

Enstar Group LTD  
Form 10-Q  
November 10, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended September 30, 2014**

**OR**

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From to**

**001-33289**

**Commission File Number**

**ENSTAR GROUP LIMITED**

**(Exact name of registrant as specified in its charter)**

**Bermuda**  
**(State or other jurisdiction**  
**of incorporation or organization)**

**N/A**  
**(I.R.S. Employer**  
**Identification No.)**

**P.O. Box HM 2267**

**Windsor Place, 3rd Floor**

**22 Queen Street**

**Hamilton HM JX**

**Bermuda**

**(Address of principal executive office, including zip code)**

**(441) 292-3645**

**(Registrant's telephone number, including area code)**

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 5, 2014, the registrant had outstanding 15,759,738 voting ordinary shares and 3,439,652 non-voting convertible ordinary shares, each par value \$1.00 per share.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

As of September 30, 2014 and December 31, 2013

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<b>(expressed in thousands of U.S. dollars, except share data)</b>	
<b>ASSETS</b>		
Short-term investments, trading, at fair value	\$ 161,807	\$ 281,002
Short-term investments, available-for-sale, at fair value (amortized cost: 2014 \$574; 2013 \$32,477)	574	32,504
Fixed maturities, trading, at fair value	3,997,454	3,381,719
Fixed maturities, held-to-maturity, at amortized cost	845,610	859,387
Fixed maturities, available-for-sale, at fair value (amortized cost: 2014 \$239,124; 2013 \$210,825)	238,220	213,860
Equities, trading, at fair value	134,398	182,033
Other investments, at fair value	842,555	569,293
<b>Total investments</b>	<b>6,220,618</b>	<b>5,519,798</b>
Cash and cash equivalents	921,615	643,841
Restricted cash and cash equivalents	502,402	397,657
Accrued interest receivable	40,648	38,864
Accounts receivable	83,608	75,351
Premiums receivable	405,209	111,748
Income taxes recoverable	5,633	5,481
Deferred tax assets	34,278	34,295
Prepaid reinsurance premiums	140,453	
Reinsurance balances recoverable	1,479,267	1,363,819
Funds held by reinsured companies	150,300	237,789
Deferred acquisition costs	36,172	
Goodwill and intangible assets	202,986	150,071
Other assets	26,256	41,441
<b>TOTAL ASSETS</b>	<b>\$ 10,249,445</b>	<b>\$ 8,620,155</b>
<b>LIABILITIES</b>		
Losses and loss adjustment expenses	\$ 4,851,911	\$ 4,219,905
Policy benefits for life and annuity contracts	1,228,643	1,273,100

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Unearned premiums	439,862	70,698
Insurance and reinsurance balances payable	373,291	281,028
Accounts payable and accrued liabilities	99,379	97,103
Income taxes payable	20,732	23,721
Deferred tax liabilities	48,838	53,328
Loans payable	320,233	452,446
Other liabilities	62,900	70,444
<b>TOTAL LIABILITIES</b>	<b>7,445,789</b>	<b>6,541,773</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE NONCONTROLLING INTEREST</b>	<b>365,631</b>	<b>100,859</b>
<b>SHAREHOLDERS EQUITY</b>		
Share capital		
Authorized, issued and fully paid, par value \$1 each (authorized 2014: 156,000,000; 2013: 156,000,000)		
Ordinary shares (issued and outstanding 2014: 15,759,738; 2013: 13,802,706)	15,760	13,803
Non-voting convertible ordinary shares:		
Series A (issued 2014: 2,972,892; 2013: 2,972,892)	2,973	2,973
Series C (issued and outstanding 2014: 2,725,637; 2013: 2,725,637)	2,726	2,726
Series E (issued and outstanding 2014: 714,015; 2013: Nil)	714	
Treasury shares at cost (Series A non-voting convertible ordinary shares 2014: 2,972,892; 2013: 2,972,892)	(421,559)	(421,559)
Additional paid-in capital	1,320,398	962,145
Accumulated other comprehensive income	3,980	13,978
Retained earnings	1,289,266	1,181,457
Total Enstar Group Limited Shareholders Equity	2,214,258	1,755,523
Noncontrolling interest	223,767	222,000
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>2,438,025</b>	<b>1,977,523</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 10,249,445</b>	<b>\$ 8,620,155</b>

