Enstar Group LTD
Form PRE 14A
May 13, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
þ Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

ENSTAR GROUP LIMITED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ENSTAR GROUP LIMITED

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 28, 2011

Notice is hereby given that the Annual General Meeting of Shareholders of Enstar Group Limited (the Company) will be held at the Tucker s Point Hotel located at 60 Tucker s Point Drive, Hamilton Parish, Bermuda, on Tuesday, June 28, 2011 at 9:00 a.m. local time for the following purposes:

Proposal Related to the Private Placement

1A. To approve the issuance of additional securities in the Third Closing of the Private Placement described in the Company s proxy statement.

1B. To amend the Company s bye-laws to reallocate the authorized share capital in connection with the Private Placement.

1C. To amend the Company s bye-laws to create additional series of non-voting common shares in connection with the Private Placement.

1D. To amend the Company s bye-laws relating to the U.S. Shareholder voting power reduction provision in connection with the Private Placement.

1E. To amend the Company s bye-laws relating to the indemnification and exculpation of directors and officers in connection with the Private Placement.

1F. To amend the Company s bye-laws relating to the corporate opportunity provision in connection with the Private Placement.

Other Proposals

2. To elect two Class II Directors nominated by our Board of Directors to hold office until 2014.

3. To hold an advisory vote on executive compensation.

4. To hold an advisory vote on the frequency of future advisory votes on executive compensation.

5. To amend the Company s bye-laws to align them with recent amendments to the Bermuda Companies Act regarding the deemed delivery of electronic records.

6. To ratify the selection of Deloitte & Touche Ltd., Bermuda, to act as our independent registered public accounting firm for the fiscal year ending December 31, 2011 and to authorize the Board of Directors, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm.

7. To act on the election of directors for our subsidiaries.

8. To authorize the proxies to adjourn or postpone the meeting in their discretion.

9. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only shareholders of record at the close of business on April 15, 2011 are entitled to notice of and to vote at the meeting.

You are cordially invited to attend the Annual General Meeting in person. To ensure that your vote is counted at the meeting, however, please vote as promptly as possible. You can vote your shares over the internet, by telephone, or by signing, dating and returning the proxy card in the envelope provided. Submitting your proxy now in any of these ways will not prevent you from voting your shares at the meeting if you desire to do so, as your vote by proxy is revocable at your option in the manner described in the proxy statement.

By Order of the Board of Directors,

Scott Davis
Corporate Secretary

Hamilton, Bermuda
May , 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 28, 2011

This notice of meeting, the proxy statement, the proxy card and the annual report to shareholders for the year ended December 31, 2010 are available at http://www.enstargroup.com/financial-information by clicking on Materials for 2011 Annual Meeting.

TABLE OF CONTENTS

Questions and Answers	1
The Private Placement	8
Proposal No. 1A Issuance of Additional Securities in the Private Placement	18
Proposal No. 1B Amendment of Bye-Laws in connection with the Private Placement Reallocation of Authorized Share Capital	19
Proposal No. 1C Amendment of Bye-Laws in connection with the Private Placement Creation of Additional Series of Non-Voting Common Shares	20
Proposal No. 1D Amendment of Bye-Laws in connection with the Private Placement U.S. Shareholder Voting Power Reduction Provision	21
Proposal No. 1E Amendment of Bye-Laws in connection with the Private Placement Indemnification and Exculpation of Directors and Officers	22
Proposal No. 1F Amendment of Bye-Laws in connection with the Private Placement Corporate Opportunity Provision	23
Corporate Governance	24
Principal Shareholders and Management Ownership	32
Section 16(a) Beneficial Ownership Reporting Compliance	34
Certain Relationships and Related Transactions	35
Executive Compensation	38
Compensation Committee Report	38
Compensation Discussion and Analysis	38
2010 Compensation	44
Equity Compensation Plan Information	55
Audit Committee Report	56
Proposal No. 2 Election of Directors	57
Proposal No. 3 Advisory Vote on Executive Compensation	58
Proposal No. 4 Advisory Vote on Frequency of Say-on-Pay Votes	59
Proposal No. 5 Amendment of Bye-Laws Deemed Delivery of Electronic Records	60
Proposal No. 6 Ratification of Selection of Independent Registered Public Accounting Firm	61
Proposal No. 7 Election of Directors for our Subsidiaries	62
Proposal No. 8 Adjournment or Postponement of the Meeting	74
Other Governance Matters	75
Annex A Proposed Amendments to Bye-Law 4.1	A-1
Annex B Proposed Amendments to Bye-Laws 1.1, 4.2, 4.3 and 15	B-1
Annex C Proposed Amendments to Bye-Laws 1.1 and 4.7	C-1
Annex D Proposed Amendments to Bye-Law 1.1 and Addition of Bye-Laws 53.3 and 53.4	D-1
Annex E Proposed Amendments to Bye-Law 1.1 and Addition of Bye-Law 53A	E-1
Annex F Proposed Amendments to Bye-Law 24	F-1

ENSTAR GROUP LIMITED
P.O. Box 2267, Windsor Place, 3rd Floor
18 Queen Street
Hamilton, HM JX, Bermuda

PROXY STATEMENT
FOR
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 28, 2011

QUESTIONS AND ANSWERS

Why am I receiving these proxy materials?

We are sending these materials to you in connection with the solicitation of proxies by the Board of Directors (the Board) of Enstar Group Limited (the Company) for use at the Annual General Meeting of Shareholders of the Company to be held on Tuesday, June 28, 2011 at 9:00 a.m. local time at the Tucker s Point Hotel located at 60 Tucker s Point Drive, Hamilton Parish, Bermuda and at any postponement or adjournment thereof. These materials were first sent to shareholders on May , 2011. You are invited to attend the Annual General Meeting and are requested to vote on the proposals described in this proxy statement.

What is included in these proxy materials?

These proxy materials include this proxy statement, our Annual Report to Shareholders for the fiscal year ended December 31, 2010, a letter to our shareholders from our Chairman and Chief Executive Officer and the proxy card. We have included the Annual Report for informational purposes and not as a means of soliciting your proxy.

What matters are being voted on at the Annual General Meeting?

Shareholders will vote on the following proposals at the Annual General Meeting:

<u>Proposals Related to the Private Placement</u>

1A. To approve the issuance of additional securities in the Third Closing of the Private Placement described in this proxy statement.

1B. To amend the Company s bye-laws to reallocate the authorized share capital in connection with the Private Placement.

1C. To amend the Company s bye-laws to create additional series of non-voting common shares in connection with the Private Placement.

1D. To amend the Company s bye-laws relating to the U.S. Shareholder voting power reduction provision in connection with the Private Placement.

1E. To amend the Company s bye-laws relating to the indemnification and exculpation of directors and officers in connection with the Private Placement.

1F. To amend the Company s bye-laws relating to the corporate opportunity provision in connection with the Private Placement.

Other Proposals

2. To elect two Class II Directors nominated by our Board to hold office until 2014.

---

3. To hold an advisory vote on executive compensation.

4. To hold an advisory vote on the frequency of future advisory votes on executive compensation.

5. To amend the Company s bye-laws to align them with recent amendments to the Bermuda Companies Act regarding the deemed delivery of electronic records.

6. To ratify the selection of Deloitte & Touche Ltd., Bermuda, to act as our independent registered public accounting firm for the fiscal year ending December 31, 2011 and to authorize the Board, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm.

7. To act on the election of directors for our subsidiaries.

8. To authorize the proxies to adjourn or postpone the meeting in their discretion.

9. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

What is the Private Placement?

On April 20, 2011, we entered into an Investment Agreement (the Investment Agreement) with GSCP VI AIV Navi, Ltd., GSCP VI Offshore Navi, Ltd., GSCP VI Parallel AIV Navi, Ltd., GSCP VI Employee Navi, Ltd., and GSCP VI GmbH Navi, L.P. (collectively, the Purchasers). The Purchasers are private equity funds affiliated with Goldman, Sachs & Co. Pursuant to the Investment Agreement, we agreed to issue and sell, and the Purchasers agreed to purchase, at several closings as described below, securities representing 19.9% of our outstanding share capital pro forma for all of the issuances with the right to acquire an additional 2.0% on a fully diluted basis pro forma for all of the issuances through the exercise of warrants. After all closings, the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. The total investment expected to be made by the Purchasers is approximately $291.6 million.

At the first closing, which occurred on April 20, 2011 (the First Closing), we sold to the Purchasers 531,345 Voting Common Shares and 749,869 newly created Non-Voting Preferred Shares at a purchase price of $86.00 per share, or approximately $110.2 million in the aggregate. We also issued to the Purchasers Warrants to acquire 340,820 Non-Voting Preferred Shares for an exercise price of $115.00 per share, subject to certain adjustments. The Warrants expire on the tenth anniversary of the First Closing.

At the second closing (the Second Closing), which is expected to occur after receipt of applicable regulatory approvals and satisfaction of certain other closing conditions (but not before December 23, 2011), we will sell to the Purchasers 134,184 Voting Common Shares and 827,504 Non-Voting Preferred Shares at a purchase price of $86.00 per share, or approximately $82.7 million in the aggregate.

Subject to approval by our shareholders and subject to the satisfaction of certain other closing conditions, at a third closing (the Third Closing) we will sell to the Purchasers 1,148,264 Non-Voting Preferred Shares at a purchase price of $86.00 per share, or approximately $98.7 million in the aggregate. If the Third Closing occurs, it is expected to occur simultaneously with the Second Closing.

If our shareholders approve certain amendments to our bye-laws providing for, among other things, the creation of three new series of Non-Voting Common Shares, as set forth in Proposals No. 1B through 1F of this proxy statement,

(i) the Non-Voting Preferred Shares already purchased by the Purchasers will convert on a share-for-share basis (subject to adjustment in certain circumstances) into Non-Voting Common Shares, (ii) the Warrants will be exercisable for Non-Voting Common Shares instead of Non-Voting Preferred Shares and (iii) we will sell Non-Voting Common Shares instead of Non-Voting Preferred Shares to the Purchasers at the Second and Third Closings.

Why is the Company selling the securities?

Our Board and management determined that it would be prudent to seek substantial additional capital in order to give us the financial flexibility to pursue desirable acquisitions of insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off.

Did the Board consider alternatives to raising capital other than the Private Placement?

Our Board considered numerous options for raising additional capital to support our acquisition program and concluded that the Private Placement provided us with:

- More total capital than we believed we could comfortably raise in a public offering of equity or debt securities;
- More permanent capital in the sense that as an equity investment, the investors in the Private Placement do not need to be repaid the principal amount of their investment as would have been the case had we sought additional debt financing;
- An increased capital base upon which we could seek additional debt financing on more favorable terms in the future;
- Greater certainty as to pricing terms relative to other alternatives that were subject to equity market risk; and
- The benefits of a significant new minority investor that is a world-class financial institution.

Will the issuance of the securities dilute my percentage ownership of the Company?

Yes. You will own a smaller interest in us as a result of the Private Placement. After the Third Closing, we expect that the Purchasers will own 19.9% of our outstanding share capital on a fully diluted basis and will have the right to acquire an additional 2.0% on a fully diluted basis through the exercise of the Warrants.

Why is the Company seeking shareholder approval for the issuance of additional securities in the Third Closing under Proposal No. 1A?

Because our ordinary shares are listed on the NASDAQ Global Select Market, we are subject to the NASDAQ Rules. We are seeking shareholder approval for the issuance of additional securities in the Third Closing because, under NASDAQ rules, we cannot consummate the Third Closing without shareholder approval because the total number of securities issuable to the Purchasers in the three closings will exceed 20% of our shares outstanding immediately prior to the First Closing and because the purchase price being paid for the securities is less than the market price of our shares on the day we entered into the Investment Agreement. In addition, it may be argued that the issuance of the securities to the purchasers at the Third Closing constitutes a change of control under the NASDAQ rules, which would require the approval of our shareholders.

What will happen if Proposal No. 1A is not approved?

If our shareholders do not approve the issuance of the additional securities in the Third Closing of the Private Placement under Proposal No. 1A, we will be able to consummate the Second Closing, subject to the satisfaction of certain conditions to the Second Closing, but not the Third Closing. As a result of not being able to hold the Third Closing, we expect that we will have sold to the Purchasers in the First and Second Closings securities representing a total investment in our company of $192.9 million, rather than the $291.6 million we would have received if the Third

Closing were to have occurred. In addition, if the Third Closing does not occur, we expect that we will need to seek alternate sources of capital sooner than we otherwise may have had to in order to fund future acquisitions of insurance and reinsurance companies in run-off and/or portfolios of insurance and reinsurance business in run-off. We may not be able to secure that capital on terms more favorable to our shareholders than those of the Third Closing, if at all. Furthermore, we may have to expend additional time and resources to pursue alternative sources of capital.

Why is the Company seeking shareholder approval for the bye-law amendments under Proposals No. 1B through 1F?

We believe it is more desirable that the Purchasers investment in us be a combination of Voting Common Shares and Non-Voting Common Shares, rather than the current combination of Voting Common Shares and Non-Voting Preferred Shares, in order to maintain a simpler capital structure for the Company and to avoid there being outstanding a class of equity that is preferential to our Voting Common Shares (even if only on a nominal basis). Our bye-laws do not currently permit the issuance of Non-Voting Common Shares having the terms negotiated with the Purchasers, but we are able to issue Non-Voting Preferred Shares having those terms. Therefore, we structured the Private Placement predominantly in the form of Non-Voting Preferred Shares until we could obtain approval from our shareholders to create and issue additional series of our Non-Voting Common Shares. We are seeking shareholder approval of Proposals No. 1B and 1C to reallocate our authorized share capital and to create and issue these series of our Non-Voting Common Shares. Under Bermuda law, changes to our bye-laws must be approved by our shareholders.

In addition, as part of our negotiations with the Purchasers for their investment in us and in light of the scope of the existing business activities of the Purchasers and their affiliates, we and the Purchasers agreed that we would submit to our shareholders certain amendments to our bye-laws that would reflect the agreed-upon terms of the Private Placement. We are seeking shareholder approval of:

Proposal No. 1D, to limit the voting power of the Purchasers in certain cases to minimize certain regulatory filings and approvals that might otherwise become required through no action by the Purchasers.

Proposal No. 1E, to clarify our indemnification obligations with respect to our directors and officers and to provide that we are the indemnitor of first resort for any individual serving on our Board who may also have indemnification protection from the Purchasers with respect to any actions, costs, charges, losses, damages or expenses in connection with that individual s performance of his duty as our director. As a result, just as we would indemnify any of our other directors, we would indemnify any director affiliated with the Purchasers rather than requiring him to first pursue indemnification from other sources.

