd. ("Atrium 5"), Atrium Underwriters ("AUL"), Northshore Holdings Limited ("Holding Company"), and an allocation of financing costs ("Enstar Specific Expenses"). Atrium 5 results represent its proportionate share of the results of Syndicate 609 for which it provides 25% of the underwriting capacity and capital. AUL results largely represent fees charged to Syndicate 609 and a 20% profit commission on the results of the syndicate less salaries and general and administrative expenses incurred in managing the syndicate. AUL also includes other Atrium Group non-syndicate fee income and associated expenses. The Holding Company results include the amortization of intangible assets that were fair valued upon acquisition and Enstar Specific Expenses represent our acquisition financing costs.

The following is a discussion and analysis of the results of operations for our Atrium segment for the years ended December 31, 2015, 2014 and for the periods from the dates of acquisition of Atrium and Arden to December 31, 2013, which are summarized below.

	2015	2014	Increase (decrease)	2013[1]	Increase (decrease)[1]
	(in thousands of U.S. dollars)				
INCOME					
Net premiums earned	$134,675	$135,945	$(1,270)	$32,212	$103,733
Fees and commission income	28,352	26,176	2,176	2,708	23,468
Net investment income	2,225	1,748	477	486	1,262
Net realized and unrealized gains (losses)	252	41	211	542	(501)
Other income	359	223	136	35	188
	165,863	164,133	1,730	35,983	128,150
EXPENSES					
Net incurred losses and LAE	47,479	55,428	(7,949)	19,303	36,125
Acquisition costs	45,509	43,417	2,092	—	43,417
Salaries and benefits	16,739	20,142	(3,403)	2,676	17,466
General and administrative expenses	14,871	14,779	92	2,716	12,063
Interest expense	4,264	5,429	(1,165)	332	5,097
Net foreign exchange losses (gains)	213	(1,559)	1,772	1,364	(2,923)
	129,075	137,636	(8,561)	26,391	111,245
EARNINGS BEFORE INCOME TAXES	36,788	26,497	10,291	9,592	16,905
INCOME TAXES	(5,968)	(5,092)	(876)	(185)	(4,907)
NET EARNINGS	30,820	21,405	9,415	9,407	11,998
Less: Net earnings attributable to noncontrolling interest	(14,262)	(10,974)	(3,288)	(4,170)	(6,804)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$16,558	$10,431	$6,127	$5,237	$5,194

[1] The 2013 results were not a full year: Atrium was acquired on November 25, 2013 and Arden was acquired on September 9, 2013.

Overall Results

An analysis of the components of the segment's net earnings is shown below, after the attribution of net earnings to noncontrolling interest.

	Years Ended December 31,				
	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
Atrium 5	$15,265	$14,566	$699	$5,750	$8,816
AUL	8,120	3,196	4,924	1,625	1,571
Atrium Total	23,385	17,762	5,623	7,375	10,387
Holding Company	(2,563)	(1,902)	(661)	(1,806)	(96)
Enstar Specific Expenses	(4,264)	(5,429)	1,165	(332)	(5,097)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED:	$16,558	$10,431	$6,127	$5,237	$5,194

In evaluating the underwriting performance of the Atrium segment, we consider the insurance ratios of Atrium 5, which is the active underwriting component of the segment and excludes AUL and the Holding Company. Atrium 5's insurance ratios are shown below.

	Years Ended December 31,		
	2015	2014	(Favorable) Unfavorable
	(in thousands of U.S. dollars)		
Loss ratio [1]	33.4%	40.3%	(6.9)%
Acquisition cost ratio [1]	34.4%	31.9%	2.5%
Other operating expense ratio [1]	13.7%	12.9%	0.8%
Combined ratio [1]	81.5%	85.1%	(3.6)%

[1] Refer to "Non-GAAP Financial Measures" for a description of how these ratios are calculated. The ratios are based upon the following amounts for Atrium 5, which exclude amounts for AUL and the Holding Company, for the years ended December 31, 2015 and 2014, respectively: net premiums earned of $134,675 and $135,945, net incurred losses and LAE of $45,016 and $54,734, acquisition costs of $46,351 and $43,417, and other operating expenses of $18,499 and $17,569.

The lower combined ratio for Atrium 5 in 2015 is reflected in the increased net earnings of Atrium 5, which were achieved despite challenging underwriting conditions. The results include a relatively consistent level of current year losses and higher net favorable prior year loss reserve development in 2015 as compared with 2014.

The increase in the AUL result from $3.2 million in 2014 to $8.1 million in 2015 reflects increased profit commission earned from the results of Syndicate 609, as well as a decrease in salaries and benefits.

Holding Company and Enstar Specific Expenses were relatively consistent from 2014 to 2015.

Investment results are separately discussed below in "Investments."