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents**ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS****For the Three and Nine Month Periods Ended September 30, 2014 and 2013**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(expressed in thousands of U.S. dollars, except share and per share data)</b>			
<b>INCOME</b>				
Net premiums earned	\$ 195,987	\$ 58,674	\$ 474,561	\$ 165,931
Fees and commission income	6,801	2,398	21,308	7,805
Net investment income	27,984	25,009	85,981	70,224
Net realized and unrealized (losses) gains	(18,336)	37,010	54,648	39,211
	212,436	123,091	636,498	283,171
<b>EXPENSES</b>				
Net increase (reduction) in ultimate losses and loss adjustment expense liabilities:	17,533	(20,388)	65,232	(38,649)
Life and annuity policy benefits	26,549	31,095	81,090	57,417
Acquisition costs	36,261	6,149	99,801	18,149
Salaries and benefits	54,525	29,716	141,598	79,013
General and administrative expenses	41,039	29,126	100,466	67,074
Interest expense	3,307	3,270	10,570	8,796
Net foreign exchange losses (gains)	6,365	(673)	7,435	(3,994)
	185,579	78,295	506,192	187,806
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>26,857</b>	<b>44,796</b>	<b>130,306</b>	<b>95,365</b>
<b>INCOME TAXES</b>	<b>(5,660)</b>	<b>(1,340)</b>	<b>(21,388)</b>	<b>(13,726)</b>
<b>NET EARNINGS</b>	<b>21,197</b>	<b>43,456</b>	<b>108,918</b>	<b>81,639</b>
Less: Net loss (earnings) attributable to noncontrolling interest	5,232	(3,469)	(1,109)	(10,496)
<b>NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 26,429</b>	<b>\$ 39,987</b>	<b>\$ 107,809</b>	<b>\$ 71,143</b>
<b>EARNINGS PER SHARE BASIC</b>				
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	\$ 1.38	\$ 2.42	\$ 5.94	\$ 4.31

**EARNINGS PER SHARE DILUTED**

Net earnings per ordinary share attributable to Enstar Group Limited shareholders	\$	1.37	\$	2.39	\$	5.84	\$	4.26
Weighted average ordinary shares outstanding basic		19,198,475		16,525,012		18,142,531		16,521,865
Weighted average ordinary shares outstanding diluted		19,331,390		16,720,715		18,445,885		16,698,640

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents**ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****For the Three and Nine Month Periods Ended September 30, 2014 and 2013**

	<b>Three Months Ended September 30, 2014      2013</b>		<b>Nine Months Ended September 30, 2014      2013</b>	
	<b>(expressed in thousands of U.S. dollars)</b>			
<b>NET EARNINGS</b>	<b>\$ 21,197</b>	<b>\$ 43,456</b>	<b>\$ 108,918</b>	<b>\$ 81,639</b>
Other comprehensive (loss) income, net of tax:				
Unrealized holding losses on fixed income investments arising during the period	(3,852)	(137)	(3,393)	(1,689)
Reclassification adjustment for net realized gains (losses) included in net earnings	87	(33)	(47)	(312)
Unrealized losses arising during the period, net of reclassification adjustment	(3,765)	(170)	(3,440)	(2,001)
Currency translation adjustment	(14,815)	9,053	(8,043)	(12,448)
<b>Total other comprehensive (loss) income</b>	<b>(18,580)</b>	<b>8,883</b>	<b>(11,483)</b>	<b>(14,449)</b>
Comprehensive income	2,617	52,339	97,435	67,190
Less comprehensive loss (income) attributable to noncontrolling interest	8,922	(4,206)	376	(5,810)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 11,539</b>	<b>\$ 48,133</b>	<b>\$ 97,811</b>	<b>\$ 61,380</b>

See accompanying notes to the unaudited condensed consolidated financial statements



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EQUITY**

For the Nine Month Periods Ended September 30, 2014 and 2013

	<b>Nine Months Ended September 30, 2014                  2013 (expressed in thousands of U.S. dollars)</b>	
<b>Share Capital Ordinary Shares</b>		
Balance, beginning of period	\$ 13,803	\$ 13,752
Issue of shares	1,914	4
Share awards granted/vested	43	45
Balance, end of period	\$ 15,760	\$ 13,801
<b>Share Capital Series A Non-Voting Convertible Ordinary Shares</b>		
Balance, beginning and end of period	\$ 2,973	\$ 2,973
<b>Share Capital Series C Non-Voting Convertible Ordinary Shares</b>		
Balance, beginning and end of period	\$ 2,726	\$ 2,726
<b>Share Capital Series E Non-Voting Convertible Ordinary Shares</b>		
Balance, beginning of period	\$	\$
Issue of shares	714	
Balance, end of period	\$ 714	\$
<b>Share Capital Series B Convertible Participating Non-Voting Perpetual Preferred Stock</b>		
Balance, beginning of period	\$	\$
Issue of stock	714	
Converted to Series E Non-Voting Convertible Ordinary Shares	(714)	
Balance, end of period	\$	\$
<b>Treasury Shares</b>		
Balance, beginning and end of period	\$ (421,559)	\$ (421,559)
<b>Additional Paid-in Capital</b>		
Balance, beginning of period	\$ 962,145	\$ 958,571
Issue of shares and warrants	354,368	487
Amortization of equity incentive plan	3,885	2,212