Proposal No. 1F, to allow the Purchasers and their affiliates to (i) continue to engage in the same or similar business as we do, (ii) do business with any of our clients or customers, and (iii) employ or otherwise engage any of our officers, directors or employees. This amendment is intended to recognize that the Purchasers and their affiliates are multi-national organizations with financial interests in many businesses and that their investment in us should not create a fiduciary obligation to us that would restrict the operation of the Purchasers other businesses in the ordinary course.

What will happen if any of Proposals No. 1B through 1F are not approved?

The conversion of the Purchasers investment in us from Non-Voting Preferred Shares to Non-Voting Common Shares is subject to the approval of all of the bye-law amendments related to the Private Placement under Proposals No. 1B through 1F. Although each of the Private Placement bye-law amendments is a separate matter to be voted upon, if our shareholders do not approve all of Proposals No. 1B through 1F, the Purchasers Non-Voting Preferred Shares will not convert to Non-Voting Common Shares and we would issue additional Non-Voting Preferred Shares, rather than Non-Voting Common Shares, to the Purchasers at the Second and Third Closings (assuming the Third Closing is approved). Likewise, the Warrants would remain exercisable for Non-Voting Preferred Shares instead of becoming exercisable for Non-Voting Common Shares. As stated above, we believe it is more desirable that the Purchasers investment in us be a combination of Voting Common Shares and Non-Voting Common Shares, rather than the current combination of Voting Common Shares and Non-Voting Preferred Shares.

What are the Board s recommendations?

The Board recommends that you vote your shares:

1. FOR the issuance of additional securities in the Third Closing of the Private Placement (Proposal No. 1A) and FOR the amendments to our bye-laws in connection with the Private Placement (Proposals No. 1B through 1F).

2. FOR each of the nominees to serve on our Board (Proposal No. 2).

3. FOR the proposal regarding an advisory vote on executive compensation (Proposal No. 3).

4. For holding future advisory votes on executive compensation every 1 YEAR (Proposal No. 4).

5. FOR the amendment to our bye-laws regarding the deemed delivery of electronic records (Proposal No. 5).

6. FOR the ratification of the selection of Deloitte & Touche Ltd., Bermuda, as the Company s independent registered public accounting firm for 2011 and to authorize our Board, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm (Proposal No. 6).

7. FOR each of the subsidiary director nominees listed in Proposal No. 7.

8. FOR authorization of the proxies to adjourn or postpone the meeting in their discretion (Proposal No. 8).

Who may vote at the Annual General Meeting?

Only our shareholders of record as of the close of business on April 15, 2011 (the record date) are entitled to notice of, and to vote at, the Annual General Meeting. As of the record date, there were 13,166,721 ordinary shares issued and outstanding and entitled to vote at the meeting. Except as set forth in our bye-laws, each ordinary share entitles the holder thereof to one vote. In accordance with our bye-laws, certain shareholders whose shares constitute 9.5% or more of the voting power of our ordinary shares are entitled to less than one vote for each ordinary share held by them.

What is the difference between a shareholder of record and a beneficial owner of shares held in street name?

Shareholder of Record. If your shares are represented by certificates or book entries in your name so that you appear as a shareholder on the records of American Stock Transfer & Trust Company, our stock transfer agent, you are considered the shareholder of record with respect to those shares, and the proxy materials were sent directly to you.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar institution, then you are the beneficial owner of shares held in street name and the proxy materials were forwarded to you by that institution. The institution holding your account is considered the shareholder of record for purposes of voting at the Annual General Meeting. As a beneficial owner, you have the right to instruct that institution on how to vote the shares held in your account.

What do I do if I received more than one proxy card?

If you receive more than one proxy card because you have multiple accounts, you should provide voting instructions for all proxy cards you receive to be sure all of your shares are voted.

How do I vote?

We hope that you will be able to attend the Annual General Meeting in person. Whether or not you expect to attend the Annual General Meeting in person, we urge you to vote your shares at your earliest convenience by one of the methods described below, so that your shares will be represented.

Shareholders of record can vote any one of four ways:

1. *Via the Internet:* Go to the website listed on your proxy card to vote via the internet. You will need to follow the instructions on your proxy card and the website.

2. *By Telephone:* Call the telephone number found on the proxy card to vote by telephone. You will need to follow the instructions on your proxy card and the voice prompts.

3. *By Mail:* Sign, date and return your proxy card in the envelope provided.

4. *In Person:* Attend the Annual General Meeting, or send a personal representative with an appropriate proxy, to vote by ballot. If you need directions to the Annual General Meeting, please call our offices at (441) 292-3645.

If you own shares in street name, you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Internet and/or telephone voting also will be offered to shareholders owning shares through most banks and brokers. If you own shares in street name and you wish to attend the Annual General Meeting to vote in person, you must obtain a legal proxy from the institution that holds your shares and attend the Annual General Meeting, or send a personal representative with the legal proxy, to vote by ballot. You should contact your bank or brokerage account representative to learn how to obtain a legal proxy.

What is the voting deadline if voting by internet or telephone?

If you vote by internet or by telephone, you must transmit your vote by 11:59 p.m. Eastern Time on June 27, 2011.

What is the quorum requirement for the Annual General Meeting?

Two or more shareholders present in person or by proxy and entitled to vote at least a majority of the shares entitled to vote at the meeting constitute a quorum for the transaction of business at the meeting. Abstentions and broker non-votes will be included in determining the presence of a quorum at the meeting. A broker non-vote occurs when a beneficial owner of shares held in street name does not provide voting instructions and, as a result, the institution that holds the shares is prohibited from voting those shares on certain proposals. Shares that are properly voted on the internet or by telephone or for which proxy cards are properly executed and returned, but lacking voting directions, will be counted towards the presence of a quorum.

How are proxies voted?

Shares that are properly voted on the internet or by telephone or for which proxy cards are properly executed and returned will be voted at the Annual General Meeting in accordance with the directions given or, in the absence of directions, will be voted in accordance with the Board s recommendations as set forth in What are the Board s recommendations? above. If any other business is brought before the meeting, proxies will be voted, to the extent permitted by the rules and regulations of the Securities and Exchange Commission (the SEC), in accordance with the judgment of the persons voting the proxies.

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, you may vote by proxy, meaning you authorize individuals named on the proxy to vote your shares. If you do not vote by proxy or in person at the Annual General Meeting, your shares will not be voted. If you own shares in street name, you may instruct the institution holding your shares on how to vote your shares. If you do not provide voting instructions, the institution may nevertheless vote your shares on your behalf with respect to the ratification of the appointment of Deloitte & Touche Ltd., Bermuda, as the Company s independent registered public accounting firm for 2011, but not on any other matters being considered at the meeting.

What are the voting requirements to approve each of the proposals?

The approval of the issuance of additional securities in the Third Closing of the Private Placement and each amendment of our bye-laws in connection with the Private Placement, the election of directors, the amendment of our

bye-laws regarding the deemed delivery of electronic records, the ratification of Deloitte & Touche Ltd., Bermuda, as our independent registered public accounting firm for 2011 and the authorization of the proxies to adjourn or postpone the meeting in their discretion each require the affirmative vote of a majority of the votes cast by the shareholders at the meeting. Abstentions and broker non-votes will have no effect on the outcome of voting on any proposals. The vote on executive compensation, sometimes referred to as say-on-pay, and the vote on the frequency of the say-on-pay vote are advisory only, but our Board will consider carefully the results of the vote. A majority of votes cast for or against the say-on-pay proposal will determine whether you approve of our executive

compensation practices. We will regard the say-on-pay frequency (*i.e.*, every one, two or three years) receiving the greatest number of votes as a reflection of the overall preference of our shareholders. With respect to Proposal No. 7, regarding the election of directors of our subsidiaries, our Board will cause our corporate representative or proxy to vote the shares of those subsidiaries in the same proportion as the votes received at the meeting from our shareholders.

Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the Annual General Meeting. You may vote again on a later date by signing and returning a new proxy card bearing a later date (or by voting by internet or telephone prior to 11:59 p.m. Eastern time on June 27, 2011), or attending the Annual General Meeting and voting in person. However, your attendance at the Annual General Meeting will not automatically revoke your proxy unless you vote again at the Annual General Meeting or specifically request that your prior proxy be revoked by delivering to our Secretary a written notice of revocation prior to the Annual General Meeting.

Who is paying for the cost of this proxy solicitation?

We will bear the cost of preparing and soliciting proxies, including the reasonable charges and expenses of brokerage firms or other nominees for forwarding proxy materials to the beneficial owners of our ordinary shares. In addition to solicitation by mail, certain of our directors, officers and employees may solicit proxies personally or by telephone or other electronic means without extra compensation, other than reimbursement for actual expenses incurred in connection with the solicitation. We have also hired Georgeson Inc. to assist us in the solicitation of votes, and we expect to pay them approximately $10,000 plus out-of-pocket expenses for these services.

Who can help answer my additional questions about the Annual General Meeting or the Private Placement?

If you have questions about the meeting and the matters to be voted upon, you should contact:

Georgeson Inc.
199 Water Street, 26th Floor
New York, NY 10028
Tel: (888) 497-9677

THE PRIVATE PLACEMENT

Background of the Private Placement

Our business strategy is to pursue desirable acquisitions of insurance and reinsurance companies in run-off and portfolios of insurance and reinsurance business in run-off. Over a period of several months beginning in the second half of 2010, our Board and management determined that it would be prudent to seek substantial additional capital in order to give us the financial flexibility to pursue these acquisitions. Dominic Silvester, our Chairman and Chief Executive Officer, and Richard Harris, our Chief Financial Officer, with input from other executive officers and our Board undertook a comprehensive process to identify the types of funding available to us and the potential providers of such funding. As part of that process, Mr. Silvester and Mr. Harris met or had discussions with several investment banks, private equity funds, lenders, strategic investors and potential joint venture partners with respect to various forms of financial transactions with us.

The results of the process undertaken by our senior management team demonstrated that several options were available to us to raise additional capital. We considered each of the following alternatives:

- Additional bank debt financing;
- A public offering of equity securities, convertible debt securities or a combination of both types of securities; and
- A private placement of equity securities, debt securities, convertible debt securities or some combination of the foregoing.

While additional bank financing remains an option to fund our capital needs, we believed we needed a more permanent source of capital to fund the next series of transactions in our acquisition program. Traditional bank financing would need to be repaid or refinanced upon maturity and, consequently, would act more as a bridge to future financing rather than a permanent increase in our capital base. In addition, we would incur interest expense while any bank financing was outstanding. Finally, we did not believe that the amount of bank financing that would likely be available to us given our existing equity capital base would be sufficient to provide for our acquisition financing needs.

Following discussions with several investment banks, we concluded that a successful public offering of our ordinary shares would likely be limited to $100 to $150 million. Consequently, we considered a contemporaneous public offering of convertible debt securities to increase the amount of capital we could raise to approximately $250 million. After deducting the likely fees and expenses associated with a public offering, together with the interest that would be payable on the convertible debt securities, we concluded that the most favorable outcome of a public offering would be a net capital raise of less than $215 million. In addition, given that our ordinary shares are thinly traded on the NASDAQ Global Select Market and the pricing uncertainties inherent in any public offering, we were concerned that a public offering of equity and convertible debt securities presented a significant amount of pricing and execution risk.

In light of the drawbacks with stand alone bank financing and a public offering of equity and convertible debt securities, we spent considerable time analyzing our options to raise capital through a private placement of equity securities, debt securities and/or convertible debt securities. Ultimately, we were attracted to the idea of a private placement of equity securities instead of debt or convertible debt securities because the issuance of equity securities provided a permanent increase to our capital base. We also had been in discussions with the Purchasers for

approximately six months with respect to a private placement of equity securities, and they had conducted extensive due diligence on our business. The Purchasers were prepared to commit to a transaction that provided more capital than we believed was available through other alternatives and they were willing to commit to pricing that, while a meaningful discount to our current trading price, eliminated any market risk associated with abandoning the transaction with the Purchasers to pursue other alternatives. We also believed the increase in our capital base associated with the private placement of equity securities would enable us to issue debt or convertible debt securities, or arrange for additional bank financing, at some point in the future on more favorable terms than would be available to us without the increase in our equity capital.

On balance, our Board determined that the private placement to the Purchasers of a combination of voting and non-voting shares as described below (the Private Placement) was the most effective and efficient means to address our capital needs in a timely manner and was in the best interests of our shareholders.

Structure of the Private Placement

On April 20, 2011, we entered into the Investment Agreement with the Purchasers. Pursuant to the Investment Agreement, we agreed to issue and sell, and the Purchasers agreed to purchase, at several closings as described below, securities representing 19.9% of our outstanding share capital pro forma for all of the issuances with the right to acquire an additional 2.0% on a fully diluted basis pro forma for all of the issuances through the exercise of warrants, although the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. The transaction was structured in three closings in order to address certain insurance, banking and NASDAQ regulations.

At the First Closing, we sold to the Purchasers 531,345 voting ordinary shares, par value $1.00 per share (the Voting Common Shares), and 749,869 newly created Series A Convertible Participating Non-Voting Perpetual Preferred Stock, par value $1.00 per share (the Non-Voting Preferred Shares), at a purchase price of $86.00 per share, or approximately $110.2 million in the aggregate. Subject to the approval by our shareholders of certain amendments to our bye-laws providing for, among other things, the creation of three new series of non-voting ordinary shares, par value $1.00 (the Non-Voting Common Shares), as set forth in Proposals No. 1B through 1F of this proxy statement (the Non-Voting Common Approval), the Non-Voting Preferred Shares will convert on a share-for-share basis (subject to adjustment in certain circumstances) into Non-Voting Common Shares.

At the First Closing, we also issued to the Purchasers warrants to acquire 340,820 Non-Voting Preferred Shares or, subject to the receipt of the Non-Voting Common Approval, Non-Voting Common Shares for an exercise price of $115.00 per share, subject to certain adjustments (the Warrants). The Purchasers may, at their election, satisfy the exercise price of the Warrants on a cashless basis by surrender of shares otherwise issuable upon exercise of the Warrants in accordance with a formula set forth in the Warrants. The Warrants expire on the ten year anniversary of the First Closing.

At the Second Closing, which is expected to occur after receipt of applicable regulatory approvals and satisfaction of certain other closing conditions (but not before December 23, 2011), we will sell to the Purchasers 134,184 Voting Common Shares and 827,504 Non-Voting Preferred Shares (unless we receive the Non-Voting Common Approval, in which case the Purchasers will purchase Non-Voting Common Shares instead of Non-Voting Preferred Shares), at a purchase price of $86.00 per share, or approximately $82.7 million in the aggregate.

Subject to approval by our shareholders of the issuance of additional shares in excess of limits imposed by the listing requirements of the NASDAQ Stock Market as described in Proposal No. 1A (the Third Closing Approval) and satisfaction of certain other closing conditions, at a Third Closing we will sell to the Purchasers 1,148,264 Non-Voting Preferred Shares (unless we receive the Non-Voting Common Approval, in which case the Purchasers will purchase Non-Voting Common Shares instead of Non-Voting Preferred Shares), at a purchase price of $86.00 per share, or approximately $98.7 million in the aggregate. If the Third Closing occurs, it is expected to occur simultaneously with the Second Closing.