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Gross Premiums Written:
The following table provides gross premiums written by line of business for the Atrium segment for the years ended December 31, 2015 and 2014:

	Years Ended December 31,		
	2015	2014	Increase (decrease)
	(in thousands of U.S. dollars)		
Marine	$19,763	$23,531	$(3,768)
Property and Casualty Binding Authorities	32,964	29,355	3,609
Upstream Energy	11,672	19,162	(7,490)
Reinsurance	15,589	12,710	2,879
Accident and Health	14,919	15,837	(918)
Non-Marine Direct and Facultative	16,322	17,204	(882)
Liability	19,956	18,300	1,656
Aviation	6,938	7,883	(945)
War and Terrorism	10,959	10,266	693
Total	$149,082	$154,248	$(5,166)

See below for a discussion of the drivers of the decrease in net premiums earned for the year ended December 31, 2015 as compared with the year ended December 31, 2014, which also explain the decrease in gross premium written for the same periods.

Net Premiums Earned:
The following table provides net premiums earned by line of business for the Atrium segment for the years ended December 31, 2015, and 2014:

	Years Ended December 31,		
	2015	2014	Increase (decrease)
	(in thousands of U.S. dollars)		
Marine	$18,743	$21,382	$(2,639)
Property and Casualty Binding Authorities	30,295	25,350	4,945
Upstream Energy	12,830	18,365	(5,535)
Reinsurance	14,475	11,466	3,009
Accident and Health	12,603	13,725	(1,122)
Non-Marine Direct and Facultative	14,132	14,762	(630)
Liability	18,877	15,722	3,155
Aviation	5,489	7,120	(1,631)
War and Terrorism	7,231	8,053	(822)
Total	$134,675	$135,945	$(1,270)

2015 versus 2014: Net premiums earned for the Atrium segment were $134.7 million and $135.9 million for the years ended December 31, 2015 and 2014, respectively. Net premiums earned for the 2015 year reflect the execution of Atrium's underwriting strategies combined with the impact of softened market conditions across the industry. Market conditions particularly impacted the upstream energy line, although this was partially offset by the increase in the property and casualty binding authorities line, which reflects the continued success of the AU Gold underwriting platform. The increase in the reinsurance line reflects the commencement of marine excess-of-loss underwriting during 2015.

2014 versus 2013: Net premiums earned for the Atrium segment were $135.9 million and $32.2 million for the years ended December 31, 2014 and 2013, respectively. The increase was attributable to us only owning Atrium for approximately one month in 2013 as compared to a full year for 2014.

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Fees and Commission Income:
2015 versus 2014: Fees and commission income were $28.4 million and $26.2 million for the years ended December 31, 2015 and 2014, respectively. The fees represent management and profit commission fees earned by us in relation to AUL's management of Syndicate 609 and other underwriting consortiums. The increase was due primarily to profit commission on higher syndicate profits in 2015 as compared with 2014.
2014 versus 2013: The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.
Net Incurred Losses and LAE:
2015 versus 2014: Net incurred losses and LAE for the years ended December 31, 2015 and 2014 were $47.5 million and $55.4 million, respectively. Net favorable loss development for the years ended December 31, 2015 and 2014 was $21.9 million and $18.7 million, respectively. Net favorable loss development in 2015 primarily related to marine, upstream energy, reinsurance and war and terrorism lines of business. Net favorable loss development in 2014 primarily related to non-marine direct and facultative and upstream energy lines of business. Excluding net favorable prior year loss development, net incurred losses and LAE for the years ended December 31, 2015 and 2014 were $69.4 million and $74.1 million, respectively.
2014 versus 2013: For the year ended December 31, 2014, net incurred losses were $55.4 million, including net favorable prior year development of $18.7 million due to claims improvement and reserve releases largely related to our non-marine direct and facultative and upstream energy lines of business following reserve reviews. Current period net incurred losses and LAE were $74.1 million reflecting the combination of expected loss ratios on current period earned premium, as well as incurred losses during the year including from the war and terrorism and aviation lines of business. The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.
Acquisition Costs:
2015 versus 2014: Acquisition costs were $45.5 million and $43.4 million for the years ended December 31, 2015 and 2014, respectively. The Atrium 5 acquisition cost ratios for the years ended December 31, 2015 and 2014 were 34.4% and 31.9%, an increase of 2.5%. The increase was due to higher profit commissions on underlying business, which was more profitable in 2015 than in 2014.
2014 versus 2013: The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.
Salaries and Benefits:
2015 versus 2014: Salaries and benefits for the Atrium segment were $16.7 million and $20.1 million for the years ended December 31, 2015 and 2014, respectively. The decrease of $3.4 million was primarily due to more compensation costs being retained in Syndicate 609 versus in AUL. For the year ended December 31, 2015, the total of $16.7 million was comprised of salaries and benefits of $7.4 million, total current and prior year related share grant costs of $2.9 million and discretionary bonus of approximately $6.4 million. The total current and prior year share grant costs relate to Northshore incentive plan awards to Atrium employees. Expenses relating to the discretionary bonus and share grant costs will be variable and dependent on Atrium's overall profitability.
2014 versus 2013: Salaries and benefits for the Atrium segment were $20.1 million and $2.7 million for the years ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2014, the total of $20.1 million was comprised of salaries and benefits of $7.5 million, total current and prior year related share grant costs of $5.2 million and discretionary bonus of approximately $7.4 million. The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.
General and Administrative Expenses:
2015 versus 2014: General and administrative expenses for the Atrium segment were $14.9 million and $14.8 million for the years ended December 31, 2015 and 2014, respectively. Expenses for the year ended December 31, 2015 were comprised of $12.5 million related to AUL's direct expenses and Atrium's share of syndicate expenses. In addition, expenses of $2.4 million for the year ended December 31, 2015 related to the amortization of the definite-lived intangible assets in the Holding Company.