Balance, end of period	\$ 1,320,398	\$ 961,270
<b>Accumulated Other Comprehensive Income Attributable to Enstar Group Limited</b>		
Balance, beginning of period	\$ 13,978	\$ 24,439
Currency translation adjustment		
Balance, beginning of period	14,264	27,822
Change in currency translation adjustment	(7,791)	(8,254)
Balance, end of period	6,473	19,568
Defined benefit pension liability		
Balance, beginning of period	(2,249)	(7,180)
Change in defined benefit pension liability	0	0
Balance, end of period	(2,249)	(7,180)
Unrealized gain on investments		
Balance, beginning of period	1,963	3,797
Change in unrealized gain on investments, net of tax	(2,207)	(1,509)
Balance, end of period	(244)	2,288
Balance, end of period	\$ 3,980	\$ 14,676
<b>Retained Earnings</b>		
Balance, beginning of period	\$ 1,181,457	\$ 972,853
Net earnings attributable to Enstar Group Limited	107,809	71,143
Balance, end of period	\$ 1,289,266	\$ 1,043,996
<b>Noncontrolling Interest</b>		
Balance, beginning of period	\$ 222,000	\$ 221,478
Return of capital	(9,980)	
Contribution of capital	18,081	
Transfer of net loss to redeemable noncontrolling interest	1,028	
Dividends paid	(13,908)	(1,740)
Net earnings attributable to noncontrolling interest*	7,131	10,469
Foreign currency translation adjustments	(246)	(4,194)
Net movement in unrealized holding losses on investments	(339)	(492)
Balance, end of period	\$ 223,767	\$ 225,521

\*Excludes net loss attributable to redeemable noncontrolling interest; refer to Note 12.

See accompanying notes to the unaudited condensed consolidated financial statements

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	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(expressed in thousands of U.S. dollars)</b>	
<b>OPERATING ACTIVITIES:</b>		
Net earnings	\$ 108,918	\$ 81,639
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Net realized and unrealized investment (gains) losses	(28,509)	10,996
Net realized and unrealized gains from other investments	(26,139)	(50,207)
Other items	3,083	3,656
Depreciation and amortization	3,082	761
Net amortization of premiums and accretion of discounts	42,488	36,929
Net movement of trading securities held on behalf of policyholders	3,013	2,187
Sales and maturities of trading securities	2,302,138	2,063,258
Purchases of trading securities	(1,585,871)	(2,257,188)
Changes in assets and liabilities:		
Reinsurance balances recoverable	287,760	213,042
Funds held by reinsured companies	98,099	
Other assets	40,553	237,585
Losses and loss adjustment expenses	(630,417)	(314,862)
Policy benefits for life and annuity contracts	(44,457)	21,490
Insurance and reinsurance balances payable	(77,625)	(31,637)
Accounts payable and accrued liabilities	(14,752)	(38,459)
Other liabilities	(43,539)	(104,790)
<b>Net cash flows provided by (used in) operating activities</b>	<b>437,825</b>	<b>(125,600)</b>
<b>INVESTING ACTIVITIES:</b>		
Acquisitions, net of cash acquired	\$ 37,540	\$ (308,710)
Sales and maturities of available-for-sale securities	98,314	181,066
Purchase of available-for-sale securities	(97,322)	(112)
Maturities of held-to-maturity securities	5,477	253
Movement in restricted cash and cash equivalents	(81,966)	(86,640)
Funding of other investments	(278,265)	(68,097)
Redemption of other investments	30,707	18,656
Other investing activities	837	15

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Net cash flows used in investing activities	(284,678)	(263,569)
<b>FINANCING ACTIVITIES:</b>		
Distribution of capital to noncontrolling interest	\$ (9,980)	\$
Contribution by redeemable noncontrolling interest	272,722	32,480
Contribution by noncontrolling interest	18,081	
Dividends paid to noncontrolling interest	(13,908)	(1,740)
Receipt of loans	70,000	274,800
Repayment of loans	(199,245)	(39,505)
Net cash flows provided by financing activities	137,670	266,035
<b>EFFECT OF EXCHANGE RATE CHANGES ON FOREIGN CURRENCY CASH AND CASH EQUIVALENTS</b>		
	(13,043)	(11,196)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>277,774</b>	<b>(134,330)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	643,841	654,890
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 921,615</b>	<b>\$ 520,560</b>

**Supplemental Cash Flow Information**

Net income taxes paid	\$ 31,207	\$ 24,010
Interest paid	\$ 13,589	\$ 7,326

See accompanying notes to the unaudited condensed consolidated financial statements

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2014 and December 31, 2013**

**(Tabular information expressed in thousands of U.S. dollars except share and per share data)**

**(unaudited)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Preparation and Consolidation*

The Company's condensed consolidated financial statements have not been audited. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. Results of operations for subsidiaries acquired are included from the dates of their acquisition by the Company. The results of operations for any interim period are not necessarily indicative of the results for a full year. Inter-company accounts and transactions have been eliminated. In these notes, the terms we, us, our, or the Company refer to Enstar Group Limited and its direct and indirect subsidiaries.

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the unaudited condensed consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include, but are not limited to:

reserves for losses and loss adjustment expenses;

policy benefits for life and annuity contracts;

gross and net premiums written and net premiums earned;

reinsurance balances recoverable, including the provisions for uncollectible amounts;

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other-than-temporary impairments in the carrying value of available-for-sale and held-to-maturity investment securities;

valuation of certain other investments that are measured using significant unobservable inputs;

valuation of goodwill and intangible assets; and

fair value estimates associated with accounting for acquisitions.