The Purchasers may elect, at their option, to receive Non-Voting Preferred Shares or, if applicable, Non-Voting Common Shares in lieu of Voting Common Shares that might otherwise be issuable to them at any of the closings discussed above. Any such non-voting shares would be convertible on a share-for-share basis, subject to certain adjustments, into Voting Common Shares at the option of the Purchasers.

The total investment expected to be made by the Purchasers for the purchase of the Voting Common Shares, the Non-Voting Common Shares, the Non-Voting Preferred Shares and the Warrants is approximately $291.6 million. We intend to use the proceeds of the Private Placement for future acquisitions of insurance and reinsurance companies in run-off and/or portfolios of insurance and reinsurance business in run-off. Pending such use, we may use the proceeds for general corporate purposes.

The securities sold or to be sold in the Private Placement were sold or will be sold to the Purchasers without registration with the SEC pursuant to Section 4(2) of the Securities Act of 1933, as amended (the Securities Act).

Terms of Non-Voting Preferred Shares

The Non-Voting Preferred Shares were created by a Certificate of Designations for the Series A Convertible Participating Non-Voting Perpetual Preferred Stock adopted by our Board on April 20, 2011. Following are the material terms of the Non-Voting Preferred Shares.

Shares Authorized. Up to 4,000,000 Non-Voting Preferred Shares may be issued under the terms of the Certificate of Designations.

Ranking. Except as described below, the Non-Voting Preferred Shares rank on parity with the Voting Common Shares and the Non-Voting Common Shares and will rank senior to each other class or series of share capital of the Company, unless the terms of any such class or series provide otherwise.

Dividends. Dividends will be paid on the Non-Voting Preferred Shares when, as and if, and in the same amounts (on an as-converted basis), declared on the Voting Common Shares and/or Non-Voting Common Shares. If we are in arrears in the payment of dividends on the Non-Voting Preferred Shares, we may not declare or pay dividends on any of our securities that rank junior to the Non-Voting Preferred Shares, and may not redeem any of our securities that are on par with or rank junior to the Non-Voting Preferred Shares, subject to limited exceptions specified in the Certificate of Designations.

Liquidation Preference. Upon liquidation, dissolution or winding up of the Company, holders of Non-Voting Preferred Shares have the right to receive an amount equal to $0.001 per share. After payment of this amount, holders of the Non-Voting Preferred Shares are entitled to participate (on an as-converted basis) with the Voting Common Shares and the Non-Voting Common Shares in the distribution of remaining assets.

Conversion. The Non-Voting Preferred Shares issued to the Purchasers pursuant to the Investment Agreement will automatically convert (i) into Non-Voting Common Shares upon the approval by our shareholders of the amendments to our bye-laws set forth in this proxy statement under Proposals No. 1B through 1F (the Shareholder Approval Matters), and (ii) into Voting Common Shares upon the transfer of such Non-Voting Preferred Shares to any person other than an affiliate of any Purchaser in a Widely Dispersed Offering. A Widely Dispersed Offering means (a) a widespread public distribution, (b) a transfer in which no transferee or group of associated transferees would receives 2% or more of any class of our voting shares, or (c) a transfer to a transferee that would control more than 50% of our voting shares without any transfer from the Purchasers. In each case, each Non-Voting Preferred Share will initially convert into one Voting Common Share or Non-Voting Common Share, as applicable, subject to adjustment for share subdivisions, splits, combinations and similar events.

Voting. The Non-Voting Preferred Shares have no voting rights, provided that, we may not, without the consent of the holders of a majority of the outstanding shares of the Non-Voting Preferred Shares, voting separately as a class, (i) amend, alter or repeal any provision of our memorandum of association, bye-laws or the Certificate of Designations for the Non-Voting Preferred Shares so as to significantly and adversely affect the rights, preferences, privileges or limited voting rights of the Non-Voting Preferred Shares, (ii) consummate a binding share exchange or reclassification of the Non-Voting Preferred Shares, or a merger or consolidation of the Company (except for any merger or consolidation in which the consideration consists solely of cash) unless the Non-Voting Preferred Shares remain outstanding or are converted or exchanged for a security with similar rights, preferences and privileges in the surviving entity and (iii) voluntarily liquidate, dissolve or wind up the Company.

Sub-Series. The Non-Voting Preferred Shares are sub-divided into Series A-1 Preferred Stock and Series A-2 Preferred Stock. Both the Series A-1 Preferred Stock and the Series A-2 Preferred Stock convert into Voting Common Shares as provided above under Conversion. In addition, the Purchasers may in their sole discretion convert any

Series A-2 Preferred Stock held by it into Voting Common Shares on a share-for-share basis, subject to certain adjustments, and shares of Series A-2 Preferred Stock will automatically convert to Voting Common Shares upon the transfer of such shares to any person other than an affiliate of any Purchaser, regardless of whether such transfer constitutes a Widely Dispersed Offering. The Purchasers will receive Series A-2 Preferred Stock to the extent they elect to receive Non-Voting Preferred Shares in lieu of Voting Common Shares that might otherwise be issuable to them at any of the closings discussed above. All other Non-Voting Preferred Shares received by the Purchasers under the Investment Agreement will be Series A-1 Preferred Stock.

Terms of Non-Voting Common Shares

Shares Authorized. Our bye-laws currently permit us to issue up to 6,000,000 Non-Voting Common Shares. If the amendment to our bye-laws described below under Proposal No. 1B is approved, we would be permitted to issue up to 21,000,000 Non-Voting Common Shares. As of the date of this proxy statement, 2,972,892 Non-Voting Common Shares were outstanding.

Pari Passu with Voting Common Shares. If approved, our Non-Voting Common Shares would generally be entitled to enjoy all of the economic rights attaching to our Voting Common Shares, but would be non-voting except in certain limited circumstances.

Sub-Series. If our shareholders approve the bye-law amendments relating to the Non-Voting Common Shares, our existing Non-Voting Common Shares would be designated as Series A Non-Voting Common Shares and three new series of Non-Voting Common Shares would be created Series B Non-Voting Common Shares, Series C Non-Voting Common Shares and Series D Non-Voting Common Shares. The Purchasers will receive Series B Non-Voting Common Shares to the extent they elect to receive Non-Voting Common Shares in lieu of Voting Common Shares that might otherwise be issuable to them at any of the closings discussed above. All other Non-Voting Common Shares received by the Purchasers under the Investment Agreement will be Series C Non-Voting Common Shares. The Purchasers may also elect to receive Series B Non-Voting Common Shares, Series C Non-Voting Common Shares or Series D Non-Voting Common Shares upon conversion of Voting Common Shares held by them. In addition, the Purchasers may elect to receive Series D Non-Voting Common Shares upon conversion of Series B Non-Voting Common Shares or Series C Non-Voting Common Shares held by them. There is no economic difference in the sub-series of Non-Voting Common Shares, but there are slight differences in the limited voting rights of each sub-series that are designed to address certain regulatory matters affecting the Purchasers.

Dividends. In general, dividends will be paid on the Non-Voting Common Shares when, as and if, and in the same amounts, declared on the Voting Common Shares. If we declare or pay a dividend or distribution to any holder of our Voting Common Shares in the form of our Voting Common Shares or other voting security, we will declare and pay to each holder of Non-Voting Common Shares a proportional dividend or distribution in the form of the same series of Non-Voting Common Shares.

Conversion. Each Non-Voting Common Share will, under certain circumstances, convert at a one-for-one exchange ratio into Voting Common Shares or, in certain cases, other series of Non-Voting Common Shares, as described below, subject to adjustment for share splits, dividends, recapitalizations, consolidations or similar transactions.

Series A Non-Voting Common Shares will automatically convert into Voting Common Shares upon their transfer to any person, unless the transfer does not result in a change in beneficial ownership or the transfer is to a person that already holds Series A Non-Voting Common Shares. Series A Non-Voting Shares cannot be converted into any other series of Non-Voting Common Shares.

Series B Non-Voting Common Shares will automatically convert into Voting Common Shares upon their transfer to any person, unless the transfer does not result in a change in beneficial ownership or the transfer is to a person that already holds Series B Non-Voting Common Shares. The Purchasers may also elect to convert Series B Non-Voting Common Shares into either Series C Non-Voting Common Shares, Series D Non-Voting Common Shares or Voting Common Shares.

Series C Non-Voting Common Shares will automatically convert into Voting Common Shares if the Purchasers transfer them in a Widely Dispersed Offering. The Purchasers may also elect to convert Series C Non-Voting Common Shares into Series D Non-Voting Common Shares.

Series D Non-Voting Common Shares will automatically convert into Voting Common Shares if the Purchasers transfer them in a Widely Dispersed Offering. The Purchasers may not otherwise convert Series D Non-Voting Common Shares, except into Series C Non-Voting Common Shares following the receipt of all applicable regulatory approvals.

Voting. Series A Non-Voting Common Shares and Series D Non-Voting Common Shares may only vote on matters as required under Bermuda law. In addition, the rights attached to the Series D Non-Voting Common Shares may only be varied with the written consent of each registered holder of Series D Non-Voting Common Shares to the extent such variation significantly and adversely affects the rights, preferences, privileges or voting power of such series.

The holders of the Series B Non-Voting Common Shares, voting as a separate class, and the holders of the Series C Non-Voting Common Shares, voting as a separate class, may vote with respect to the following limited matters: (i) any amendment, alteration or repeal of any provision of our memorandum of association or bye-laws (including through a merger, amalgamation, consolidation or otherwise) so as to significantly and adversely affect the rights, preferences, privileges or limited voting rights of the Series B Non-Voting Common Shares or the Series C Non-Voting Common Shares, as applicable; and (ii) any binding share exchange or reclassification involving the Series B Non-Voting Common Shares or the Series C Non-Voting Common Shares or a merger, consolidation or amalgamation of us with another person (except one in which the consideration paid to shareholders is entirely in cash), unless in each case (x) the shares of Series B Non-Voting Common Shares or the Series C Non-Voting Common Shares, as applicable, remain outstanding or, in the case of any such merger or consolidation where we are not the surviving entity, are converted into or exchanged for securities of the surviving entity or its ultimate parent, and (y) those shares have rights, preferences, privileges and limited voting rights, and limitations and restrictions that are not materially less favorable than those of the Series B Non-Voting Common Shares or the Series C Non-Voting Common Shares, as applicable, immediately prior to the transaction. The holders of Series B Non-Voting Common Shares and Series C Non-Voting Common Shares may also vote on other matters only as required by Bermuda law. In addition, the rights attached to the Series C Non-Voting Common Shares may only be varied with the written consent of each registered holder of Series C Non-Voting Common Shares to the extent such variation significantly and adversely affects the rights, preferences or voting power of such series.

Reorganization Events. If consideration consisting of property or securities payable to the Purchasers or certain of its affiliates as holders of Non-Voting Common Shares upon a Reorganization Event would, in such holder s judgment, create or exacerbate any issue for such holder, then the consideration will be adjusted as practicable to eliminate or address the issue, provided that the adjusted or different securities have the same value as, and are pari passu with, the securities they replaced. For this purpose, Reorganization Event includes any (i) consolidation, merger, tender offer or similar business combination of us with or into another person where Voting Common Shares or Non-Voting Common Shares will be converted into cash, securities or other property of us or another person, (ii) sale, transfer, lease or conveyance of all or substantially all of our assets where Voting Common Shares or Non-Voting Common Shares will be converted into cash, securities or other property of us or another person, (iii) reclassification of our Voting Common Shares or Non-Voting Common Shares into another class of securities, and (iv) statutory exchange of our Voting Common Shares or Non-Voting Common Shares for securities of another person other than in connection with a merger or acquisition.

Purchaser Conversion Right as to Voting Common Shares

If we receive the Non-Voting Common Approval, the Purchasers and certain of their affiliates will have the right to convert any Voting Common Shares held by them into Series B Non-Voting Common Shares, Series C Non-Voting Common Shares or Series D Non-Voting Common Shares.

Investment Agreement

The following is a summary of the material terms of the Investment Agreement. For additional information, we refer you to copies of the Investment Agreement and the Warrant, which are included as exhibits to the Current Report on Form 8-K that we filed with the SEC on April 21, 2011.

Purchase and Sale of Securities. Pursuant to the Investment Agreement, we agreed to issue and sell Voting Common Shares, Non-Voting Preferred Shares and Warrants to the Purchasers as described above under Structure of the Private Placement.

Board Representation. We have agreed that the Purchasers have the right to designate one representative to our Board following the First Closing. This designation right terminates if (i) the Purchasers cease to beneficially

own at least 5% of our outstanding share capital, or (ii) the Second Closing or the Third Closing do not occur by virtue of the Purchasers breach of the Investment Agreement.

Preemptive Rights. The Purchasers have the right to purchase their proportionate percentage of new securities issued and sold by us during a limited period of time. This right is subject to exceptions, as further set forth in the Investment Agreement, including issuances (i) pursuant to equity plans approved by our Board, (ii) in connection with the restructuring of outstanding debt, (iii) in consideration of mergers, acquisitions or similar transactions and (iv) in connection with joint ventures and strategic business partnerships, the primary purpose of which is not to raise additional capital. The preemptive rights expire upon the earlier of the termination of the Investment Agreement or the Third Closing (or the Second Closing if the Shareholder Approval Matters are not approved by our shareholders).

Indemnification. We and the Purchasers have agreed to indemnify each other for certain breaches of our respective representations, warranties, covenants and agreements and for matters arising out of execution and delivery of the Investment Agreement. Subject to certain exceptions set forth in the Investment Agreement, neither we nor the Purchasers will be entitled to an indemnity for breaches of representations and warranties until losses exceed $29.0 million, after which the indemnifying party will be responsible for the full amount of such losses (including all amounts up to and exceeding $29.0 million), subject to a cap on the aggregate losses for which a party is obligated to indemnify the other of $145.1 million.

Conditions to Second Closing. The Purchasers obligations to consummate the Second Closing are subject to the satisfaction of certain closing conditions set forth in the Investment Agreement, including (i) the receipt of certain regulatory approvals and (ii) the accuracy of certain of our representations and warranties as of the date of the Second Closing. Both we and the Purchasers have agreed to use commercially reasonable efforts to obtain the regulatory approvals required in connection with the transactions contemplated by the Investment Agreement.

Conditions to Third Closing. The Purchasers obligations to consummate the Third Closing are subject to the satisfaction of certain closing conditions set out in the Investment Agreement, including (i) the receipt of certain regulatory approvals, (ii) the receipt of the Third Closing Approval, and (iii) the accuracy of certain of our representations and warranties as of the date of the Third Closing. We have agreed to use our reasonable best efforts to take all actions reasonably necessary to seek the Third Closing Approval. Certain of our directors, officers and significant shareholders entered into voting agreements with respect to the Third Closing Approval as described below under Voting Agreements.