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2014 versus 2013: General and administrative expenses for the Atrium segment were $14.8 million and $2.7 million for the years ended December 31, 2014 and 2013, respectively. 2014 expenses were comprised of $12.6 million related to AUL's direct expenses and Atrium's share of the syndicate expenses for the year ended December 31, 2014. In addition, expenses of $2.2 million for the year ended December 31, 2014 related to the amortization of the definite-lived intangible assets in the Holding Company. The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.

Interest Expense:

2015 versus 2014: Interest expense was $4.3 million and $5.4 million for the years ended December 31, 2015 and 2014, respectively. The interest expense was in respect of borrowings under the Enstar revolving credit facility, which is an Enstar Specific Expense.

2014 versus 2013: Interest expense was $5.4 million and $0.3 million for the years ended December 31, 2014 and 2013, respectively. The interest expense was in respect of borrowings under the Enstar revolving credit facility. The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.

Noncontrolling Interest:

2015 versus 2014: Noncontrolling interest in earnings of the Atrium segment was $14.2 million and $11.0 million for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, Trident and Dowling had a combined 40.39% noncontrolling interest in the Atrium segment, although their share of net earnings was higher due primarily to the interest expense recorded in the segment, which is an Enstar Specific Expense.

2014 versus 2013: Noncontrolling interest in earnings of the Atrium segment was $11.0 million and $4.2 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, Trident and Dowling had a combined 41.02% noncontrolling interest in the Atrium segment, although their share of net earnings was higher due primarily to the interest expense recorded in the segment.

Income Taxes:

2015 versus 2014: Income tax expense was $6.0 million and $5.1 million for the years ended December 31, 2015 and 2014, respectively. Income tax expense is associated with the operations of Atrium 5 and AUL in the United Kingdom. The effective tax rates for the years ended December 31, 2015 and 2014 were relatively consistent at 20% and 22%, respectively.

2014 versus 2013: The increase in 2014 as compared to 2013 was due to us owning Atrium for a full year in 2014.

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StarStone Segment

The results of our StarStone segment include the results of StarStone Insurance Bermuda Limited and its subsidiaries ("StarStone") and StarStone Specialty Holdings Limited ("Holding Company"), which was formerly known as Bayshore Holdings Limited. StarStone results represent the active underwriting operations. The Holding Company's results include the amortization of fair value adjustments such as for intangible assets that were fair valued upon acquisition, and other expenses incurred.

The following is a discussion and analysis of the results of operations for the StarStone segment for the year ended December 31, 2015 and for the nine-month period from the date of acquisition of StarStone to December 31, 2014, which are summarized below.

	2015	2014(1)	Increase (decrease)(1)	2013(2)	Increase (decrease)(2)
	(in thousands of U.S. dollars)				
INCOME					
Net premiums earned	$573,146	$373,633	$199,513	$—	$373,633
Net investment income	15,937	5,321	10,616	—	5,321
Net realized and unrealized gains (losses)	(9,784)	2,136	(11,920)	—	2,136
Other income	676	616	60	—	616
	579,975	381,706	198,269	—	381,706
EXPENSES					
Net incurred losses and LAE	327,684	218,429	109,255	—	218,429
Acquisition costs	109,347	65,734	43,613	—	65,734
Salaries and benefits	68,439	55,846	12,593	—	55,846
General and administrative expenses	57,693	57,498	195	2,554	54,944
Interest expense	6	—	6	—	—
Net foreign exchange losses (gains)	(480)	945	(1,425)	18	927
	562,689	398,452	164,237	2,572	395,880
EARNINGS (LOSS) BEFORE INCOME TAXES	17,286	(16,746)	34,032	(2,572)	(14,174)
INCOME TAXES	5,888	(1,130)	7,018	—	(1,130)
NET EARNINGS (LOSS)	23,174	(17,876)	41,050	(2,572)	(15,304)
Less: Net loss (earnings) attributable to noncontrolling interest	(9,510)	7,323	(16,833)	1,028	6,295
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$13,664	$(10,553)	$24,217	$(1,544)	$(9,009)

(1) The 2014 results were not a full year: StarStone was acquired on April 1, 2014.

(2) The 2013 results represent pre-acquisition costs of StarStone Holdings. We have not compared 2014 to 2013 because we did not acquire StarStone until 2014.

