



Realising Value



Enstar Group Limited
Insurance Business Transfer Legislation in Oklahoma

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About Enstar
A Global Group



With 35 offices across 15 countries, and 1,300+ staff
Enstar Group offers global solutions




- Canada: Active
- United States: Run-off, Active, Life, 13 Offices
- Bermuda: Executive Team, Run-off & Active
- Europe: Run-off, Active, Life
 - Belgium
 - France
 - Germany
 - Ireland
 - Italy
 - Liechtenstein
 - Netherlands
 - Switzerland
 - UK
- Australia: Run-off, Active



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



98
total acquisitive transactions/new business since formation

50
companies acquired through stock purchase or merger

48
portfolios of insurance or reinsurance business

Dedicated, cross-functional acquisition review teams

Secure business partner

Focused on execution

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Why Do Companies Restructure?



Desire to use capital more efficiently

- Ability to divest non-core business and redeploy capital more strategically
- Saves costs and protects financial solvency of seller entity
- Internal reorganization can reduce management and other costs

Focused management of non-core lines

- Specialized live or run-off carrier can handle the business more efficiently
- Better policyholder service can be provided through transfer of business

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Non-Life Run-off

Market Opportunity: Size of the Market



The non-life legacy market is large and growing.
Global run off liabilities are estimated at \$730bn.



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Non-Life Run-off

Methods of Acquisition for Run-Off Companies



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

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

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Overseas Legislation



- In the European Union, member states are required to have mechanisms for the transfer of insurance business, many of which have been used successfully for a number of years
 - For example, a UK Part VII transfer:
 - Allows for the transfer of a block of business by way of a statutory novation
 - Transfers outwards reinsurance with the policies (as well as other assets and liabilities where required)
 - Needs UK regulator approval
 - Requires court approval and independent expert report

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Current Restructuring Options in the U.S.



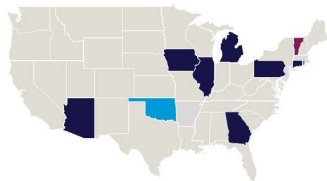
- Companies are broadly limited to sale, reinsurance/loss portfolio transfers, or novation when restructuring
- Non-core or run-off business remains embedded with the ongoing business, with no effective option to segregate the business
- Frequently, companies use loss portfolio transfers to transfer blocks of business, but ultimately, liability remains with the original insurer
- The only way to effectively transfer a block of business across the US is by way of a policy novation process, but the current process of novating policies is inconsistent among the states, cumbersome, time-consuming and expensive
- In most instances, it will be impossible to obtain positive consent to a novation from all policyholders, especially on older books of business

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U.S. Regulatory Landscape



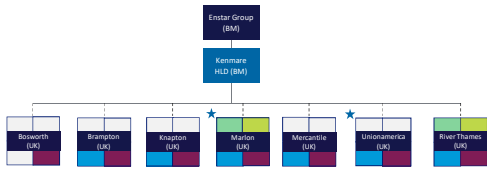
States Introducing Legislation to Facilitate Restructuring Options



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

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Part VII Transfers
A Practical Application



— Direct Subsidiary
- - - Indirect Subsidiary

Direct Reinsurance
 I:U Guaranteed
 No I:U Guaranteed

HLD = Holdings
LTD = Limited
BM = Bermuda

★ Trust fund supporting entity's liabilities

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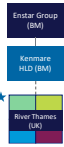
Company	Number of policyholders	% Direct	% Reinsurance
River Thames	13,208	25%	75%
Bosworth	1,930	0%	100%
Brampton	33,788	94%	6%
Knotton	19,943	79%	21%
Merion	45,807	89%	11%
Mercantile	4,950	78%	22%
Unionamerica	27,877	79%	21%

Part VII Transfers
A Practical Application



Results achieved by Transfers:

- Simplified governance
- Consolidated regulatory supervision
- Operational cost savings
- Solvency capital benefits



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- - - Indirect Subsidiary

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Entity	Available Capital (5000s)	Required Capital (5000s)	Capital Cover Ratio
Post Transfer			
Consolidated Entity	323,533	240,876	134%
Pre Transfer			
River Thames	50,609	41,760	121%
Bosworth	14,108	1,608	1379%
Brampton	20,718	17,079	121%
Knotton	49,849	40,170	124%
Merion	40,148	32,591	123%
Mercantile	5,127	462	1111%
Unionamerica	142,923	119,859	119%

Source: Project River Independent Expert Report, 2016

Thank you

For further discussion, please write to James.Mills@EnstarGroup.com