The following information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Certain reclassifications have been made to the prior period reported amounts of net increase (reduction) in ultimate losses and loss adjustment expense liabilities, acquisition costs and life and annuity policy benefits to conform to the current period presentation. These reclassifications had no impact on income or net earnings previously reported.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***New Accounting Standards Adopted in 2014***

***ASU 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists***

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ( ASU 2013-11 ). The objective of ASU 2013-11 is to improve the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 seeks to reduce the diversity in practice by providing guidance on the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. ASU 2013-11 is effective for annual and interim reporting periods beginning after December 15, 2013, with both early adoption and retrospective application permitted. The adoption of the guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

**2. ACQUISITIONS**

***Companion Property and Casualty Insurance Company***

On August 26, 2014, the Company and Sussex Holdings, Inc. ( Sussex ), an indirect, wholly owned subsidiary of the Company, entered into a definitive agreement for the purchase of all of the shares of Companion Property and Casualty Insurance Company ( Companion ) from Blue Cross and Blue Shield of South Carolina, an independent licensee of the Blue Cross Blue Shield Association. Companion is a South Carolina-based insurance group writing property, casualty, specialty and workers compensation business, and has also provided fronting and third party administrative services.

The total consideration for the transaction will be \$218 million in cash. The Company expects to finance the purchase price through a combination of cash on hand and a bank loan facility to be finalized before closing. The Company is a party to the acquisition agreement and has guaranteed the performance by Sussex of its payment and other acquisition-related obligations set forth in the agreement.

Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various customary closing conditions. The transaction is expected to close in the fourth quarter of 2014.

***Torus Insurance Holdings Limited***

On April 1, 2014, Kenmare Holdings Ltd. ( Kenmare ), a wholly-owned subsidiary of the Company, together with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P., which are managed by Stone Point Capital LLC (collectively, Trident ), completed the previously announced acquisition of Torus Insurance

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Holdings Limited ( Torus ). Torus is an A- rated global specialty insurer with six wholly-owned insurance vehicles, including Lloyd s Syndicate 1301. At closing, Torus became directly owned by Bayshore Holdings Ltd. ( Bayshore ), which was 60% owned by Kenmare and 40% owned by Trident.



**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

The purchase price for Torus was established in the amended and restated amalgamation agreement as \$646.0 million, to be paid partly in cash and partly in the Company's stock. The number of Company shares to be issued was fixed at the signing of the amalgamation agreement on July 8, 2013 and was determined by reference to an agreed-upon value per share of \$132.448, which was the average closing price of the Company's voting ordinary shares, par value \$1.00 per share (the Voting Ordinary Shares), over the 20 trading days prior to such signing date. On the day before closing of the amalgamation, the Voting Ordinary Shares had a closing price of \$136.31 per share. At closing, the Company contributed cash of \$41.6 million towards the purchase price and \$3.6 million towards related transaction expenses, as well as 1,898,326 Voting Ordinary Shares and 714,015 shares of Series B Convertible Participating Non-Voting Perpetual Preferred Stock of the Company (the Non-Voting Preferred Shares). Based on a price of \$136.31 per share, the Company's contribution of cash and shares to the purchase price totaled \$397.7 million in the aggregate. Trident contributed cash of \$258.4 million towards the purchase price and \$2.4 million towards related transaction expenses. Based on a price of \$136.31 per share, the aggregate purchase price paid by the Company and Trident was \$656.1 million.

FR XI Offshore AIV, L.P., First Reserve Fund XII, L.P., FR XII A Parallel Vehicle L.P. and FR Torus Co-Investment, L.P. (collectively, First Reserve) received 1,501,211 Voting Ordinary Shares, 714,015 Non-Voting Preferred Shares and cash consideration in the transaction. Following the approval of the Company's shareholders of an amendment to its bye-laws on June 10, 2014, First Reserve's Non-Voting Preferred Shares converted on a share-for-share basis into 714,015 shares of newly created Series E Non-Voting Convertible Common Shares (the Series E Non-Voting Ordinary Shares). Corsair Specialty Investors, L.P. (Corsair) received 397,115 Voting Ordinary Shares and cash consideration in the transaction. The remaining Torus shareholders received all cash. As a result of the amalgamation, First Reserve now owns approximately 9.5% and 11.5%, respectively, of the Company's Voting Ordinary Shares and outstanding share capital.

Upon the closing of the Torus acquisition, Bayshore, Kenmare and Trident entered into a Shareholders' Agreement (the Bayshore Shareholders' Agreement), which was subsequently amended, as described in Dowling Co-investments in Bayshore and Northshore below.

Purchase price	\$ 656,088
Net assets acquired at fair value	\$ 643,088
Excess of purchase price over fair value of net assets acquired	\$ 13,000

The purchase price was allocated to the acquired assets and liabilities of Torus based on estimated fair values at the acquisition date. The Company recognized goodwill of \$13.0 million, all of which was recorded within the Torus segment and is attributable primarily to Torus' assembled workforce (refer to note 19 for a description of the Company's segments). The Company also recognized indefinite lived intangible assets of \$23.9 million and other

definite lived intangible assets of \$20.0 million.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. ACQUISITIONS (Continued)**

The Company has not completed the process of determining the fair value of its losses and loss adjustment expense reserves, goodwill and intangible assets acquired in the Torus transaction. These valuations will be completed within the measurement period, which cannot exceed 12 months from the acquisition date. As a result, the fair value recorded for these items is a provisional estimate and may be subject to adjustment. Once completed, any adjustments resulting from the valuations may impact the individual amounts recorded for assets acquired and liabilities assumed, as well as the residual goodwill.