Termination Provisions. The Investment Agreement may be terminated any time prior to the Third Closing: (i) by mutual written consent of the parties, (ii) by us or the Purchasers in the event either the Second Closing or the Third Closing shall not have occurred on or prior to the first anniversary of the Investment Agreement (which may be extended to the 18-month anniversary of the Investment Agreement by us or the Purchasers unless we have failed to receive the Third Closing Approval), (iii) by us or the Purchasers, but only after the Second Closing, if we have failed to receive Third Closing Approval, and (iv) by either us or the Purchasers if the consummation of the Second Closing or Third Closing is prohibited by applicable law or would violate any nonappealable final order, decree or judgment of any governmental authority with competent jurisdiction.

Venture Capital Operating Company Rights. Pursuant to a separate venture capital operating company, or VCOC, rights letter delivered in connection with the execution of the Investment Agreement, GS Capital Partners VI Parallel, L.P., an affiliate of one of the Purchasers, was granted certain information and inspection rights, which terminate (i) at such time that GS Capital Partners VI Parallel, L.P. ceases to own, directly or indirectly at least 10.0% of the equity securities purchased by it pursuant to the Investment Agreement and (ii) upon the consummation of an amalgamation, merger or consolidation of the Company.

Shareholder Approval. As soon as practicable after the First Closing, we are obligated to take all actions reasonably necessary for the approval and adoption by our shareholders of (i) the transactions contemplated by the Investment Agreement, including for purposes of NASDAQ Rule 5635 described in Proposal No. 1A; and (ii) the amendments to our bye-laws in connection with the Private Placement described in Proposals No. 1B through 1F.

Voting Agreements

Certain of our directors, officers and significant shareholders entered into voting agreements (the Voting Agreements) at the First Closing with respect to Voting Common Shares representing 34.3% of our outstanding voting power. Under the Voting Agreements, the shareholders have committed, among other things, to vote all Voting Common Shares that they hold and are entitled to vote in favor of the matters required to be approved by our shareholders in connection with the Private Placement. These matters are set forth in Proposals No. 1A through 1F. Each of Charles T. Akre, Jr., T. Whit Armstrong, Robert J. Campbell and Paul J. Collins, who are all non-management directors of the Company (and certain of their respective affiliates), and each of our executive officers has executed a Voting Agreement.

For additional information, we refer you to the form of Voting Agreement, which is included as an exhibit to the Current Report on Form 8-K that we filed with the SEC on April 21, 2011.

Registration Rights Agreement

On April 20, 2011, we entered into a Registration Rights Agreement with the Purchasers that provides the Purchasers with certain rights to cause us to register under the Securities Act, (i) the Voting Common Shares, Non-Voting Common Shares and Non-Voting Preferred Shares issuable pursuant to the Investment Agreement, (ii) any Voting Common Shares or Non-Voting Common Shares issued upon the exchange or exercise of other securities held by the Purchasers and (iii) any securities issued by us in connection with any of the foregoing by way of a share dividend or share split or in connection with any recapitalization, reclassification or similar reorganization (the foregoing, collectively, Registrable Securities). Pursuant to the Registration Rights Agreement, at any time following the first anniversary of the First Closing, the Purchasers are entitled to make two written requests for us to register all or any part of the Registrable Securities under the Securities Act, subject to certain exceptions and conditions set forth in the Registration Rights Agreement. The Purchasers are also granted piggyback registration rights with respect to our registration of Voting Common Shares for our own account or for the account of one or more of our securityholders.

For additional information, we refer you to a copy of the Registration Rights Agreement, which is included as an exhibit to the Current Report on Form 8-K that we filed with the SEC on April 21, 2011.

No Appraisal Rights

Our shareholders are not entitled to appraisal rights under Bermuda law with respect to the Private Placement.

Potential Consequences if All of the Private Placement Proposals are Approved

If all of the Private Placement proposals are approved, the Second and Third Closings will occur, and all of the Non-Voting Preferred Shares that we issued to the Purchasers in the First Closing, as well as the Non-Voting Preferred Shares underlying the Warrants that we issued to the Purchasers in the First Closing, will convert into Non-Voting Common Shares. More specifically:

At the Second Closing, the occurrence of which is not contingent upon the approval of any of Proposals No. 1A through 1F, subject to the satisfaction of certain conditions to the Second Closing, we will sell to the Purchasers an additional 134,184 Voting Common Shares and an additional 827,504 Series C Non-Voting Common Shares at a purchase price of $86.00 per share, or $82.7 million in the aggregate, bringing the Purchasers expected total investment in our company to $192.9 million. For a discussion of the securities we would be required to issue to the Purchasers at the Second Closing if any of Proposals No. 1B through 1F are not approved, see Potential Consequences if the Private Placement Proposals are Not Approved

below.

At the Third Closing, we will sell to the Purchasers an additional 1,148,264 Series C Non-Voting Common Shares at a purchase price of $86.00 per share, or $98.7 million in the aggregate, bringing the Purchasers expected total investment in our company to $291.6 million.

Our authorized share capital under our bye-laws will consist of (i) 90,000,000 ordinary shares, par value $1.00 per share; (ii) 21,000,000 non-voting convertible ordinary shares, par value $1.00 per share, divided into four separate series with the rights described above under Terms of Non-Voting Common Shares; and (iii) 45,000,000 preference shares, par value $1.00 per share.

The Non-Voting Preferred Shares issued to the Purchasers at the First Closing will convert into Series C Non-Voting Common Shares.

As more fully described in Proposal No. 1D below, the voting power reduction provisions in our bye-laws relating to U.S. Shareholders, including the Purchasers, will apply to the Series B Non-Voting Common Shares of the Purchasers and limit the voting power of the Purchasers in certain cases. In addition, the amended provision will prevent an increase in the Purchasers voting power as a result of a cut-back of the voting power of one or more other shareholders.

As more fully described in Proposal No. 1E below, the indemnification provisions of our bye-laws will continue after a person has ceased to be a director or officer of the Company and will provide that they are not exclusive of any other rights conferred under any statute, other bye-law, shareholder or board resolution, agreement or otherwise. In addition, the indemnification provisions of our bye-laws will provide that the Company is the indemnitor of first resort with respect to any actions, costs, charges, losses, damages or expenses in connection with the performance by any director affiliated with the Purchasers of his duties as our director. In other words, just as we would indemnify any of our other directors, we would agree to indemnify any director affiliated with the Purchasers rather than requiring him to first pursue indemnification from other sources.

As more fully described in Proposal No. 1F below, the corporate opportunity provisions of our bye-laws will permit the Purchasers and their affiliates to (i) continue to engage in the same or similar business that we do, (ii) do business with any of our clients or customers, and (iii) employ or otherwise engage any of our officers, directors or employees. In addition, the Purchasers and their affiliates will not be subject to the corporate opportunity doctrine (or any similar doctrine) to the extent permitted under applicable law. These changes are intended to recognize that the Purchasers and their affiliates are multi-national organizations with financial interests in many businesses and that their investment in us should not create a fiduciary obligation to us that would restrict the operation of the Purchasers other businesses in the ordinary course.

After the Third Closing, we expect that the Purchasers will own 19.9% of our outstanding share capital on a fully diluted basis and will have the right to acquire an additional 2.0% on a fully diluted basis through the exercise of the Warrants, although the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. Completing the Third Closing will have a further dilutive effect on our current shareholders, meaning that our current shareholders will own a smaller interest in our company.

In summary, if our shareholders approve all of Proposals No. 1A through 1F relating to the Private Placement, and all closing conditions to the Second and Third Closing are satisfied, we expect to issue to the Purchasers pursuant to the Private Placement securities in the following types and amounts (assuming the Purchasers do not elect to receive Series B Non-Voting Common Shares in lieu of Voting Common Shares at the Second Closing):

Aggregate	**Voting**	**Warrant Shares (exercisable for**

Purchase Price	Common Shares	Series C Non-Voting Common Shares	Series C Non-Voting Common Shares)
$291,640,276	665,529	2,725,637	340,820

Potential Consequences if the Private Placement Proposals are Not Approved

Because there are six separate proposals related to the Private Placement (Proposals No. 1A through 1F), there are several different potential consequences depending on which of Proposals No. 1A through 1F are not approved by our shareholders.

Proposal No. 1A Approved and One or More of Proposals No. 1B through 1F Not Approved

If our shareholders approve the issuance of the additional securities in the Third Closing of the Private Placement under Proposal No. 1A, but do not approve all of the amendments to our bye-laws related to the Private Placement under Proposals No. 1B through 1F, we would be able to consummate the Second and Third Closings, subject to the satisfaction of certain conditions to the Second and Third Closings. However, we would be required to issue additional Non-Voting Preferred Shares to the Purchasers at the Second and Third Closings in place of the Series C Non-Voting Common Shares we would otherwise issue to them. In addition, the existing Non-Voting Preferred Shares issued to the Purchasers at the First Closing would not convert into Series C Non-Voting Common Shares. Likewise, the Warrants would remain exercisable for Non-Voting Preferred Shares instead of becoming exercisable for Series C Non-Voting Common Shares. In this case, there would be an outstanding class of equity that is preferential to our ordinary shares, including having a nominal liquidation preference as described above under Terms of Non-Voting Preferred Shares Liquidation Preference.

We expect that we will have sold to the Purchasers in all three closings a combination of Voting Common Shares, Non-Voting Preferred Shares and Warrants representing a total investment in our company of $291.6 million. Following the Third Closing, we expect that the Purchasers will own approximately 19.9% of our outstanding share capital and will have the right to acquire an additional approximately 2.0% on a fully diluted basis through the exercise of the Warrants, although the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. In addition, any bye-law amendment that is approved by our shareholders will have the effect described above under Potential Consequences if All of the Private Placement Proposals are Approved.

In summary, if our shareholders approve Proposal No. 1A but do not approve all of Proposals No. 1B through 1F, and all closing conditions to the Second and Third Closing are satisfied, we expect to issue to the Purchasers pursuant to the Private Placement securities in the following types and amounts (assuming the Purchasers do not elect to receive Non-Voting Preferred Shares in lieu of Voting Common Shares at the Second Closing):

Aggregate Purchase Price	**Voting Common Shares**	**Non-Voting Preferred Shares**	**Warrant Shares (exercisable for Non-Voting Preferred Shares)**
$291,640,276	665,529	2,725,637	340,820

Proposal No. 1A Not Approved and One or More of Proposals No. 1B through 1F Not Approved

If our shareholders do not approve the issuance of the additional securities in the Third Closing of the Private Placement under Proposal No. 1A and do not approve all of the bye-law amendments related to the Private Placement under Proposals No. 1B through 1F, we will be able to consummate the Second Closing, subject to the satisfaction of certain conditions to the Second Closing, but not the Third Closing. At the Second Closing, we would be required to issue additional Non-Voting Preferred Shares to the Purchasers in place of the Series C Non-Voting Common Shares we would otherwise issue to them. In addition, the existing Non-Voting Preferred Shares issued to the Purchasers at the First Closing would not convert into Series C Non-Voting Common Shares. Likewise, the Warrants would remain exercisable for Non-Voting Preferred Shares instead of becoming exercisable for Series C Non-Voting Common Shares. In this case, there would be an outstanding class of equity that is preferential to our Voting Common Shares, including having a nominal liquidation preference as described above under Terms of Non-Voting Preferred Shares Liquidation Preference.

As a result of not being able to hold the Third Closing, we expect that we will have sold to the Purchasers in the First Closing and the Second Closing a combination of Voting Common Shares, Non-Voting Preferred Shares and Warrants representing a total investment in our company of $192.9 million, rather than $291.6 million if the Third Closing were to have occurred. Following the Second Closing, we expect that the Purchasers will own approximately 16.3% of our outstanding share capital on a fully diluted basis (including the right to acquire approximately 2.1% of our outstanding share capital on a fully diluted basis through the exercise of the Warrants), although the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. In addition, any bye-law amendment that is approved by our shareholders will have the effect described above under Potential Consequences if All of the Private Placement Proposals are Approved.

If the Third Closing does not occur, we expect that we will need to seek alternate sources of capital sooner than we otherwise may have had to do in order to fund future acquisitions of insurance and reinsurance companies in runoff and/or portfolios of insurance and reinsurance business in run-off. There is no assurance that we could secure that capital on terms more favorable to our shareholders than those of the Third Closing, if at all. Furthermore, we may have to expend additional time and resources to pursue alternative sources of capital.

In summary, if our shareholders do not approve Proposal No. 1A and do not approve all of Proposals No. 1B through 1F, and all closing conditions to the Second Closing are satisfied, we expect to issue to the Purchasers pursuant to the Private Placement securities in the following types and amounts (assuming the Purchasers do not elect to receive Non-Voting Preferred Shares in lieu of Voting Common Shares at the Second Closing):

Aggregate Purchase Price	**Voting Common Shares**	**Non-Voting Preferred Shares**	**Warrant Shares (exercisable for Non-Voting Preferred Shares)**
$192,889,572	665,529	1,577,373	340,820

Proposal No. 1A Not Approved and All of Proposals No. 1B through 1F Approved

If our shareholders do not approve the issuance of the additional securities in the Third Closing of the Private Placement under Proposal No. 1A but approve all of the bye-law amendments related to the Private Placement under Proposals No. 1B through 1F, we will be able to consummate the Second Closing, subject to the satisfaction of certain conditions to the Second Closing, but not the Third Closing. In addition, the Non-Voting Preferred Shares that we issued to the Purchasers in the First Closing, as well as all of the Non-Voting Preferred Shares underlying the Warrants that we issued to the Purchasers in the First Closing, will convert into Non-Voting Common Shares. As a result, we expect that we will have sold to the Purchasers in the First Closing and the Second Closing a combination of Voting Common Shares, Non-Voting Common Shares and Warrants representing a total investment in our company of $192.9 million, rather than $291.6 million if the Third Closing were to have occurred. Following the Second Closing, we expect that the Purchasers will own approximately 16.3% of our outstanding share capital on a fully diluted basis (including the right to acquire approximately 2.1% of our outstanding share capital on a fully diluted basis through the exercise of the Warrants), although the Purchasers voting interest in us purchased pursuant to the Investment Agreement will be less than 4.9%. The Warrants will be exercisable for Series C Non-Voting Common Shares. In addition, the various bye-law amendments will have the effects described above under Consequences if All of the Private Placement Proposals are Approved.

If the Third Closing does not occur, we expect that we will need to seek alternate sources of capital sooner than we otherwise may have had to do in order to fund future acquisitions of insurance and reinsurance companies in run-off and/or portfolios of insurance and reinsurance business in run-off. There is no assurance that we could secure that capital on terms more favorable to our shareholders than those of the Third Closing, if at all. Furthermore, we may have to expend additional time and resources to pursue alternative sources of capital.