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Overall Results

An analysis of the components of the segment's net earnings is shown below, after the attribution of net earnings to noncontrolling interest.

	Year Ended December 31, 2015	Period from April 1, 2014 to December 31,2014	Increase (decrease)
	(in thousands of U.S. dollars)		
StarStone[1]	$12,200	$1,542	$10,658
Holding Company	1,464	(12,095)	13,559
NET EARNINGS (LOSS) ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$13,664	$(10,553)	$24,217

[1] StarStone's net earnings before noncontrolling interest were $20.8 million and $2.6 million for the year and nine months ended December 31, 2015 and 2014, respectively.

In evaluating the underwriting performance of the StarStone segment, we consider the insurance ratios of StarStone, which is the active underwriting component of the segment and excludes the Holding Company. StarStone's insurance ratios are shown below. Because we only owned Starstone for nine months during 2014 as compared to a full year in 2015, ratios provide additional information in describing StarStone's performance in these periods.

	Year Ended December 31, 2015	Period from April 1, 2014 to December 31,2014	(Favorable) Unfavorable
	(in thousands of U.S. dollars)		
Loss ratio [1]	57.4%	58.2%	(0.8)%
Acquisition cost ratio [1]	18.9%	17.3%	1.6%
Other operating expense ratio [1]	22.3%	25.3%	(3.0)%
Combined ratio [1]	98.6%	100.8%	(2.2)%

[1] Refer to "Non-GAAP Financial Measures" for a description of how these ratios are calculated. The ratios are based upon the following amounts for StarStone, which exclude Holding Company amounts, for the year and nine months ended December 31, 2015 and 2014, respectively: net premiums earned of $577,071 and $380,259, net incurred losses and LAE of $331,219 and $221,290, acquisition costs of $109,347 and $65,734, and other operating expenses of $128,544 and $96,349.

The combined ratio improved by 2.2% for 2015 as compared with 2014, primarily due to an improvement in the other operating expense ratio of 3.0% as a result of expense management initiatives.

The Holding Company result in 2014 was impacted by general and administrative expenses relating to our management of StarStone and the amortization of definite-lived intangible assets.

Investment results are separately discussed below in "Investments."

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Gross Premiums Written:

The following table provides gross premiums written by line of business for the StarStone segment for the year ended December 31, 2015 and for the nine months ended December 31, 2014:

	Year Ended December 31, 2015	Period from April 1, 2014 to December 31,2014	Increase (decrease)
	(in thousands of U.S. dollars)		
Casualty	$246,956	$185,026	$61,930
Marine	150,828	70,826	80,002
Property	236,670	118,479	118,191
Aerospace	87,703	86,446	1,257
Workers' Compensation	102,557	51,442	51,115
Total	$824,714	$512,219	$312,495

2015 versus 2014: Premiums written in our property line increased during 2015 largely due to business underwritten by a new team of construction underwriters. The workers' compensation line of business continued to grow, as we expanded our geographic reach and range of products. Premiums written in our aerospace business decreased on an annualized basis following our decision to discontinue our space product and certain airlines business that no longer met our pricing standards. Gross premiums written for the 2014 comparative period only include the nine months beginning April 1, 2014.

Net Premiums Earned:

The following table provides net premiums earned by line of business for the StarStone segment for the year ended December 31, 2015 and for the nine months ended December 31, 2014:

	Year Ended December 31, 2015	Period from April 1, 2014 to December 31,2014	Increase (decrease)
	(in thousands of U.S. dollars)		
Casualty	$187,984	$139,715	$48,269
Marine	116,127	68,767	47,360
Property	114,589	80,650	33,939
Aerospace	75,515	54,510	21,005
Workers' Compensation	78,931	17,996	60,935
Other	—	11,995	(11,995)
Total	$573,146	$373,633	$199,513

2015 versus 2014: Net premiums earned for the StarStone segment for the year ended December 31, 2015 increased from 2014 by $199.5 million to $573.1 million. The lines of business driving the increase were workers' compensation, casualty and marine. Net premiums earned for 2014 were for nine months only.

Net Incurred Losses and LAE:

2015 versus 2014: Net incurred losses and LAE for the year ended December 31, 2015 were $327.7 million as compared with $218.4 million for the nine-month period ended December 31, 2014. Net favorable prior year loss development for the year ended December 31, 2015 was $39.4 million compared to net favorable prior year loss development of $11.1 million for the nine-month period ended December 31, 2014. Net favorable prior year loss development in 2015 primarily related to construction, excess casualty and terrorism. Net favorable prior year loss development in 2014 related to general property and terrorism. Excluding net prior year loss development, incurred losses and LAE for the year ended December 31, 2015 were $367.0 million compared to $229.5 million for the nine-month period ended December 31, 2014.