Prior to acquisition, Torus ceased underwriting certain lines of business in order to focus on core property, casualty and specialty lines. The results of the discontinued lines of business which were placed into run-off are included within the Company's non-life run-off segment.

Torus is a global specialty insurer that offers a diverse range of property, casualty and specialty insurance through its operations in the U.K., Continental Europe, the U.S., and Bermuda.

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed in the Torus transaction at the acquisition date, allocated by segment.

	Torus	Non-life Run-off	Total
<b>ASSETS</b>			
Short-term investments, trading, at fair value	\$ 73,425	\$ 25,888	\$ 99,313
Fixed maturities, trading, at fair value	736,765	329,235	1,066,000
Other investments	2,068		2,068
<b>Total investments</b>	<b>812,258</b>	<b>355,123</b>	<b>1,167,381</b>
Cash and cash equivalents	225,118	114,490	339,608
Restricted cash and cash equivalents	22,779		22,779
Premiums receivable	307,950		307,950
Reinsurance balances recoverable reserves	210,742	152,057	362,799
Reinsurance balances recoverable paid	21,122	20,100	41,222
Prepaid reinsurance premiums	144,221	25,221	169,442
Intangible assets	43,900		43,900
Other assets	37,621		37,621
<b>TOTAL ASSETS</b>	<b>\$ 1,825,711</b>	<b>\$ 666,991</b>	<b>\$ 2,492,702</b>
<b>LIABILITIES</b>			
Losses and loss adjustment expenses	\$ 675,424	\$ 588,822	\$ 1,264,246
Insurance and reinsurance balances payable	140,997	29,047	170,044
Unearned premium	343,840	49,122	392,962
Other liabilities	22,362		22,362
<b>TOTAL LIABILITIES</b>	<b>1,182,623</b>	<b>666,991</b>	<b>1,849,614</b>
<b>NET ASSETS ACQUIRED AT FAIR VALUE</b>	<b>643,088</b>		<b>643,088</b>
Goodwill	13,000		13,000
<b>ACQUISITION DATE FAIR VALUE</b>	<b>\$ 656,088</b>	<b>\$</b>	<b>\$ 656,088</b>

The following table summarizes the provisional intangible assets recorded in connection with the acquisition:

	<b>Amount</b>	<b>Economic Useful Life</b>
Syndicate capacity	\$ 4,000	Indefinite
U.S. insurance licences	19,900	Indefinite
Technology	15,000	4 years
Brand	5,000	6 years
<b>Intangible assets as of the acquisition date</b>	<b>\$ 43,900</b>	

The fair value of the Lloyd's syndicate capacity was estimated using the multi-period excess-earnings method, a form of the income approach. Lloyd's syndicate capacity represents Torus's authorized premium income limit to write insurance business in the Lloyd's market. The capacity is renewed annually at no cost to the Company but may be freely purchased or sold, subject to Lloyd's

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

approval. The ability to write insurance business within the syndicate capacity is indefinite, with the premium income limit being set annually by the Company, subject to Lloyd's approval.

U.S. insurance licenses represent the intangible asset related to Torus licenses and have been valued based on recent market transactions.

Technology represents the intangible asset related to Torus capitalized software and has been valued on a replacement cost basis.

Brand represents the intangible asset related to the Torus name and was valued using the income approach.

From April 1, 2014, the date of acquisition, to September 30, 2014, the Company earned premiums of \$258.5 million, recorded net increase in ultimate losses and loss adjustment expense liabilities of \$159.6 million on those earned premiums, and recorded \$18.7 million in net loss in its consolidated statement of earnings related to the active underwriting portion of the Torus segment.

From the date of acquisition to September 30, 2014, the Company earned premiums of \$29.1 million, recorded net increase in ultimate losses and loss adjustment expense liabilities of \$17.6 million on those earned premiums, and recorded \$7.4 million in net earnings in its consolidated statement of earnings related to Torus non-life run-off business.

***Supplemental Pro Forma Financial Information (Unaudited)***

The operating results for Torus have been included in the unaudited condensed consolidated financial statements from the date of acquisition. The following pro forma condensed combined statement of earnings for the three months ended September 30, 2013 and the nine months ended September 30, 2014 and 2013 combines the historical consolidated statements of earnings of the Company with those historical consolidated statements of earnings of Torus, giving effect to the business combinations and related transactions as if they had occurred on January 1, 2013 and 2014, as applicable. The unaudited pro forma financial information presented below is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition of Torus had taken place at the beginning of each period presented, nor is it indicative of future results.