In summary, if our shareholders do not approve Proposal No. 1A but approve all of Proposals No. 1B through 1F, and all closing conditions to the Second Closing are satisfied, we expect to issue to the Purchasers pursuant to the Private Placement securities in the following types and amounts (assuming the Purchasers do not elect to receive Series B Non-Voting Common Shares in lieu of Voting Common Shares at the Second Closing):

Aggregate Purchase Price	**Voting Common Shares**	**Series C Non-Voting Common Shares**	**Warrant Shares (exercisable for Series C Non-Voting Common Shares)**
$192,889,572	665,529	1,577,373	340,820

PROPOSAL NO. 1A ISSUANCE OF ADDITIONAL SECURITIES IN THE PRIVATE PLACEMENT

Because our ordinary shares are listed on the NASDAQ Global Select Market, we are subject to the NASDAQ Rules. NASDAQ Rule 5635 requires shareholder approval prior to the issuance of securities in connection with a transaction, other than a public offering, that results in a change of control of the issuer under NASDAQ Rule 5635 or the sale, issuance or potential issuance by a company of common shares, or securities convertible into or exercisable for common shares, equal to 20% or more of the common shares or 20% or more of the voting power outstanding before the issuance for less than the greater of book value or market value of the shares.

NASDAQ Rule 5635 applies to the sale and issuance of the additional securities at the Third Closing because:

- the total number of Voting Common Shares, Non-Voting Preferred Shares or, if applicable, Non-Voting Common Shares, together with the Non-Voting Preferred Shares or, if applicable, Non-Voting Common Shares, issuable upon exercise of the Warrants, will exceed 20% of the number of our Voting Common Shares outstanding immediately prior to the First Closing (based on the number of shares outstanding on April 20, 2011, the day we entered into the Investment Agreement); and

- the purchase price of the Voting Common Shares, Non-Voting Preferred Shares or, if applicable, Non-Voting Common Shares to be issued at the Third Closing is $86.00 per share, compared to the $101.37 per share closing sale price of our ordinary shares on the NASDAQ Global Select Market on April 20, 2011.

In addition, it may be argued that the issuance of the Voting Common Shares and Non-Voting Preferred Shares or, if applicable, Non-Voting Common Shares at the Third Closing constitutes a change of control under NASDAQ Rule 5635, which would require the approval of our shareholders.

For these reasons, we are seeking to obtain shareholder approval for all purposes under NASDAQ Rule 5635 prior to consummating the Third Closing in which we will sell to the Purchasers 1,148,264 Non-Voting Preferred Shares or Non-Voting Common Shares, as applicable.

Shareholder approval of this Proposal will have no impact on any determination of a change of control other than for purposes of NASDAQ Rule 5635, and the fact that we are seeking shareholder approval of this Proposal should not be deemed an admission that a change of control has occurred for any other purpose.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ISSUANCE OF ADDITIONAL SECURITIES IN THE THIRD CLOSING OF THE PRIVATE PLACEMENT.

PROPOSAL NO. 1B AMENDMENT OF BYE-LAWS IN CONNECTION WITH THE PRIVATE PLACEMENT REALLOCATION OF AUTHORIZED SHARE CAPITAL

Our bye-law 4.1 currently provides that we have three classes of share capital: (i) 100,000,000 ordinary shares, par value $1.00 per share; (ii) 6,000,000 non-voting convertible ordinary shares, par value $1.00 per share; and (iii) 50,000,000 preference shares, par value $1.00 per share. In connection with the Private Placement, we have agreed to ask our shareholders to approve an amendment to this bye-law.

Our Board has approved, and we are asking our shareholders to approve, an amendment to our bye-laws to provide for a sufficient number of non-voting convertible ordinary shares to permit all of the Non-Voting Preferred Shares and Voting Common Shares to be issued in the Private Placement to be converted into Non-Voting Common Shares were that the case. Amended bye-law 4.1 would permit us to issue up to: (i) 90,000,000 ordinary shares, par value $1.00 per share; (ii) 21,000,000 non-voting convertible ordinary shares, par value $1.00 per share; and (iii) 45,000,000 preference shares, par value $1.00 per share.

Bye-law 4.1 as it is proposed to be amended is set forth on Annex A. We urge you to review Annex A before you vote.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT OF OUR BYE-LAWS RELATING TO THE REALLOCATION OF AUTHORIZED SHARE CAPITAL IN CONNECTION WITH THE PRIVATE PLACEMENT.

PROPOSAL NO. 1C AMENDMENT OF BYE-LAWS IN CONNECTION WITH THE PRIVATE PLACEMENT CREATION OF ADDITIONAL SERIES OF NON-VOTING COMMON SHARES

In connection with the Private Placement, our Board has approved, and we have agreed to ask our shareholders to approve, amendments to bye-laws 1.1, 4.2, 4.3 and 15 related to the creation of three additional series of Non-Voting Common Shares. As described above under The Private Placement, upon the creation of these series and shareholder approval of certain other amendments to our bye-laws, the Non-Voting Preferred Shares will convert on a share-for-share basis (subject to adjustment in certain circumstances) into Non-Voting Common Shares.

The amendments to bye-law 4.2 would provide that the Purchasers and certain of their affiliates may convert the Voting Common Shares held by them into Series B Non-Voting Common Shares, Series C Non-Voting Common Shares or Series D Non-Voting Common Shares on a one-for-one basis, subject to adjustments for share splits, dividends, recapitalizations, consolidations or similar transactions affecting the Voting Common Shares or the Non-Voting Common Shares.

Bye-law 4.3 is proposed to be amended and restated to set forth the rights of the Series A Non-Voting Common Shares, the Series B Non-Voting Common Shares, the Series C Non-Voting Common Shares and the Series D Non-Voting Common Shares. These rights are detailed above under The Private Placement Terms of Non-Voting Common Shares.

The provision proposed to be added to bye-law 15 states that each holder of the Series C Non-Voting Common Shares or the Series D Non-Voting Common Shares, as the case may be, must consent in writing to any significant adverse change in the rights, preferences, privileges or voting powers of the Series C Non-Voting Common Shares or the Series D Non-Voting Common Shares, as the case may be.

In addition, bye-law 1.1 is proposed to be amended to include definitions relevant to the amendments to bye-laws 4.2, 4.3 and 15.

The proposed amendments to bye-laws 1.1, 4.2, 4.3 and 15 are set forth on Annex B. We urge you to review Annex B before you vote.

THE BOARD RECOMMENDS THAT YOU VOTE <u>FOR</u> THE AMENDMENT OF OUR BYE-LAWS RELATING TO THE CREATION OF ADDITIONAL SERIES OF NON-VOTING COMMON SHARES IN CONNECTION WITH THE PRIVATE PLACEMENT.

PROPOSAL NO. 1D AMENDMENT OF BYE-LAWS IN CONNECTION WITH THE PRIVATE PLACEMENT U.S. SHAREHOLDER VOTING POWER REDUCTION PROVISION

In connection with the Private Placement, our Board has approved, and we have agreed to ask our shareholders to approve, amendments to bye-laws 1.1 and 4.7 relating to the possible reduction in the voting power of certain of our significant U.S. shareholders.

Our bye-laws provide that the voting rights exercisable by a holder of our Voting Common Shares may be limited. In any situation in which the controlled shares (as defined below) of a U.S. Person or the Voting Common Shares held by a Direct Foreign Shareholder Group (as defined below) would constitute 9.5% or more of the votes conferred by the issued Voting Common Shares, the voting rights exercisable by a shareholder with respect to their shares will be limited so that no U.S. Person or Direct Foreign Shareholder Group is deemed to hold 9.5% or more of the voting power of our Voting Common Shares. The votes that could be cast by a shareholder but for these restrictions will be effectively allocated to the other shareholders pro rata based on the voting power held by those shareholders, provided that no allocation of these voting rights may cause a U.S. Person or Direct Foreign Shareholder Group to exceed the 9.5% limitation as a result of the allocation. In addition, our Board may limit a shareholder s voting rights where it deems it necessary to do so to avoid *non-de minimis* adverse tax, legal or regulatory consequences. Controlled shares includes, among other things, all ordinary shares that a U.S. Person owns directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code)). A Direct Foreign Shareholder Group includes a shareholder or group of commonly controlled shareholders that are not U.S. Persons.

Bye-law 4.7(c) is proposed to be amended to provide:

- that Series B Non-Voting Common Shares will be treated as Voting Common Shares for purposes of applying the voting limitations set forth in bye-law 4.7(c);

- that to the extent bye-law 4.7(c) results in any shareholder s voting power being reduced, that reduction will not result in a corresponding increase in the voting power of the Purchasers; and

- that if the Non-Voting Common Shares are entitled to vote on any matter under Bermuda law, they will vote on an as converted into Voting Common Shares basis, provided that the Series C and Series D Non-Voting Common Shares shall not represent more than 0.01% of the aggregate voting power of our issued share capital in any vote on a merger or consolidation.

All of these changes are intended to limit the voting power of the Purchasers in certain cases. Because the Series B Non-Voting Shares are convertible into Voting Common Shares at the election of the holder, the Series B Non-Voting Shares need to be treated as Voting Common Shares in order for bye-law 4.7(c) to achieve its purpose, which is to ensure that no U.S. Person or Direct Foreign Shareholder Group controls the right to vote more than 9.5% of our voting capital shares. Likewise, to the extent the bye-law reduces the voting power of any shareholder other than Purchasers, the amendments provide that such reduction cannot have a corresponding increase in the voting power of the Purchasers by virtue of there being fewer shares eligible to vote. Finally, even in certain circumstances where the Non-Voting Common Shares are entitled to vote under Bermuda law, the bye-law amendments limit that voting power for the Series C and Series D Non-Voting Common Shares in the case of a merger or consolidation.

In addition, bye-law 1.1 is proposed to be amended to include definitions relevant to the amendments to bye-law 4.7.

The proposed amendments to bye-laws 1.1 and 4.7 are set forth on Annex C. We urge you to review Annex C before you vote.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT OF OUR BYE-LAWS RELATING TO THE U.S. SHAREHOLDER VOTING POWER REDUCTION PROVISION IN CONNECTION WITH THE PRIVATE PLACEMENT.

PROPOSAL NO. 1E AMENDMENT OF BYE-LAWS IN CONNECTION WITH THE PRIVATE PLACEMENT INDEMNIFICATION AND EXCULPATION OF DIRECTORS AND OFFICERS

In connection with the Private Placement, our Board has approved, and we have agreed to ask our shareholders to approve, amendments to bye-law 1.1 and the addition of new bye-laws 53.3 and 53.4 relating to the indemnification of, and advancement of expenses to, our directors and officers.

Our bye-laws provide that all of our directors and officers will be indemnified and held harmless out of our assets from and against all losses incurred by them in connection with the execution of their duties as directors and officers, except that the indemnity will not extend to any matter in which they are found, in a final judgment or decree not subject to appeal, to have committed fraud or dishonesty. In addition, our bye-laws provide that each shareholder waives any claim, whether individually or on behalf of us, against any director or officer on account of any action taken by the director or officer, or the failure of the director or officer to take any action in the performance of his duties with or for us or any of our subsidiaries, provided that this waiver will not extend to any matter involving fraud or dishonesty of a director or officer.

Proposed bye-law 53.3 clarifies that the indemnification and exculpation rights of our officers and directors under bye-law 53 are not exclusive of any other rights conferred under any statute, other bye-law, shareholder or board resolution, agreement or otherwise. In addition, the rights under bye-law 53 would continue after a person has ceased to be a director or officer.

The terms of the Private Placement allow the Purchasers to designate one representative to our Board (the Purchaser Director) following the First Closing. This designation right terminates if (i) the Purchasers cease to beneficially own at least 5% of our outstanding share capital, or (ii) the Second Closing or the Third Closing do not occur by virtue of Purchasers breach of the Investment Agreement.

Under proposed bye-law 53.4, even if the Purchaser Director has rights to indemnification, advancement of expenses or insurance provided by the Purchasers or their affiliates, we would be the indemnitor of first resort with respect to any actions, costs, charges, losses, damages or expenses in connection with the Purchaser Director s performance of his duties as our director. As a result, just as we would indemnify any of our other directors, we would indemnify the Purchaser Director rather than requiring him to first pursue indemnification from other sources. In addition, we would advance the full amount of the Purchaser Director s expenses and would be responsible for the full amount of any expenses, judgments, penalties, fines or settlement amounts to the extent legally permitted and as required by our bye-laws or any other agreement between us and the Purchaser Director. We also would waive and release the Purchasers and their affiliates from claims against them for any contribution, subrogation or other recovery in respect of the foregoing.

In addition, bye-law 1.1 is proposed to be amended to include definitions relevant to bye-laws 53.3 and 53.4.

Proposed amendments to bye-law 1.1 and new bye-laws 53.3 and 53.4 are set forth on Annex D. We urge you to review Annex D before you vote.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT OF OUR BYE-LAWS RELATING TO THE INDEMNIFICATION AND EXCULPATION OF DIRECTORS IN CONNECTION WITH THE PRIVATE PLACEMENT.

PROPOSAL NO. 1F AMENDMENT OF BYE-LAWS IN CONNECTION WITH THE PRIVATE PLACEMENT CORPORATE OPPORTUNITY PROVISION

In connection with the Private Placement, our Board has approved, and we have agreed to ask our shareholders to approve, amendments to bye-law 1.1 and the addition of new bye-law 53A to address certain of our affairs as they may involve the Purchasers and their affiliates. As aspects of the Purchaser Parties businesses are similar to ours, these changes are intended to recognize that the Purchasers and their affiliates are multi-national organizations with financial interests in many businesses and that their investment in us should not create a fiduciary obligation to us that would restrict the operation of the Purchasers other businesses in the ordinary course.

Proposed bye-law 53A provides that the Purchasers, their affiliates, and in each case, their directors, officers partners and employees (each a Purchaser Party) may (i) engage in the same or similar business activities or lines of business as we do, (ii) do business with any of our clients or customers, and (iii) employ or otherwise engage any of our officers, directors or employees. To the extent permitted under Bermuda law, no Purchaser Party will be liable to us or our shareholders for breach of fiduciary duty as a result of these activities. If a Purchaser Party learns of a potential transaction (other than through serving as a member of our Board) that may be a corporate opportunity for both of us, the Purchasing Party need not tell us about that opportunity and, to the extent permitted under Bermuda law, will not be liable to us or our shareholders for breach of fiduciary duty if it pursues the opportunity for itself, directs the opportunity to another person, or does not present the opportunity to us. For this purpose, corporate opportunities include, for example, business opportunities that we are financially able to undertake that are in our line of business, are advantageous and of interest to us, and as to which a Purchaser Party s interest may conflict with ours.