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Acquisition Costs:
2015 versus 2014: Acquisition costs of the StarStone segment increased to $109.3 million for the year ended December 31, 2015 from $65.7 million for the nine-month period ended December 31, 2014, primarily due to owning StarStone for a full year in 2015 and an increase in net premiums earned. The acquisition cost ratios for the year and nine-month period ended December 31, 2015 and 2014 were 18.9% and 17.3%, respectively. The ratio increased by 1.6% in the year ended December 31, 2015 as compared with the nine months ended December 31, 2014 primarily due to higher gross premium written in property and marine, which has higher acquisition cost ratios, partially offset by writing less aerospace, which has lower acquisition cost ratios.
Salaries and Benefits:
2015 versus 2014: Salaries and benefits costs for the year and nine-month period ended December 31, 2015 and 2014 were $68.4 million and $55.8 million, respectively. The increase was due to the 2014 period only including nine months compared with a full year in 2015, partially offset by a reduction in annualized salaries and benefits due to an overall reduction in headcount primarily attributable to our ongoing expense management initiatives.
General and Administrative Expenses:
2015 versus 2014: General and administrative expenses for the year and nine-month period ended December 31, 2015 and 2014 were $57.7 million and $57.5 million, respectively. The 2015 amount reflects the realization of savings from our ongoing expense management initiatives, partially offset by non-recurring costs incurred to close our operations in India, along with restructuring costs in the United Kingdom and Europe. Our expense management initiatives contributing to a decrease in general and administrative expenses included reducing the number of employees and contractors.
Income Taxes:
2015 versus 2014: We recorded a tax benefit of $5.9 million in the year ended December 31, 2015 as compared with a tax expense of $1.1 million for the nine months ended December 31, 2014. The tax benefit related to a reduction in the valuation allowance against our deferred tax asset largely related to the utilization of net operating losses carried forward.

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Life and Annuities Segment

For our Life and Annuities segment, although we no longer write new business, the strategy differs from the non-life run-off business, in particular because we have limited ability to shorten the duration of the liabilities in this business through either early claims settlement, commutations or policy buy-backs. Instead, we will hold the policies associated with the life and annuities business to their natural maturity or lapse and will pay claims as they fall due.

The following is a discussion and analysis of our results of operations for our Life and Annuities segment for the years ended December 31, 2015, 2014 and 2013, which are summarized below.

	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
INCOME					
Net premiums earned	$86,881	$105,704	$(18,823)	$94,984	$10,720
Fees and commission income	—	32	(32)	—	32
Net investment income	56,541	37,656	18,885	28,965	8,691
Net realized and unrealized gains (losses)	(527)	12,412	(12,939)	(9,259)	21,671
Other income	7,691	1,814	$5,877	1,217	597
	150,586	157,618	(7,032)	115,907	41,711
EXPENSES					
Life and annuity policy benefits	96,926	108,046	(11,120)	78,354	29,692
Acquisition costs	13,714	15,029	(1,315)	8,820	6,209
Salaries and benefits	4,818	7,458	(2,640)	4,799	2,659
General and administrative expenses	11,865	11,177	688	16,039	(4,862)
Interest expense	1,802	1,218	584	1,456	(238)
Net foreign exchange losses (gains)	(560)	(1,441)	881	158	(1,599)
	128,565	141,487	(12,922)	109,626	31,861
EARNINGS BEFORE INCOME TAXES	22,021	16,131	5,890	6,281	9,850
INCOME TAXES	(5,168)	(5,542)	374	(1,243)	(4,299)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	$16,853	$10,589	$6,264	$5,038	$5,551

Overall Results:

Net earnings were $16.9 million and $10.6 million for the years ended December 31, 2015 and 2014, respectively, an increase of $6.3 million. During 2015, we acquired life settlements business from Wilton Re that contributed $16.5 million to net earnings, which was comprised of net investment income of $20.4 million from policy maturity events, offset by expenses of $3.9 million. Excluding the impact of the life settlements business we acquired, net earnings for 2015 compared to 2014 decreased by $10.3 million. This was primarily due to a decrease of $12.9 million in net realized and unrealized gains (losses) on investments. Investment results are separately discussed below in "Investments." We acquired Alpha on November 13, 2015, although it did not contribute significantly to our results because the transaction closed late in the year.

Net earnings were $10.6 million and $5.0 million for the years ended December 31, 2014 and 2013, respectively, an increase of $5.6 million. The 2014 period included a full year of results for Pavonia whereas the 2013 period included only nine months from the acquisition of Pavonia on March 31, 2013. The 2013 year also included non-recurring costs of $4.0 million in general and administrative expenses relating to the Pavonia acquisition. In addition, our investment results improved in 2014 compared to 2013.

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Net Premiums Earned:
A summary of our net premiums earned by type of major product is below.