	<b>Three Months Ended September 30, 2013</b>	<b>Nine Months Ended September 30, 2013</b>	<b>Nine Months Ended September 30, 2014</b>
Total income	\$ 263,504	\$ 747,867	\$ 783,691
Total expenses	(258,974)	(721,365)	(669,054)
Total noncontrolling interest	12,498	12,121	(3,455)

Net earnings	\$	17,028	\$	38,623	\$	111,182
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***Changes in Ownership Interests relating to Holding Companies for our Active Underwriting Businesses***

*Atrium Employee Equity Awards*

On April 17, 2014, Northshore Holdings Ltd. ( Northshore ), the parent company of Atrium Underwriting Group Limited ( Atrium ) and Arden Reinsurance Company Ltd. ( Arden ), implemented

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**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. ACQUISITIONS (Continued)**

long-term incentive plans that awarded time-based restricted shares of Northshore to certain Atrium employees. These equity awards will have the effect of modestly reducing Kenmare's equity interest in Northshore (as well as Trident's equity interest) over the course of the vesting periods as Atrium employees acquire shares. Shares generally vest over two to three years, although certain awards began vesting in 2014.

*Dowling Co-investments in Bayshore and Northshore*

On May 8, 2014, Dowling Capital Partners I, L.P. (Dowling) purchased common shares of both Bayshore and Northshore from Kenmare and Trident (on a pro rata basis in accordance with their respective interests) for an aggregate amount of \$15.4 million.

Prior to the sale of shares to Dowling, Kenmare and Trident owned 60% and 40% of Bayshore, respectively, and 57.1% and 38.1% of Northshore on a fully diluted basis, respectively (assuming full vesting of Atrium employees restricted shares totaling 4.8%). Following the sale of Bayshore shares to Dowling, Kenmare, Trident and Dowling own 59.0%, 39.3% and 1.7% of Bayshore, respectively. Following the sale of Northshore shares to Dowling, Kenmare, Trident, certain Atrium employees and Dowling own 56.1%, 37.4%, 4.8% and 1.7% of Northshore, respectively, on a fully diluted basis.<sup>1</sup>

In connection with the sale of Bayshore shares, the Bayshore Shareholders' Agreement was amended and restated. The Amended and Restated Bayshore Shareholders' Agreement, among other things, provides that Kenmare has the right to appoint three members to the Bayshore board of directors and Trident has the right to appoint two members. The Amended and Restated Bayshore Shareholders' Agreement includes a five-year period (the Restricted Period) during which no shareholder can transfer its ownership interest in Bayshore to a third party unless approved by a super-majority of the shareholders. Following the Restricted Period: (i) each shareholder must offer Kenmare and Trident the right to buy its shares before the shares are offered to a third party; (ii) Kenmare can require each other shareholder to participate in a sale of Bayshore to a third party as long as Kenmare owns 55% of the aggregate number of outstanding shares of Bayshore held by Kenmare and Trident; (iii) each shareholder has the right to be included on a pro rata basis in any sales made by another shareholder; and (iv) each of Kenmare, Trident and Dowling has the right to buy its pro rata share of any new securities issued by Bayshore.

The Amended and Restated Bayshore Shareholders' Agreement also provides that during the 90-day period following the fifth anniversary of the Torus closing, and at any time following the seventh anniversary of such closing, Kenmare would have the right to purchase the Bayshore shares owned by all other shareholders of Bayshore at their then fair market value, which would be payable in cash. Following the seventh anniversary of the Torus closing, Trident would have the right to require Kenmare to purchase all of Trident's shares in Bayshore for their then current fair market value and Dowling would have the right to participate in such transaction by requiring Kenmare to purchase all of its shares in Bayshore on the same terms. Kenmare would have the option to pay for such shares either in cash or by delivering the Company's Voting Ordinary Shares.



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In connection with the sale of Northshore shares, the Northshore Shareholders Agreement was amended and restated. The Amended and Restated Northshore Shareholders Agreement provides for

<sup>1</sup> Refer to Note 12 for Northshore percentages based on employee shares vested as at September 30, 2014.

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**ENSTAR GROUP LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. ACQUISITIONS (Continued)**

substantially the same rights and obligations as the Amended and Restated Bayshore Shareholders Agreement, except that the fifth and seventh anniversaries refer to the Arden closing (which occurred on September 9, 2013).

**3. SIGNIFICANT NEW BUSINESS**

**2014**

***Reciprocal of America***

On July 6, 2012, our wholly-owned subsidiary, Providence Washington Insurance Company, entered into a definitive loss portfolio transfer reinsurance agreement with Reciprocal of America (in Receivership) and its Deputy Receiver relating to a portfolio of workers compensation business. The estimated total liabilities to be assumed are approximately \$163.4 million, with an equivalent amount of assets to be received as consideration. Completion of the transaction is conditioned upon, among other things, regulatory approvals and satisfaction of customary closing conditions. The transaction is expected to close in the fourth quarter of 2014.

***Shelbourne RITC Transactions***

Effective January 1, 2014, Lloyd's Syndicate 2008 ( S2008 ), which is managed by the Company's wholly-owned subsidiary and Lloyd's managing agent, Shelbourne Syndicate Services Limited, entered into a reinsurance to close contract of the 2011 and prior underwriting years of account of another Lloyd's syndicate, under which S2008 assumed total net insurance reserves of approximately £17.0 million (approximately \$28.1 million) for cash consideration of an equal amount.

Effective December 31, 2012, S2008 entered into a 100% quota share reinsurance agreement with another Lloyd's syndicate in respect of its 2009 and prior years of account (the 2009 Liabilities ), under which S2008 assumed total gross insurance reserves of approximately £193.0 million (approximately \$313.3 million) for consideration of an equal amount. Effective January 1, 2014, the 2012 Lloyd's underwriting year of account of S2008 entered into a partial RITC transaction with respect to the 2009 Liabilities.