Any person acquiring an equity interest in us will be deemed to have notice of and consented to this bye-law. Any amendment or repeal of this bye-law would require the affirmative vote of at least three-quarters of the holders of our outstanding Voting Common Shares until the later of (i) when the Purchasers own less than 5% of our outstanding shares and (ii) when no Purchaser Director serves on our Board.

In addition, bye-law 1.1 is proposed to be amended to add a definition relevant to bye-law 53A.

Proposed amendments to bye-law 1.1 and new bye-law 53A are set forth on Annex E. We urge you to review Annex E before you vote.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT OF OUR BYE-LAWS RELATING TO THE CORPORATE OPPORTUNITY PROVISION IN CONNECTION WITH THE PRIVATE PLACEMENT.

CORPORATE GOVERNANCE

Directors

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

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

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

Name	Age	Class
Charles T. Akre, Jr.	68	II
T. Whit Armstrong	64	II
Paul J. Collins	74	III
Dominic F. Silvester	50	III
Robert J. Campbell	62	I
Sumit Rajpal	35	I
Paul J. O Shea	53	I

The Board believes that all of its directors have demonstrated professional integrity, ability and judgment, as well as leadership and strategic management abilities, and have each performed exceptionally well in their respective time served as directors. A number of our current directors have served as directors of the Company or of The Enstar Group, Inc. for many years, and during this time, we have experienced significant growth and success. Particular attributes that are significant to each individual director s selection to serve on the Board are described in their biographies below.

Charles T. Akre, Jr. was elected as a director of the Company at the annual general meeting of shareholders in 2009. He is the Managing Member and Chief Executive Officer of Akre Capital Management, LLC, a financial services investment advisory firm that he founded in 1989. Mr. Akre has been in the securities business since 1968 and is the primary person responsible for Akre Capital Management, LLC s investment advisory services and investment selection. He launched the Akre Focus Fund in August 2009. Prior to managing the Akre Focus Fund, Mr. Akre was the sole portfolio manager of the FBR Focus Fund from its inception in December 1996 through August 2009. Before founding Akre Capital Management, LLC, Mr. Akre held positions as shareholder, director and Chief Executive Officer of Asset Management Division and Director of Research at Johnston, Lemon & Co., a NYSE member firm. Through his many years in the investment advisory business, Mr. Akre brings to our Board his investment expertise, in particular with respect to the insurance industry. His experience founding and managing Akre Capital Management

and his knowledge of the financial markets are also very valuable to our Board.

T. Whit Armstrong became a director of the Company on January 31, 2007 in connection with the completion of the Merger. Mr. Armstrong served as a director of The Enstar Group, Inc. from June 1990 through the Merger. Mr. Armstrong was previously the President, Chief Executive Officer and Chairman of the Board for more than five years of The Citizens Bank, Enterprise, Alabama, and its holding company, Enterprise Capital Corporation, Inc. He has a Master s degree in banking. Mr. Armstrong has also been a director of Alabama Power Company of Birmingham, Alabama for more than 25 years. Mr. Armstrong brings to our Board his financial reporting experience and substantial knowledge regarding the financial services sector and the banking industry in particular. In addition, Mr. Armstrong has many years of experience serving on boards of directors of other institutions.

Paul J. Collins became a director of the Company on January 31, 2007 in connection with the completion of the Merger. Mr. Collins served as a director of The Enstar Group, Inc. from May 2004 through the Merger. In September

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

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

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

Sumit Rajpal was appointed to the Board, effective May 16, 2011, in connection with the first closing under the Investment Agreement. Mr. Rajpal is a managing director of Goldman, Sachs & Co. He joined Goldman, Sachs & Co. in 2000 and became a managing director in 2007. Mr. Rajpal also serves as a director on the boards of USI Holdings Corporation, CSI Entertainment, Alliance Films Holdings Inc., ProSight Specialty Insurance Holdings, SKBHC Holdings, LLC and Dollar General Corporation (where he is an observer on the board). Mr. Rajpal brings to our Board his extensive experience as an investor and director in the global insurance and reinsurance industries and his expertise in corporate finance and compensation arrangements.

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

Independence of Directors

Our Board currently consists of seven directors, of which five are non-management directors. The Board determined all of the non-management directors, Messrs. Akre, Armstrong, Campbell, Collins and Rajpal, to be independent as defined by Nasdaq Marketplace Rule 5605(a)(2). The Board made this determination based primarily on a review of the responses of the directors to questions regarding employment and compensation history, family relationships and affiliations, and discussions with the directors. For details about certain

relationships and transactions among us and our executive officers and directors, see Certain Relationships and Related Transactions beginning on page 35.

Board Leadership Structure

Upon the resignation of John J. Oros as Executive Chairman on August 20, 2010, the Board combined the roles of Chairman and CEO, with Dominic F. Silvester, a member of the Board, now serving as our Chairman and CEO. The Board believes that combining the roles of Chairman and CEO is the most effective corporate governance structure for our Company at this time. Mr. Silvester, who co-founded the Company and who has served as our CEO since our formation in 2001, has the necessary expertise, experience and management skills to lead our Board and Company. The Board believes that combining the roles of Chairman and CEO results in clear and consistent leadership on critical strategic objectives and allows the Company to present its vision and strategy in a unified voice.

The Board believes that the Company s corporate governance structure appropriately satisfies the need for objectivity, and includes several effective oversight means, including: (i) the Board is comprised of a majority of independent directors; (ii) following regularly scheduled Board meetings, the independent directors meet in executive session without the Chairman and CEO and the Executive Vice President present to review, among other things, the performance of these executive officers; and (iii) various committees of the Board perform oversight functions independent of management, such as overseeing the integrity and quality of the Company s financial statements, overseeing risk assessment and management and establishing senior executive compensation, and these committees are comprised only of independent directors. Accordingly, the Board believes that separating the roles of Chairman and CEO and requiring that the Chairman be a non-management director would not provide meaningful benefits beyond those already achieved by our existing governance structure.

The Board has not designated a lead independent director as it is satisfied with the current board leadership structure at this time. The Audit Committee and Compensation Committee are both comprised solely of independent directors and are both chaired by a different director, thus providing various directors with leadership opportunities and promoting the potential for differing perspectives and styles in key areas of governance. Two of the four members of the Investment Committee are independent directors and an independent director also serves as its chairman. In addition, the independent directors collectively perform the nominating function for the Board. Based on the corporate governance and committee structure currently in place, the Board has determined that each independent director plays an equally important role and that designating one as the lead independent director would serve no additional benefit beyond that already achieved by our existing governance structure.

The Board recognizes, however, that no single leadership model is right for all companies at all times and that, depending on the circumstances in the future, other leadership models might be appropriate for us.

Board Committees

Our Board currently maintains an Audit Committee, a Compensation Committee and an Investment Committee. Current copies of the charter for each of these committees are available on our website at http://www.enstargroup.com/corporate-governance. In addition, any shareholder may receive copies of these documents in print, without charge, by contacting Investor Relations at P.O. Box HM 2267, Windsor Place, 3rd Floor, 18 Queen Street, Hamilton, HM JX, Bermuda.

Audit Committee. The Audit Committee is comprised of Messrs. Akre, Armstrong, Campbell and Collins, with Mr. Campbell serving as Chairman. The Audit Committee met five times during the year ended December 31, 2010. This committee has general responsibility for the oversight of the quality and integrity of our financial statements, the qualifications and independence of our independent auditor, the performance of our internal audit function and

independent auditor, and our compliance with legal and regulatory requirements. The committee appoints, retains and approves the compensation for our independent auditors, pre-approves fees and services of the independent auditors and reviews the scope and results of their audit. The Audit Committee periodically reviews and discusses with management our Company s guidelines and policies with respect to the process by which we undertake risk assessment and risk management, including discussion of our major financial risk exposures and the steps management has taken and is taking to monitor and control such exposures. Each member of the Audit

Committee is a non-management director and is independent as defined in Nasdaq Marketplace Rule 5605(a)(2) and under the Securities Exchange Act of 1934, as amended (the Exchange Act). Our Board has determined that each of Messrs. Collins and Campbell, who are independent directors, qualifies as an audit committee financial expert pursuant to the definition set forth in Item 407(d)(5)(ii) of Regulation S-K, as adopted by the SEC. The Audit Committee operates under a written charter that has been approved by our Board. The charter is reviewed annually by the Audit Committee, which recommends any proposed changes to our Board.

Compensation Committee. The Compensation Committee is comprised of Messrs. Akre, Armstrong, Campbell and Collins, with Mr. Akre serving as Chairman. The Compensation Committee met three times during the year ended December 31, 2010. The Compensation Committee has general responsibility for the compensation of our executive officers. The committee establishes our general compensation philosophy and oversees the development and implementation of our compensation programs. The committee also periodically reviews the compensation of our directors and makes recommendations to our Board with respect thereto. Each member of the Compensation Committee is a non-management director and is independent as defined in Nasdaq Marketplace Rule 5605(a)(2). The Compensation Committee operates under a written charter that has been approved by our Board. The charter is reviewed annually by the Compensation Committee, which recommends any proposed changes to our Board. Additional information on the Compensation Committee and the role of management in setting compensation is provided below in Executive Compensation Compensation Discussion and Analysis beginning on page 38.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee is or was during 2010 an employee, or is or ever has been an officer, of the Company. During the year ended December 31, 2010, no executive officer served as a member of the compensation committee or as a director of another entity having an executive officer serving on our Compensation Committee or as one of our directors.

Investment Committee. The Investment Committee of our Company is comprised of Messrs. Akre and Campbell and Richard J. Harris, who is our Chief Financial Officer (CFO). Mr. Campbell serves as Chairman. The Investment Committee met four times during the year ended December 31, 2010 in conjunction with our regularly scheduled Board meetings. The committee has general responsibility for supervising our investment activity. The committee regularly monitors our overall investment results, which it ultimately reports to our Board, and is responsible for developing and reviewing our investment guidelines and overseeing compliance with such guidelines. The committee operates under a written charter that has been approved by our Board. The charter is reviewed annually by the Investment Committee, which recommends any proposed changes to our Board.

Board Oversight of Risk Management

The Board has an active role, as a whole and also at the committee level, in overseeing management of risks facing our Company. The Board regularly reviews information regarding our operations, credit, liquidity and investments and the risks associated with each. The Audit Committee, pursuant to its charter, periodically reviews and discusses with management our Company s guidelines and policies with respect to the process by which we undertake risk assessment and risk management, including discussion of our major financial risk exposures and the steps management has taken and is taking to monitor and control such exposures. Members of senior management have day-to-day responsibility for risk management and establishing risk management practices. Senior management reports directly to the Audit Committee with respect to matters within its responsibility, and reports all other risk-related matters directly to the full Board.

The Compensation Committee considers any risks that relate to executive compensation, as discussed in Executive Compensation Compensation Discussion and Analysis Principal Elements of Executive Compensation Annual Incentive Compensation.

The Company s Investment Committee is responsible for developing and reviewing our investment guidelines and overseeing compliance with such guidelines. The Investment Committee typically meets each quarter and reports risk-related matters directly to the full Board.

Board and Committee Meetings; Annual Meeting Attendance

We expect our directors to attend all meetings of our Board, all meetings of all committees of the Board on which they serve and each annual general meeting of shareholders, absent exigent circumstances. Our Board met a total of five times during the year ended December 31, 2010, including four regularly scheduled meetings and one special meeting called in connection with reviewing time-sensitive matters. In 2010, all incumbent directors, except for Messrs. Akre and Collins, attended at least 75% of the meetings of the Board (held during the period for which he has been a director) and the committees of the Board on which the director served (held during the period that he served). All directors then serving attended the 2010 annual general meeting of shareholders. In addition, in 2010, our independent directors met each quarter in executive sessions without management.

Director Nominations, Qualifications and Recommendations

We do not have a nominating committee, although we do have a formal nominations process. The Board believes that it is appropriate for the independent directors, rather than a separate committee comprised of most or all of our independent directors, to recommend director candidates. Nasdaq Marketplace Rule 5605(e)(1) requires director nominees to be selected, or recommended to the Board for selection, either by (i) a majority of the independent directors in a vote in which only independent directors participate or (ii) a nominations committee comprised solely of independent directors. In November 2006, the Board adopted a resolution in accordance with these requirements regarding the nomination of directors. Pursuant to that resolution, the independent directors will conduct the director nomination process each year in connection with our annual general meeting of shareholders.

When identifying and reviewing director nominees, the independent directors consider the nominees personal and professional integrity, ability and judgment, as well as other factors deemed appropriate by the independent directors. For incumbent directors, the independent directors review each director s overall service to the Company during the director s term, including the number of meetings attended, level of participation and quality of performance. The independent directors considered and nominated the candidates proposed for election as directors at the Annual General Meeting, with the Board unanimously agreeing on all actions taken in this regard.

While we do not have a formal diversity policy for selection of directors, the Company seeks to identify candidates who represent a mix of backgrounds and experiences that will improve the Board s ability, as a whole, to serve the needs of our Company and the interests of our shareholders. We consider diversity broadly to include differences of professional experience, individual attributes and skill sets, perspective, knowledge and expertise in substantive matters pertaining to our business and industry. Given the complex nature of our business and the insurance and reinsurance industry, we seek to include directors whose experiences, although varying and diverse, are also complementary to and demonstrate a familiarity with the substantive matters necessary to lead the Company and navigate the run-off business.

Shareholders may recommend candidates to serve as directors by submitting a written notice to the Board at Enstar Group Limited, P.O. Box 2267, Windsor Place, 3rd Floor, 18 Queen Street, Hamilton, HM JX, Bermuda. Shareholder recommendations must be accompanied by sufficient information to assess the candidate s qualifications and contain the candidate s consent to serve as director if elected. Shareholder nominees will be evaluated by the independent directors in the same manner as nominees selected by the independent directors.

DIRECTOR COMPENSATION

Directors who are employees of the Company receive no fees for their services as directors. The non-employee directors receive the following: (i) a quarterly retainer fee of $15,000; (ii) a fee of $3,500 for each Board meeting attended other than a telephonic Board meeting; (iii) a fee of $1,500 for each Audit Committee meeting attended by a committee member; (iv) a fee of $1,250 for each Compensation Committee meeting attended by a committee member; (v) a fee of $1,250 for each Investment Committee meeting attended by a committee member; (vi) for the Audit Committee chairman, a quarterly retainer fee of $2,500; (vii) for the Compensation Committee chairman, a quarterly retainer fee of $1,250; (viii) for the Investment Committee chairman, a quarterly retainer fee of $1,250; and (ix) a fee of $1,000 for each telephonic Board meeting.