	Years Ended December 31,				
	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
Term life insurance	$27,464	$28,825	$(1,361)	$25,590	$3,235
Assumed life reinsurance	20,088	24,745	(4,657)	15,584	9,161
Credit life and disability	39,329	52,134	(12,805)	53,810	(1,676)
	$86,881	$105,704	$(18,823)	$94,984	$10,720

The majority of the term life business consists of term life insurance products directly written by Pavonia. These products offered term life coverage in exchange for a fixed, level premium that is guaranteed for the level term period; either 10, 15, 20, or 30 years. Upon expiration of the level term period, the policyholder can elect to continue coverage through age 95 subject to increased premium rates up to contractually guaranteed rates. These factors impact how premiums run off over time. Over the next 10 years, we expect approximately 60% of policies to reach the end of the level term period.

The majority of the assumed life reinsurance premium earned is related to term life products issued between 2005 and 2008. Similar to products directly written by Pavonia, premiums are guaranteed to remain level for a specified period of time. Approximately 25% of policies have a guaranteed level term period of 15 years and approximately 55% offer a 30-year guaranteed level premium.

Credit life and disability premiums are collected monthly in connection with insurance coverage provided on revolving loan balance and real estate secured loans issued in the United States and Canada. Premiums are either fixed amounts determined at the time of issue or are linked to the outstanding balance of the loan and vary each month.

2015 versus 2014: Substantially all of our premiums are earned in the United States and Canada. Net premiums earned were $86.9 million and $105.7 million for the years ended December 31, 2015 and 2014, respectively. Net premiums earned are expected to reduce at approximately 15 to 20% per annum. In the third quarter of 2015, we made the strategic decision to utilize the cancellation option on certain credit products, which decreased premium by approximately $2.0 million.

2014 versus 2013: Net premiums earned were $105.7 million and $95.0 million for the years ended December 31, 2014 and 2013, respectively. Substantially all net premiums earned in 2014 relate to the business of Pavonia. The 2014 period included a full year whereas the 2013 period included nine months from the Pavonia acquisition.

Life and Annuity Policy Benefits:

	Years Ended December 31,				
	2015	2014	Increase (decrease)	2013	Increase (decrease)
	(in thousands of U.S. dollars)				
Annuity benefits paid	$46,429	$52,700	$(6,271)	$37,496	$15,204
Life and disability benefits paid	80,568	101,603	(21,035)	64,307	37,296
Total benefits paid	126,997	154,303	(27,306)	101,803	52,500
Change in annuity benefit reserves	(16,469)	(25,214)	8,745	(19,268)	(5,946)
Change in life and disability reserves	(24,438)	(33,818)	9,380	(15,443)	(18,375)
Amortization of fair value adjustments	10,836	12,775	(1,939)	11,262	1,513
Total change in reserves	(30,071)	(46,257)	16,186	(23,449)	(22,808)
Life and annuity policy benefits	$96,926	$108,046	$(11,120)	$78,354	$29,692

2015 versus 2014: Life and annuity policy benefits were $96.9 million and $108.0 million for the years ended December 31, 2015 and 2014, respectively. The decrease of $11.1 million is consistent with the run-off of policyholders in both the annuity and life business.

Annuity policy benefits during the year ended December 31, 2015 were $30.0 million, comprised of benefits paid of $46.4 million, partially offset by a reduction in reserves of $16.5 million. Annuity policy benefits during the year ended December 31, 2014 were $27.5 million, comprised of benefits paid of $52.7 million, partially offset by a reduction in reserves of $25.2 million. The increase in annuity policy benefits of $2.5 million from 2014 to 2015 was primarily due to a higher decrease in benefit reserves related to terminated annuitants in 2014 compared to 2015, partially offset by lower lump sum distributions paid during 2015.

Life and disability policy benefits during the year ended December 31, 2015 were $56.1 million, comprised of benefits paid of $80.6 million, partially offset by a reduction in reserves of $24.4 million. Life and disability policy benefits during the year ended December 31, 2014 were $67.8 million, comprised of benefits paid of $101.6 million, partially offset by a reduction in reserves of $33.8 million. The decrease in life and disability policy benefits of $11.7 million from 2014 to 2015 was primarily as a result of a decrease in premiums earned, as well as the cancellation of certain credit products.

2014 versus 2013: Life and annuity policy benefits were $108.0 million and $78.4 million for the years ended December 31, 2014 and 2013, respectively.

Annuity policy benefits during the year ended December 31, 2013 were $18.2 million, comprised of benefits paid of $37.5 million, partially offset by a reduction in reserves of $19.3 million. The increase in annuity policy benefits of $9.3 million from 2013 to 2014 was primarily due to the Pavonia business, which was owned for nine months in 2013 as compared to a full year in 2014.

Life and disability policy benefits during the year ended December 31, 2013 were $48.9 million, comprised of benefits paid of $64.3 million, partially offset by a reduction in reserves of $15.4 million. The increase in life and disability policy benefits of $18.9 million from 2013 to 2014 was primarily due to the Pavonia business, which was owned for nine months in 2013 as compared to a full year in 2014, and higher lump sum distributions to annuitants in 2014.