**4. INVESTMENTS**

The Company holds: (i) trading portfolios of fixed maturity investments, short-term investments and equities; (ii) a held-to-maturity portfolio of fixed maturity investments; and (iii) available-for-sale portfolios of fixed maturity and short-term investments. The Company's trading and available-for-sale portfolios are recorded at fair value. The Company's held-to-maturity portfolio is recorded at amortized cost.

In the normal course of the Company's investing activities, it actively manages allocations to non-controlling tranches of structured securities issued by variable interest entities ( VIEs ). These structured securities include residential mortgage-backed, commercial mortgage-backed and asset-backed securities and are included in the tables below.

In addition to these securities, the Company also invests in private equity funds, fixed income funds, fixed income hedge funds, equity and real estate debt funds and collateralized loan obligation ( CLO ) equity-tranched securities, which are all variable interests issued by VIEs. For these variable

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

interests, the Company does not have the power to direct the activities that are most significant to the economic performance of the VIEs and, accordingly, it is not the primary beneficiary for any of these VIEs. The Company's maximum exposure to loss on these interests is limited to the amount of its investment. The Company has not provided financial or other support with respect to these structured securities other than its original investment.

**Trading**

The estimated fair values of the Company's investments in fixed maturity investments, short-term investments and equities classified as trading securities were as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
U.S. government and agency	\$ 707,269	\$ 439,946
Non-U.S. government	430,425	476,224
Corporate	2,115,706	2,123,675
Municipal	28,386	41,034
Residential mortgage-backed	322,835	218,457
Commercial mortgage-backed	154,011	114,637
Asset-backed	400,629	248,748
Total fixed maturity and short-term investments	4,159,261	3,662,721
Equities U.S.	75,881	115,285
Equities International	58,517	66,748
	\$ 4,293,659	\$ 3,844,754

Included within residential and commercial mortgage-backed securities as at September 30, 2014 were securities issued by U.S. governmental agencies with a fair value of \$283.8 million (as at December 31, 2013: \$177.9 million).

The increase in the Company's investments classified as trading securities of \$448.9 million was due primarily to additional fixed maturity investments acquired in the Torus acquisition.

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity and short-term investments classified as trading:

**As at September 30, 2014**

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	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 568,933	13.7%
AA	1,875,772	45.1%
A	1,193,664	28.7%
BBB	361,677	8.7%
Non-Investment Grade	130,217	3.1%
Not Rated	28,998	0.7%
	<b>\$ 4,159,261</b>	<b>100.0%</b>

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## ENSTAR GROUP LIMITED

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. INVESTMENTS (Continued)

As at December 31, 2013	Fair Value	% of Total Fair Value
AAA	\$ 502,057	13.7%
AA	1,430,107	39.1%
A	1,191,142	32.5%
BBB	408,466	11.1%
Non-Investment Grade	53,148	1.5%
Not Rated	77,801	2.1%
	\$ 3,662,721	100.0%

*Held-to-maturity*

The Company holds a portfolio of held-to-maturity securities to support the annuity business acquired through its March 31, 2013 acquisition of the closed U.S. life and annuities operations of HSBC Holdings plc (now referred to as Pavonia ). The amortized cost and estimated fair values of the Company's fixed maturity investments classified as held-to-maturity were as follows:

As at September 30, 2014	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	\$ 20,158	\$ 4	\$ (404)	\$ 19,758
Non-U.S. government	36,794	164	(623)	36,335
Corporate	788,658	5,262	(11,540)	782,380
	\$ 845,610	\$ 5,430	\$ (12,567)	\$ 838,473

As at December 31, 2013	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
U.S. government and agency	\$ 19,992	\$ 6	\$ (1,866)	\$ 18,132
Non-U.S. government	23,592	19	(1,284)	22,327

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Corporate	815,803	105	(56,808)	759,100
	\$ 859,387	\$ 130	\$ (59,958)	\$ 799,559

As at September 30, 2014 and December 31, 2013, none of these securities were considered to be other than temporarily impaired.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

The contractual maturities of the Company's fixed maturity investments classified as held-to-maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
<b>As at September 30, 2014</b>			
Due in one year or less	\$ 17,247	\$ 17,243	2.1%
Due after one year through five years	106,407	106,924	12.7%
Due after five years through ten years	105,614	103,824	12.4%
Due after ten years	616,342	610,482	72.8%
	<b>\$ 845,610</b>	<b>\$ 838,473</b>	<b>100.0%</b>

	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
<b>As at December 31, 2013</b>			
Due in one year or less	\$ 17,541	\$ 17,579	2.2%
Due after one year through five years	87,698	86,611	10.8%
Due after five years through ten years	133,102	126,541	15.8%
Due after ten years	621,046	568,828	71.2%
	<b>\$ 859,387</b>	<b>\$ 799,559</b>	<b>100.0%</b>

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity investments classified as held-to-maturity:

	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
<b>As at September 30, 2014</b>			
AAA	\$ 54,111	\$ 53,487	6.4%
AA	253,193	248,484	29.6%
A	491,773	490,111	58.5%
BBB	35,697	35,744	4.3%
Non-Investment Grade	10,482	10,275	1.2%
Not Rated	354	372	0.0%



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	\$ 845,610	\$ 838,473	100.0%
<b>As at December 31, 2013</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 47,949	\$ 44,552	5.6%
AA	259,163	239,188	29.9%
A	496,986	463,001	57.9%
BBB	49,281	47,157	5.9%
Non-Investment Grade	5,478	5,125	0.6%
Not Rated	530	536	0.1%
	\$ 859,387	\$ 799,559	100.0%

**Table of Contents****ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)***Available-for-sale*

The amortized cost and estimated fair values of the Company's fixed maturity and short-term investments classified as available-for-sale were as follows:

<b>As at September 30, 2014</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses Non-OTTI</b>	<b>Fair Value</b>
U.S. government and agency	\$ 27,942	\$ 205	\$ (47)	\$ 28,100
Non-U.S. government	76,407	638	(1,620)	75,425
Corporate	89,408	906	(990)	89,324
Residential mortgage-backed	3,634	91	(90)	3,635
Asset-backed	42,307	36	(33)	42,310
	\$ 239,698	\$ 1,876	\$ (2,780)	\$ 238,794

<b>As at December 31, 2013</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses Non-OTTI</b>	<b>Fair Value</b>
U.S. government and agency	\$ 28,050	\$ 303	\$ (10)	\$ 28,343
Non-U.S. government	84,443	1,871	(22)	86,292
Corporate	76,942	1,221	(259)	77,904
Residential mortgage-backed	17,523	102	(118)	17,507
Asset-backed	36,344	4	(30)	36,318
	\$ 243,302	\$ 3,501	\$ (439)	\$ 246,364

Included within residential mortgage-backed securities as at September 30, 2014 were securities issued by U.S. governmental agencies with a fair value of \$1.0 million (as at December 31, 2013: \$12.5 million).

The following tables summarize the Company's fixed maturity and short-term investments classified as available-for-sale in an unrealized loss position as well as the aggregate fair value and gross unrealized loss by length

of time the securities have continuously been in an unrealized loss position:

As at September 30, 2014	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency	\$	\$	\$ 22,370	\$ (47)	\$ 22,370	\$ (47)
Non-U.S. government			42,046	(1,620)	42,046	(1,620)
Corporate			56,755	(990)	56,755	(990)
Residential mortgage-backed			1,316	(90)	1,316	(90)
Asset-backed			18,350	(33)	18,350	(33)
	\$	\$	\$ 140,837	\$ (2,780)	\$ 140,837	\$ (2,780)

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

As at December 31, 2013	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agency	\$	\$	\$ 11,416	\$ (10)	\$ 11,416	\$ (10)
Non-U.S. government			20,406	(22)	20,406	(22)
Corporate			51,478	(259)	51,478	(259)
Residential mortgage-backed			13,632	(118)	13,632	(118)
Asset-backed			24,898	(30)	24,898	(30)
	\$	\$	\$ 121,830	\$ (439)	\$ 121,830	\$ (439)

As at September 30, 2014 and December 31, 2013, the number of securities classified as available-for-sale in an unrealized loss position was 175 and 135, respectively, with a fair value of \$140.8 million and \$121.8 million, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was nil. As of September 30, 2014, none of these securities were considered to be other than temporarily impaired.

The contractual maturities of the Company's fixed maturity and short-term investments classified as available-for-sale are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As at September 30, 2014	Amortized Cost	Fair Value	% of Total Fair Value
Due in one year or less	\$ 53,038	\$ 53,178	22.3%
Due after one year through five years	134,717	133,021	55.7%
Due after five years through ten years	3,487	3,334	1.4%
Due after ten years	2,515	3,316	1.4%
	193,757	192,849	80.8%
Residential mortgage-backed	3,634	3,635	1.5%
Asset-backed	42,307	42,310	17.7%
	\$ 239,698	\$ 238,794	100.0%

As at December 31, 2013

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	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
Due in one year or less	\$ 45,295	\$ 45,596	18.5%
Due after one year through five years	141,400	143,445	58.2%
Due after five years through ten years	69	70	0.1%
Due after ten years	2,671	3,428	1.4%
	189,435	192,539	78.2%
Residential mortgage-backed	17,523	17,507	7.1%
Asset-backed	36,344	36,318	14.7%
	\$ 243,302	\$ 246,364	100.0%

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. INVESTMENTS (Continued)**

The following tables set forth certain information regarding the credit ratings (provided by major rating agencies) of the Company's fixed maturity and short-term investments classified as available-for-sale:

<b>As at September 30, 2014</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 119,096	\$ 118,266	49.5%
AA	67,051	66,719	27.9%
A	40,943	41,250	17.3%
BBB	12,608	12,559	5.3%
	\$ 239,698	\$ 238,794	100.0%

<b>As at December 31, 2013</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 125,729	\$ 127,433	51.7%
AA	74,692	75,181	30.5%
A	33,834	34,607	14.1%
BBB	8,957	8,963	3.6%
Not Rated	90	180	0.1%
	\$ 243,302		