On June 11, 2007, the Compensation Committee approved the Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors (the Deferred Compensation Plan), which became effective immediately. The Deferred Compensation Plan provides each non-employee director with the opportunity to elect (i) to receive all or a portion of his or her compensation for services as a director in the form of our ordinary shares instead of cash and (ii) to defer receipt of all or a portion of such compensation until retirement or termination. Non-employee directors electing to receive compensation in the form of ordinary shares receive whole ordinary shares (with any fractional shares payable in cash) as of the date compensation would otherwise have been payable. Non-employee directors electing to defer compensation have such compensation converted into share units payable as a lump sum distribution after the director s separation from service as defined under Section 409A of the Internal Revenue Code. The lump sum share unit distribution will be made in the form of ordinary shares, with fractional shares paid in cash.

The following table summarizes the compensation of our non-employee directors who served in 2010.

Name	Fees Earned or Paid in Cash ($)(1)(2)	Stock Awards ($)(3)(4)	Option Awards ($)(5)	All Other Compensation ($)	Total ($)
Charles T. Akre, Jr.	$ 82,750				$ 82,750
T. Whit Armstrong	$ 88,750				$ 88,750
Robert J. Campbell	$ 106,500				$ 106,500
Paul J. Collins	$ 78,500				$ 78,500
Gregory L. Curl(6)	$ 58,500				$ 58,500
J. Christopher Flowers(7)	$ 75,250				$ 75,250

(1) This table reflects fees earned for the 2010 fiscal year.

(2) The following directors elected to defer all or a portion of their fees in the form of share units pursuant to the Deferred Compensation Plan:

Name of Participating Director	Amount of Fees Deferred in 2010	Number of Share Units for 2010

Charles T. Akre, Jr.	$ 82,750	1,160
T. Whit Armstrong	$ 88,750	1,243
Robert J. Campbell	$ 106,500	1,503
Paul J. Collins	$ 78,500	1,121
Gregory L. Curl	$ 29,250	423(A)
J. Christopher Flowers	$ 75,250	1,064

(A) Mr. Curl s share units converted into ordinary shares that were distributed September 10, 2010 following his resignation as a director.

(3) In connection with the Merger, the following directors received restricted share units (RSUs) of the Company in exchange for Restricted Stock Units of The Enstar Group, Inc. The Restricted Stock Units were issued under The Enstar Group, Inc. Deferred Compensation and Stock Plan for Non-Employee Directors, as amended and restated (the EGI Plan). The RSUs may be settled in a lump sum distribution or in quarterly or annual installment payments over a period not to exceed 10 years beginning as of the first business day of any calendar

year after the termination of the director s services on our Board. As of December 31, 2010, the directors listed below held the following number of RSUs:

Name of Director	RSUs Outstanding
T. Whit Armstrong	14,922
Paul J. Collins	1,304
J. Christopher Flowers	4,515

(4) In connection with the Merger, the directors listed below received deferred units in exchange for deferred units accrued under the EGI Plan. Each deferred unit is the economic equivalent of one ordinary share. The deferred units will be settled in a lump sum distribution of cash on the first business day of the first quarter after the termination of the director s services on our Board. As of December 31, 2010, the directors listed below held the following number of deferred units:

Name of Director	Deferred Units Outstanding
T. Whit Armstrong	737.804
Paul J. Collins	299.205
J. Christopher Flowers	371.200

(5) In connection with the Merger, Mr. Collins received options to purchase our ordinary shares in the aggregate amount of 4,903 in exchange for the options he held prior to the Merger to purchase shares of The Enstar Group, Inc. s common stock. As of December 31, 2010, those remain outstanding.

(6) Mr. Curl resigned from the Board on August 19, 2010.

(7) Mr. Flowers resigned from the Board on May 6, 2011.

Code of Ethics/Code of Conduct

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

Shareholder Communications with the Board

Shareholders and other interested parties may send communications to our Board by sending written notice to our CFO at Enstar Group Limited, P.O. Box HM 2267, Windsor Place, 3rd Floor, 18 Queen Street, Hamilton, HM JX,

Bermuda. The notice may specify whether the communication is directed to the entire Board, to the independent directors, or to a particular Board committee or individual director. Our CFO will handle routine inquiries and requests for information. If our CFO determines the communication is made for a valid purpose and is relevant to the Company and its business, our CFO will forward the communication to the entire Board, to the independent directors, to the appropriate committee chairman or to the individual director as the notice was originally addressed. At each meeting of our Board, our CFO will present a summary of all communications received since the last meeting that were not forwarded and will make those communications available to the directors on request.

EXECUTIVE OFFICERS

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

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

(1) Biography available above under Corporate Governance Directors.

Nicholas A. Packer has served as Executive Vice President and the Joint Chief Operating Officer of the Company since our formation in 2001. He served as a director of the Company from January 2007 to August 2007, when he resigned from that position. From 1996 to 2001, Mr. Packer was Chief Operating Officer of Enstar (EU) Limited, a wholly owned subsidiary of Enstar Limited, which is now a subsidiary of the Company. Mr. Packer served as Enstar Limited s Chief Operating Officer from 1995 until 1996. From 1993 to 1995, Mr. Packer joined Mr. Silvester in forming a run-off business venture in Bermuda. Mr. Packer served as Vice President of Anchor Underwriting Managers Limited from 1991 until 1993. Prior to joining Anchor, he was a joint deputy underwriter at CH Bohling & Others, an affiliate of Lloyd s of London.

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

PRINCIPAL SHAREHOLDERS AND MANAGEMENT OWNERSHIP

The following table sets forth information as of April 15, 2011 (unless otherwise provided herein) regarding beneficial ownership of our ordinary shares by each of the following, in each case based on information provided to us by these individuals:

each person or group known to us to be the beneficial owner of more than 5% of our ordinary shares;

each of our directors and director nominees;

each of the individuals named in the Summary Compensation Table; and

all of our current directors and executive officers as a group.

Unless otherwise indicated, each person has sole voting and dispositive power with respect to all shares shown as beneficially owned by them.

Name of Beneficial Owner	Number of Shares	Number of Shares Subject to Option	Percent of Class(1)
Dominic F. Silvester(2)	1,553,896	0	11.80%
J. Christopher Flowers(3)	1,478,394	0	11.22%
Beck, Mack & Oliver LLC(4)	1,172,387	0	8.90%
Advisory Research, Inc.(5)	899,795	0	6.83%
Paul J. O Shea(6)	507,904	0	3.86%
Nicholas A. Packer(7)	472,970	0	3.59%
John J. Oros(8)	317,719	98,075	3.13%
Charles T. Akre, Jr.(9)	320,714	0	2.44%
Robert J. Campbell(10)	173,122	0	1.31%
Richard J. Harris(11)	123,130	0	*
T. Whit Armstrong(12)	45,487	0	*
Paul J. Collins(13)	30,192	4,903	*
Sumit Rajpal(14)	0	0	*
All Current Executive Officers and Directors as a group (9 Persons)(15)	3,227,415	4,903	24.48%

* Less than 1%

(1) Our bye-laws reduce the total voting power of any U.S. shareholder or direct foreign shareholder group owning 9.5% or more of our ordinary shares to less than 9.5% of the voting power of all of our shares.

(2) Includes 490,732 ordinary shares held directly by Mr. Silvester (of which 110,239 have been pledged to secure a loan) and 1,063,164 ordinary shares held by the Right Trust (which have been pledged to secure a loan).

Mr. Silvester and his immediate family are the sole beneficiaries of the Right Trust. The trustee of the Right Trust is R&H Trust Co. (BVI) Ltd. (RHTCBV), a British Virgin Islands Company, whose registered office is Woodbourne Hall, P.O. Box 3162, Road Town, Tortola, British Virgin Islands. Mr. Silvester s address is c/o Enstar Group Limited, P.O. Box 2267, Windsor Place, 3rd Floor, 18 Queen Street, Hamilton HM JX, Bermuda.

(3) Mr. Flowers was a director of the Company from November 2001 until his resignation from the Board on May 6, 2011. Mr. Flowers served as a director of The Enstar Group, Inc. from October 1996 through the Merger, including serving as Vice Chairman of the Board of Directors of the Enstar Group, Inc. from December 1998 through July 2003. The number of shares listed in the table above includes (a) 1,184,555 ordinary shares held directly (which have been pledged to secure a line of credit), (b) 3,610 shares issuable pursuant to the Deferred Compensation Plan and (c) 4,515 restricted share units. In addition, Mr. Flowers exercises investment discretion over 285,714 shares through: (a) JCF Associates II Ltd., of which he is the sole director and which is the ultimate general partner of JCF II AIV E L.P., J.C. Flowers II-A L.P. and J.C. Flowers II-B L.P. (together, the Main Fund Vehicles) and (b) FSO GP Ltd., of which he is the sole director and which

is the ultimate general partner of Financial Service Opportunities L.P. (together with the Main Fund Vehicles, the Funds). The general partner of each of the Funds must act in good faith in the interests of all the partners. In the case of JCF Associates II Ltd. and FSO GP Ltd., the casting of all votes for the election of board members of each foreign corporation in which the Main Fund Vehicles hold an interest (such as us and our non-U.S. subsidiaries) will be decided by majority vote of Mr. Flowers and the ten other owners of interests in JCF Associates II Ltd. Mr. Flowers disclaims beneficial ownership of the shares held by the Funds except to the extent of any pecuniary interest therein. This disclosure shall not be construed as an admission that Mr. Flowers is the beneficial owner of the Funds shares for any reason. The principal address for Mr. Flowers is 717 Fifth Ave., 26th floor, New York, NY 10022.

(4) Based on information provided in a Schedule 13G filed by Beck, Mack & Oliver LLC (Beck Mack), a registered investment adviser under Section 203 of the Investment Advisers Act of 1940, on January 26, 2011. The ordinary shares beneficially owned by Beck Mack are owned by investment advisory clients of Beck Mack. These clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities. No one of these clients owns more than 5% of such class of securities. As of December 31, 2010, Beck Mack had shared dispositive power with respect to all of the shares and sole voting power with respect to 1,089,023 shares. The principal address for Beck Mack is 360 Madison Avenue, New York, NY 10017. Robert J. Campbell, one of our directors, is a Partner at Beck Mack. Beck Mack disclaims beneficial ownership of the ordinary shares of the Company that are, or may be deemed to be, beneficially owned by Mr. Campbell.

(5) Based on information provided in a Schedule 13G jointly filed by Piper Jaffray Companies (PJC) and Advisory Research, Inc. (ARI) on February 15, 2011, reflecting shares beneficially owned by ARI, which is a wholly-owned subsidiary of PJC, and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. ARI beneficially owns the shares as a result of acting as investment adviser to various clients. These clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares held in their respective accounts. No one of these clients is known to own more than 5% of such class of securities. As of December 31, 2010, PJC and ARI had sole dispositive power and sole voting power with respect to all of the shares. However, PJC disclaims beneficial ownership of such shares. The principal address for PJC is 800 Nicollet Mall Suite 800, Minneapolis, MN 55402 and the principal address for ARI is 180 N. Stetson, Chicago, IL 60601.

(6) Includes 31,629 ordinary shares held directly by Mr. O Shea and 476,275 ordinary shares held by the Elbow Trust. Mr. O Shea and his immediate family are the sole beneficiaries of the Elbow Trust. The trustee of the Elbow Trust is RHTCBV.

(7) Includes 16,695 ordinary shares held directly by Mr. Packer and 456,275 ordinary shares held by Hove Investments Holding Limited, a British Virgin Islands company. The Hove Trust owns all of the equity interests of Hove Investments Holding Limited. Mr. Packer and his immediate family are the sole beneficiaries of the Hove Trust. The trustee of the Hove Trust is RHTCBV.

(8) Includes 117,719 ordinary shares held directly by Mr. Oros and 200,000 ordinary shares indirectly owned by Mr. Oros through Brittany Ridge Investment Partners, L.P.

(9) Includes (a) 3,000 ordinary shares held directly by Mr. Akre that are pledged in a brokerage margin account, (b) 2,350 ordinary shares held in an IRA, (c) 2,364 shares issuable pursuant to the Deferred Compensation Plan, and (d) 313,000 ordinary shares held indirectly through several investment funds of which Akre Capital Management, LLC serves as the general partner, managing member or investment adviser. Mr. Akre, who is the managing member of Akre Capital Management, LLC, disclaims beneficial ownership of the ordinary shares

that are, or may be deemed to be, beneficially owned by the investment funds except to the extent of any pecuniary interest therein. Excludes 143,518 ordinary shares beneficially owned by investment advisory clients of Akre Capital Management, LLC for which Mr. Akre disclaims beneficial ownership except to the extent of any pecuniary interest therein.

(10) Includes (a) 51,645 ordinary shares held directly by Mr. Campbell, (b) 41,000 ordinary shares held by a self-directed pension plan, (c) 32,300 ordinary shares owned by Mr. Campbell s spouse and pledged in a brokerage margin account, (d) 25,050 ordinary shares owned by Osprey Partners, (e) 12,600 ordinary shares owned by Mr. Campbell s children, (f) 3,000 ordinary shares owned by the Robert J. Campbell Family Trust, (g) 2,500

ordinary shares owned by the F.W. Spellissy Trust, (h) 500 ordinary shares owned by the Amy S. Campbell Family Trust and (i) 4,527 ordinary shares issuable pursuant to the Deferred Compensation Plan. Mr. Campbell disclaims beneficial ownership of the ordinary shares that are, or may be deemed to be, beneficially owned by Beck Mack.

(11) Includes 50,000 restricted shares granted in February 2011.

(12) Includes (a) 26,281 ordinary shares held directly, (b) 4,284 shares issuable pursuant to the Deferred Compensation Plan and (c) 14,922 restricted share units. Of the shares beneficially owned by Mr. Armstrong, 19,000 shares are pledged to secure a line of credit.

(13) Includes (a) 25,062 ordinary shares held in trust, (b) 3,826 shares issuable pursuant to the Deferred Compensation Plan, and (c) 1,304 restricted share units.

(14) Mr. Rajpal was appointed to the Board, effective May 16, 2011, in connection with the first closing under the Investment Agreement. Mr. Rajpal is a managing director of Goldman, Sachs & Co. (Goldman Sachs). Mr. Rajpal disclaims beneficial ownership of the shares that relate to and are described in this footnote (except to the extent of his pecuniary interest therein, if any) and does not otherwise beneficially own any of our ordinary shares. On April 20, 2011, in connection with the first closing under the Investment Agreement, the Purchasers acquired 531,345 ordinary shares in the aggregate, or approximately 3.9% of our then outstanding ordinary shares. Such shares may be deemed to be beneficially owned by Goldman Sachs, a broker or dealer registered under Section 15 of the Exchange Act and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Please see the statement on Schedule 13D filed on April 29, 2011 by Goldman Sachs, the Purchasers and certain of their affiliates for a description of other of our ordinary shares that could be argued to be beneficially owned by Goldman Sachs, the Purchasers or their affiliates under certain theories. The general partner, managing general partner or other manager of each of the Purchasers is an affiliate of The Goldman Sachs Group, Inc. (GS Group). Goldman Sachs is a direct and indirect wholly-owned subsidiary of GS Group. Goldman Sachs is the investment manager of certain of the Purchasers. In accordance with SEC Release No. 34-39538 (January 12, 1998) (the Release), this proxy statement reflects the securities beneficially owned by certain operating units (collectively, the Goldman Sachs Reporting Units) of GS Group and its subsidiaries and affiliates. This filing does not reflect securities, if any, beneficially owned by any operating units of GS Group whose ownership of securities is disaggregated from that of the Goldman Sachs Reporting Units in accordance with the Release. The Goldman Sachs Reporting Units disclaim beneficial ownership of the securities beneficially owned by (i) any client accounts with respect to which the Goldman Sachs Reporting Units or their employees have voting or investment discretion, or both, and (ii) certain investment entities of which the Goldman Sachs Reporting Units act as the general partner, managing general partner or other manager, to the extent interests in such entities are held by persons other than the Goldman Sachs Reporting Units. The address of each of the persons mentioned in this paragraph is 200 West Street, New York, New York 10282.