Acquisition Costs:

2015 versus 2014: Acquisition costs for the years ended December 31, 2015 and 2014 were $13.7 million and $15.0 million, respectively. In 2015, the commissions on credit business were lower by $3.2 million, partially offset by $2.3 million of ceding commissions incurred related to a contractual re-pricing of a block of term life business.

2014 versus 2013: Acquisition costs for the years ended December 31, 2014 and 2013 were $15.0 million and $8.8 million, respectively. The 2014 period included a full year whereas the 2013 period included nine months from the acquisition of Pavonia.

General and Administrative Expenses:

2015 versus 2014: General and administrative expenses were relatively consistent at $11.9 million and $11.2 million for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2015, there was a decrease in expenses related to Pavonia, which was offset by expenses relating to the life settlements business that we acquired.

2014 versus 2013: General and administrative expenses were $11.2 million and $16.0 million for the years ended December 31, 2014 and 2013, respectively. The decrease in expenses primarily related to non-recurring costs associated with the acquisition of Pavonia of approximately $4.0 million in 2013.

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Investments

We define invested assets as the sum of total investments, cash and cash equivalents and restricted cash and cash equivalents. Investments consist primarily of investment grade, liquid, fixed maturity securities of short-to-medium duration, equities and other investments. Cash and cash equivalents and restricted cash and cash equivalents is comprised mainly of cash, high-grade fixed deposits, and other highly liquid instruments such as commercial paper with maturities of less than three months at the time of acquisition and money market funds.

Invested assets were $8.8 billion as at December 31, 2015 as compared to $7.5 billion as at December 31, 2014, an increase of 17.2%. The increase in invested assets resulted principally from the completion of acquisitions and significant new business acquired during the year.

Investment Strategies

Our key investment objectives are as follows:

- To follow an investment strategy designed to emphasize the preservation of our invested assets that also meet our credit quality and diversification objectives.
- To provide sufficient liquidity for the prompt payment of claims and contract liabilities.
- To seek superior risk-adjusted returns, by allocating a portion of our portfolio to non-investment grade securities in accordance with our investment guidelines.
- To consider the duration characteristics of our liabilities in determining the extent to which we correlate with assets of comparable duration depending on our other investment strategies and to the extent practicable.

In the Non-life Run-off, Atrium and StarStone segments, we maintain a relatively short-duration investment portfolio in order to provide liquidity for the settlement of losses and, where possible, to avoid having to liquidate longer-dated investments. In the Non-life Run-off segment, the commutations of liabilities also have the potential to accelerate the natural payout of losses, which requires liquidity. Our fixed maturity securities include U.S. government and agency investments, highly rated sovereign and supranational investments, high-grade corporate investments, and mortgage-backed and asset-backed investments. We allocate a portion of our investment portfolio to other investments, including private equity funds, fixed income funds, fixed income and multi-strategy hedge funds, equity funds, real estate debt funds, CLO equities and CLO equity funds.

In the Life and Annuities segment we have limited ability to shorten the duration of the liabilities, and therefore we maintain a longer duration investment portfolio of highly rated fixed maturity investments, primarily corporate bonds, that attempts to match the cash flows and duration of our liability profile. As at December 31, 2015, the duration of our fixed maturity investment portfolio associated with our PPA business (classified as held-to-maturity) was shorter than the liabilities, as a significant amount of the liabilities extend beyond 30 years and it is difficult, due to limited investment options, to match duration and cash flows beyond that period. Our non-PPA life business has a shorter duration liability profile. As at December 31, 2015, the duration of the associated investments was shorter than the non-PPA liabilities, although we have the discretion to change this in the future. Our non-PPA investments are primarily corporate bonds classified as trading, which allows us to sell existing securities to buy higher yielding securities and funds in the future.

We utilize and pay fees to various companies to provide investment advisory and/or management services. These fees, which are predominantly based upon the amount of assets under management, are included in net investment income. The total fees we paid to our investment managers for the year ended December 31, 2015 were approximately $8.0 million, including approximately $1.0 million to our largest single investment manager.

Our investment performance is subject to a variety of risks, including risks related to general economic conditions, market volatility, interest rate fluctuations, foreign exchange risk, liquidity risk and credit and default risk. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. An increase in interest rates could result in significant losses, realized or unrealized, in the value of our investment portfolio. A portion of our non-investment grade securities consists of alternative investments that subject us to restrictions on redemption, which may limit our ability to withdraw funds for some period of time after the initial investment. The values of, and returns on, such investments may also be more volatile. For more information on these risks, refer to "Item 1A. Risk Factors - Risks

Relating to Our Investments" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

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Composition of Investment Portfolio By Asset Class

The following table summarizes the fair value and composition of our investment portfolio by asset class as at December 31, 2015 and 2014:

	2015 Fair Value Investment Grade (1)	Non-Investment Grade (2)	Total	%		2014 Fair Value Investment Grade (1)	Non-Investment Grade (2)	Total	%	
Fixed maturity and short-term investments, trading and available-for-sale										
U.S. government & agency	$775,798	$ —	$775,798	10.4	%	$769,002	$ —	$769,002	12.8	%
Non-U.S. government	415,995	28,791	444,786	6.0	%	439,439	—	439,439	7.3	%
Corporate	2,673,311	138,755	2,812,066	37.8	%	2,035,873	52,056	2,087,929	34.7	%
Municipal	28,174	—	28,174	0.4	%	25,607	—	25,607	0.4	%
Residential mortgage-backed	390,809	1,153	391,962	5.3	%	310,735	1,129	311,864	5.2	%
Commercial mortgage-backed	241,208	43,367	284,575	3.8	%	138,919	988	139,907	2.3	%
Asset-backed	577,280	65,804	643,084	8.7	%	352,102	78,068	430,170	7.1	%
Total	5,102,575	277,870	5,380,445	72.4	%	4,071,677	132,241	4,203,918	69.8	%
Fixed maturity investments, held-to-maturity										
U.S. government & agency	19,288	33	19,321	0.3	%	20,559	—	20,559	0.3	%
Non-U.S. government	39,058	—	39,058	0.5	%	38,689	—	38,689	0.6	%
Corporate	710,546	146	710,692	9.6	%	761,801	5,323	767,124	12.7	%
Total	768,892	179	769,071	10.4	%	821,049	5,323	826,372	13.6	%
Equities										
U.S.			108,793	1.5	%			106,895	1.8	%
International			7,148	0.1	%			43,235	0.7	%
Total			115,941	1.6	%			150,130	2.5	%
Other investments										
Private equity funds			254,883	3.4	%			197,269	3.3	%
Fixed income funds			291,736	3.9	%			335,026	5.6	%
Fixed income hedge funds			109,400	1.5	%			59,627	1.0	%
Equity funds			147,390	2.0	%			150,053	2.5	%
Multi-strategy hedge fund			99,020	1.3	%			—	—	%
Real estate debt fund			54,829	0.7	%			33,902	0.6	%
CLO equities			61,702	0.8	%			41,271	0.7	%
CLO equity funds			13,928	0.2	%			16,022	0.3	%

Other			1,144	—	%			3,698	0.1	%
Total			1,034,032	13.8	%			836,868	14.1	%
Other investments										
Life settlements			130,268	1.8	%			—	—	%
Total investments	$5,871,467	$ 278,049	$7,429,757	100.0	%	$4,892,726	$ 137,564	$6,017,288	100.0	%

(1) Investment Grade are securities with a rating of BBB- or higher.

(2) Non-Investment Grade includes non-rated securities with a fair value of $44.1 million and $20.5 million as at December 31, 2015 and 2014, respectively.

A description of our investment valuation processes is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Investments" and "Note 6 - Fair Value Measurements" of our consolidated financial statements included within Item 8 of this Annual Report on Form 10-K.

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Composition of Invested Assets By Segment

Across all of our segments, we strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. In that regard, we attempt to correlate the maturity and duration of our investment portfolio to our general liability profile. If our liquidity needs or general liability profile unexpectedly change, we may adjust the structure of our investment portfolio to meet our revised expectations. The following tables summarize the composition of total invested assets by segment as at December 31, 2015 and 2014:

	Non-life Run-off	Atrium	StarStone	Life and Annuities	Total
December 31, 2015					
Short-term investments, trading, at fair value	$72,163	$—	$12,941	$2,246	$87,350
Short-term investments, available-for-sale, at fair value	—	1,848	—	6,774	8,622
Fixed maturities, trading, at fair value	3,444,752	37,000	1,204,376	304,666	4,990,794
Fixed maturities, held-to-maturity, at amortized cost	—	—	—	790,866	790,866
Fixed maturities, available-for-sale, at fair value	6,464	181,027	—	106,188	293,679
Equities, trading, at fair value	102,412	—	9,083	4,446	115,941
Other investments, at fair value	856,555	—	123,735	53,742	1,034,032
Other investments, at cost	—	—	—	133,071	133,071
Total investments	4,482,346	219,875	1,350,135	1,401,999	7,454,355
Cash and cash equivalents	1,007,889	52,735	199,597	73,043	1,333,264
Total invested assets	$5,490,235	$272,610	$1,549,732	$1,475,042	$8,787,619
Duration	1.69	1.80	2.09	5.95	2.39
Average Credit Rating	A+	AA-	AA-	A+	A+

	Non-life Run-off	Atrium	StarStone	Life and Annuities	Total
December 31, 2014					
Short-term investments, trading, at fair value	$91,478	$—	$24,757	$14,281	$130,516
Fixed maturities, trading, at fair value	2,606,495	35,537	833,501	356,758	3,832,291
Fixed maturities, held-to-maturity, at amortized cost	—	—	—	813,233	813,233
Fixed maturities, available-for-sale, at fair value	40,056	201,055	—	—	241,111
Equities, trading, at fair value	145,289	—	—	4,841	150,130
Other investments, at fair value	655,564	—	164,772	16,532	836,868
Total investments					