(15) See footnotes 2, 6, 7 and 9 through 14.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related-Party Transaction Procedures

From time to time, we participate in transactions in which one or more of our directors or executive officers has an interest. In particular, we have invested, and may continue to invest, in or with entities that are affiliates of or otherwise related to Mr. Flowers, formerly a member of our Board. Each transaction involving the Company and an affiliate entered into during 2010 was approved by the non-interested members of the Board.

Our Board has adopted a Code of Conduct, effective as of January 31, 2007. Our Code of Conduct states that our directors, officers and employees must avoid engaging in any activity, such as related-party transactions, that might create a conflict of interest or a perception of a conflict of interest. These individuals are required to raise for consideration any proposed or actual transaction that they believe may create a conflict of interest. We expect that members of our Audit Committee will review and discuss any related-party transaction proposed to be entered into by the Company. In addition, on an annual basis, each director and executive officer completes a Directors and Officers Questionnaire that requires disclosure of any transactions with the Company in which he, or any member of his immediate family, has a direct or indirect material interest.

Transactions Involving J. Christopher Flowers and Affiliated Entities

We and certain of our subsidiaries have entered into transactions with companies and partnerships that are affiliated with Messrs. Flowers and/or Oros, including J.C. Flowers II L.P. (Fund II) and J.C. Flowers III L.P. (Fund III). These transactions are described below. Fund II and Fund III are private investment funds advised by J.C. Flowers & Co. LLC (JCF & Co.). Mr. Flowers is the founder, Chairman and Chief Executive Officer of JCF & Co. Mr. Oros is a Managing Director of JCF & Co. and split his time between JCF & Co. and the Company until his resignation from the Company on August 20, 2010.

Investments in the Flowers Funds and Entities Affiliated with J. Christopher Flowers and John J. Oros

As of December 31, 2010, excluding our investment in Varadero International Ltd. (Varadero) discussed below, we had investments in entities affiliated with Messrs. Flowers and/or Oros with a total value of $96.1 million. No fees or other compensation will be payable by us to Messrs. Flowers or Oros, or their affiliates, in connection with any of the investments described below.

We have committed to invest up to $100.0 million in Fund II. As of the record date, our remaining outstanding commitment to Fund II was approximately $2.9 million. We received management fees in the amount of $0.3 million for advisory services provided to Fund II for the year ended December 31, 2010.

We have also committed to invest up to $100.0 million in Fund III. As of the record date, our remaining outstanding commitment to Fund III was approximately $77.8 million.

For the year ended December 31, 2010, we had an investment in New NIB Partners LP (New NIB) of $23.5 million. Mr. Flowers is a director of New NIB and certain affiliates of J.C. Flowers I L.P. (Fund I), a fund formed and managed by JCF & Co., participated in the acquisition of a subsidiary of New NIB. For the year ended December 31, 2010, we also had an investment in Affirmative Investment LLC (Affirmative) of $1.4 million. We own a 7% non-voting membership interest in Affirmative and Fund I owns the remaining 93% interest.

We also have an investment of $4.0 million in Flowers Sego-Carrus Holdings, LLC, a joint venture between the Company, an unaffiliated third party and Flowers National Bank, an entity owned by Mr. Flowers. Additionally, we have invested approximately $8.7 million in JCF III Co-invest I L.P., an entity affiliated with JCF & Co.

We have also committed to invest $20.0 million in Varadero, a hedge fund. The investment manager of Varadero is Varadero Capital, L.P., of which Varadero GP, LLC is the general partner. As at December 31, 2010, we had funded 100% of our capital commitment. Both the investment manager and general partner are partially owned by an entity affiliated with us and Messrs. Flowers and Oros.

We have also entered into a participation agreement for $1.0 million with Flowers National Bank, an entity owned by Mr. Flowers.

From time to time, certain of our directors and executive officers have made, and may continue to make, significant personal commitments and investments in entities that are affiliates of or otherwise related to Mr. Flowers and/or Mr. Oros and in which we also have commitments or investments.

Transactions

In December 2007, we, in conjunction with JCF FPK I L.P. (JCF FPK), and a newly-hired executive management team, formed U.K.-based Shelbourne Group Limited (Shelbourne) to invest in Reinsurance to Close (RITC) transactions (the transferring of liabilities from one Lloyd s Syndicate to another) with Lloyd s of London insurance and reinsurance syndicates in run-off. We own approximately 56.8% of Shelbourne, which in turn owns 100% of Shelbourne Syndicate Services Limited, the Managing Agency for Lloyd s Syndicate 2008, a syndicate approved by Lloyd s of London in December 2007 to undertake RITC transactions with Lloyd s syndicates in run-off. JCF FPK is a joint investment program between Fund II and Fox-Pitt Kelton Cochran Caronia Waller (USA) LLC (FPK). An affiliate of Fund II controlled approximately 41% of FPK until its sale of FPK in December 2009.

Lloyd s Syndicate 2008 has, to date, entered into ten RITC agreements with Lloyd s syndicates. In February 2008, Lloyd s Syndicate 2008 entered into RITC agreements with four Lloyd s Syndicates with total gross insurance reserves of approximately $471.2 million. In February 2009, Lloyd s Syndicate 2008 entered into a RITC agreement with a Lloyd s syndicate with total gross insurance reserves of approximately $67.0 million. During 2010, Lloyd s Syndicate 2008 entered into RITC agreements with three Lloyd s syndicates with total gross insurance reserves of approximately $192.6 million. In February 2011, Lloyd s Syndicate 2008 entered into RITC agreements with two Lloyd s syndicates with total gross insurance reserves of approximately $129.6 million.

The capital commitment to Lloyd s Syndicate 2008 as of the record date amounted to £80.1 million (approximately $125.1 million) and was financed by approximately £47.4 million (approximately $74.0 million) from available cash on hand; £19.0 million (approximately $29.7 million) from a letter of credit issued by a London-based bank that has been secured by a parental guarantee from us; approximately £5.2 million (approximately $8.1 million) from Fund II (acting in its own capacity and not through JCF FPK) by way of non-voting equity participation; and approximately £8.5 million (approximately $13.3 million) from JCF FPK.

Other Agreements with Directors and Executive Officers

On January 31, 2007, in connection with the Merger, we entered into a Registration Rights Agreement (the Registration Rights Agreement) with certain of our shareholders identified as signatories thereto. The Registration Rights Agreement provides that, after the expiration of one year from the date of the agreement, either of Mr. Flowers and Mr. Silvester, each referred to as a requesting holder, may require that we effect the registration under the Securities Act of all or any part of such holder s registrable securities. Messrs. Flowers and Silvester are each entitled to make two requests.

Upon resignation from our Board on August 19, 2010, Gregory L. Curl was entitled to receive distribution of all amounts previously accrued under the Deferred Compensation Plan and the EGI Plan. In accordance with the terms of these plans, on September 10, 2010, Mr. Curl received 2,989 of the Company s ordinary shares (with an aggregate value of $212,278.78, based on the closing price of our ordinary shares of $71.02 on the distribution date). Mr. Curl also received $11,684.29 resulting from a distribution of 164.098 deferred units payable only in cash under the terms of the EGI Plan and consideration in respect of fractional shares under the plans also payable only in cash. All amounts distributed represented compensation that had previously been deferred by Mr. Curl.

In connection with Mr. Oros s resignation on August 20, 2010, the Company, our wholly-owned subsidiary, Enstar (US) Inc. (Enstar U.S.) and Mr. Oros entered into a Separation Agreement and General Release (the Separation

Agreement), which became effective on August 28, 2010. Pursuant to the Separation Agreement, Mr. Oros received $1.25 million on the tenth day following the agreement s effective date, and the Company and Enstar U.S. were released from all obligations under Mr. Oros s existing employment agreement. Pursuant to the terms of the Separation Agreement, Mr. Oros s currently outstanding options to purchase the Company s ordinary shares remain exercisable until their original expiration dates.

On October 1, 2010, we entered into share repurchase agreements (the Repurchase Agreements) with three of our executives and certain trusts and a corporation affiliated with the executives to repurchase an aggregate of 800,000 of our ordinary shares at a price of $70.00 per share. We repurchased an aggregate of 600,000 ordinary shares from Mr. Silvester and a trust of which he and his immediate family are the sole beneficiaries, 100,000 ordinary shares from a trust of which Mr. O Shea and his immediate family are the sole beneficiaries and 100,000 ordinary shares from a corporation owned by a trust of which Mr. Packer and his immediate family are the sole beneficiaries. The repurchase transactions closed on October 14, 2010. The aggregate purchase price of $56.0 million is payable by us through promissory notes to the selling shareholders. The annual interest rate for the notes is fixed at 3.5%, and the notes are repayable in three equal installments on December 31, 2010, December 1, 2011 and December 1, 2012. In connection with the Repurchase Agreements, we entered into lock-up agreements with each of Messrs. Silvester, O Shea and Packer, and their respective family trusts and corporation. The lock-up agreements prohibit future sales and transfers of shares now owned or subsequently acquired for two years from the date of the Repurchase Agreements.

Indemnification of Directors and Officers; Directors Indemnity Agreements

We have Indemnification Agreements with each of Messrs. Silvester, O Shea, Packer, Collins, Campbell, Akre, Armstrong and Rajpal, as well as Mr. Curl, who resigned from the Board on August 19, 2010, Mr. Oros, who resigned from the Board on August 20, 2010, and Mr. Flowers who resigned from the Board on May 6, 2011. Each Indemnification Agreement provides, among other things, that we will, to the extent permitted by applicable law, indemnify and hold harmless each indemnitee if, by reason of such indemnitee s status as a director or officer of the Company, such indemnitee was, is or is threatened to be made a party or participant in any threatened, pending or completed proceeding, whether of a civil, criminal, administrative, regulatory or investigative nature, against all judgments, fines, penalties, excise taxes, interest and amounts paid in settlement and incurred by such indemnitee in connection with such proceeding. In addition, each of the Indemnification Agreements provides for the advancement of expenses incurred by the indemnitee in connection with any proceeding covered by the agreement, subject to certain exceptions. None of the Indemnification Agreements precludes any other rights to indemnification or advancement of expenses to which the indemnitee may be entitled, including but not limited to, any rights arising under the Company s governing documents, or any other agreement, any vote of the shareholders of the Company or any applicable law.

EXECUTIVE COMPENSATION

Compensation Committee Report

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

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth below with our management. Based on its review and discussions, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

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

Compensation Discussion and Analysis

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

Executive Summary

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

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

compensation data (which was 2009 data) for other publicly-traded Bermuda companies in the insurance and reinsurance industry. Towers Watson also reviewed our 2006-2010 Annual Incentive Compensation Program (the 2006-2010 Annual Incentive Plan), which was scheduled to expire in December 2010. As also discussed in more detail below, after considering this data and other factors, the Compensation Committee increased Mr. Silvester s salary in recognition that his compensation remained significantly below what the analysis indicated was the median level for our market and

approved a new annual incentive plan that is substantially similar to the 2006-2010 Annual Incentive Plan that it would replace.

We have specifically identified growth in our net book value per share as our primary corporate objective. We believe growth in our net book value is largely driven by growth in our net earnings, which is in turn partially driven by successfully completing new acquisitions. While we have not identified specific metrics or goals against which we measure the performance of our executive officers, we believe the structure of our bonus plan, as described below, induces performance consistent with our corporate objectives and aligns our executives long-term interests with those of our shareholders. In 2010, we experienced successful growth in our net book value per share and net earnings, partially due to the completion of the acquisitions of six companies and eight portfolios of insurance and reinsurance business. Our book value per share, on a fully diluted basis, increased to $71.68 as of December 31, 2010, as compared to $58.06 as of December 31, 2009. Net earnings attributable to the Company in 2010 grew to $174.1 million, as compared to $135.2 million in 2009. As discussed in more detail below, the successful 2010 year resulted in increased bonuses paid to executive officers under the 2006-2010 Annual Incentive Plan compared to 2009, principally due to the overall bonus pool being larger ($30.7 million in 2010, compared to $23.9 million in 2009) because of the increase in our net after-tax profits before bonus expense ($204.8 million for the year ended December 31, 2010, compared to $159.0 million for the year ended December 31, 2009).

Role of Executive Officers and Compensation Consultants

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

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

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

Principal Elements of Executive Compensation

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

In reviewing compensation for 2010 to determine whether we were meeting our goal of providing competitive compensation that will attract and retain qualified executives, early in 2010, the Compensation Committee considered an analysis provided by PricewaterhouseCoopers LLP for purposes of establishing 2010 base salaries. Later in the year, the committee considered a Towers Watson report for purposes of reexamining 2010 base salaries against more

current peer compensation data and establishing a new annual incentive compensation program. The two independent analyses of our executive compensation practices included comparisons of our compensation practices to those practices described in the periodic filings of other publicly-traded Bermuda companies in the insurance and reinsurance industry.

The companies included in the PricewaterhouseCoopers LLP peer group included Allied World Assurance Company Holdings Limited, Argo Group International Holdings Ltd., Arch Capital Group Ltd., Aspen Insurance

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

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

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

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

TW Peer Group companies for 2009, the most recent year with respect to which information was then publicly available, and a comparison of the total compensation of our CEO, CFO, Executive Vice Presidents and certain non-executive senior managers to similar positions at the companies in the TW Peer Group and the PWC Peer Group. Based on this analysis, the Compensation Committee increased Mr. Silvester s 2010 base salary by an additional 55.6% from $1,200,000 to $1,866,667 retroactive to April 1, 2010 in recognition

that his total compensation fell further below what the analysis indicated was the median level for our market than the committee believed to be appropriate. The committee made no further adjustments to the base salaries of Messrs. O Shea, Packer and Harris, as it believed that their compensation was appropriately competitive with the market.

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

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

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

The factors considered in evaluating individual performance traditionally have been the executive s contribution to our operating results, including the performance of the areas over which each executive has primary responsibility. The allocations