

Enstar Group LTD
Form 10-Q
August 05, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2011
- 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
18 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. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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 August 4, 2011, the registrant had outstanding 13,707,427 voting ordinary shares and 749,869 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 June 30, 2011 and December 31, 2010

	June 30, 2011	December 31, 2010
	(expressed in thousands of U.S. dollars, except share data)	
ASSETS		
Short-term investments, available-for-sale, at fair value (amortized cost: 2011 \$ nil 2010 \$7,209)	\$	\$ 7,263
Short-term investments, trading, at fair value	325,036	507,978
Fixed maturities, available-for-sale, at fair value (amortized cost: 2011 \$817,284; 2010 \$1,068,540)	852,810	1,094,947
Fixed maturities, trading, at fair value	1,093,134	524,122
Equities, trading, at fair value	65,890	60,082
Other investments, at fair value	255,619	234,714
 Total investments	 2,592,489	 2,429,106
Cash and cash equivalents	759,724	799,154
Restricted cash and cash equivalents	512,792	656,200
Accrued interest receivable	20,765	19,980
Accounts receivable	17,928	24,790
Income taxes recoverable	6,357	7,968
Reinsurance balances receivable	1,004,111	961,442
Funds held by reinsured companies	230,973	274,699
Goodwill	21,222	21,222
Other assets	34,400	41,343
 TOTAL ASSETS	 \$ 5,200,761	 \$ 5,235,904
 LIABILITIES		
Losses and loss adjustment expenses	\$ 3,267,341	\$ 3,291,275
Reinsurance balances payable	224,266	231,435
Accounts payable and accrued liabilities	41,998	94,390
Income taxes payable	5,455	50,075
Loans payable	205,636	245,278

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Other liabilities	109,826	107,630
TOTAL LIABILITIES	3,854,522	4,020,083
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Share capital		
Authorized, issued and fully paid, par value \$1 each (authorized 2011: 156,000,000; 2010: 156,000,000)		
Ordinary shares (issued and outstanding 2011: 13,519,723; 2010:12,940,021)	13,520	12,940
Non-voting convertible ordinary shares:		
Series A (issued 2011: 2,972,892; 2010: 2,972,892)	2,973	2,973
Series B, C and D (issued and outstanding 2011: 749,869; 2010: nil)	750	
Treasury shares at cost (Series A non-voting convertible ordinary shares 2011: 2,972,892; 2010: 2,972,892)	(421,559)	(421,559)
Additional paid-in capital	774,637	667,907
Accumulated other comprehensive income	50,336	35,017
Retained earnings	664,021	651,143
Total Enstar Group Limited Shareholders Equity	1,084,678	948,421
Noncontrolling interest	261,561	267,400
TOTAL SHAREHOLDERS EQUITY	1,346,239	1,215,821
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 5,200,761	\$ 5,235,904

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 Six Month Periods Ended June 30, 2011 and 2010**

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2011	2010	2011	2010
	(expressed in thousands of U.S. dollars, except share and per share data)			
INCOME				
Consulting fees	\$ 2,045	\$ 3,500	\$ 6,081	\$ 17,628
Net investment income	22,928	22,998	41,470	49,119
Net realized and unrealized gains (losses)	5,264	(4,227)	8,632	(2,025)
Gain on bargain purchase			13,105	
	30,237	22,271	69,288	64,722
EXPENSES				
Net reduction in ultimate loss and loss adjustment expense liabilities:				
Reduction in estimates of net ultimate losses	(27,829)	(35,104)	(30,441)	(37,046)
Reduction in provisions for bad debt	(1,672)	(7,768)	(1,672)	(13,107)
Reduction in provisions for unallocated loss adjustment expense liabilities	(11,783)	(11,696)	(23,320)	(20,661)
Amortization of fair value adjustments	6,969	12,202	17,046	18,852
	(34,315)	(42,366)	(38,387)	(51,962)
Salaries and benefits	16,723	14,254	27,105	29,444
General and administrative expenses	28,211	15,801	45,961	26,288
Interest expense	1,697	2,805	3,663	5,199
Net foreign exchange losses (gains)	1,932	(5,615)	9,266	1,973
	14,248	(15,121)	47,608	10,942
EARNINGS BEFORE INCOME TAXES AND SHARE OF NET EARNINGS OF PARTLY OWNED COMPANY				
	15,989	37,392	21,680	53,780
INCOME TAXES	(975)	(16,115)	(1,592)	(22,037)
SHARE OF NET EARNINGS OF PARTLY OWNED COMPANY		2,203		9,353
NET EARNINGS	15,014	23,480	20,088	41,096
Less: Net earnings attributable to noncontrolling interest	(5,639)	(11,050)	(7,210)	(12,745)

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NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$	9,375	\$	12,430	\$	12,878	\$	28,351
EARNINGS PER SHARE BASIC:								
Net earnings attributable to Enstar Group Limited ordinary shareholders	\$	0.67	\$	0.91	\$	0.96	\$	2.08
EARNINGS PER SHARE DILUTED:								
Net earnings attributable to Enstar Group Limited ordinary shareholders	\$	0.66	\$	0.89	\$	0.94	\$	2.04
Weighted average shares outstanding basic		13,999,179		13,702,832		13,475,418		13,661,516
Weighted average shares outstanding diluted		14,285,685		14,019,489		13,755,623		13,925,551

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 Six Month Periods Ended June 30, 2011 and 2010

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2011	2010	2011	2010
	(expressed in thousands of U.S. dollars)			
NET EARNINGS	\$ 15,014	\$ 23,480	\$ 20,088	\$ 41,096
Other comprehensive income:				
Unrealized holding gains (losses) on investments arising during the period	5,839	(6,412)	14,575	(5,652)
Reclassification adjustment for net realized and unrealized (gains) losses included in net earnings	(5,264)	4,227	(8,632)	2,025
Decrease in defined benefit pension liability			272	
Currency translation adjustment	10,049	(22,688)	12,255	(17,116)
Total other comprehensive income (loss):	10,624	(24,873)	18,470	(20,743)
Comprehensive income (loss)	25,638	(1,393)	38,558	20,353
Less comprehensive income attributable to noncontrolling interest	(7,846)	(3,965)	(10,361)	(7,125)
COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$ 17,792	\$ (5,358)	\$ 28,197	\$ 13,228

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents**ENSTAR GROUP LIMITED**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS EQUITY
For the Six Month Periods Ended June 30, 2011 and 2010**

	Six Months Ended June 30, 2011 2010 (expressed in thousands of U.S. dollars)	
Share Capital Ordinary Shares		
Balance, beginning of period	\$ 12,940	\$ 13,581
Issue of shares	538	44
Share awards granted/vested	42	79
Balance, end of period	\$ 13,520	\$ 13,704
Share Capital Series A Non-Voting Convertible Ordinary Shares		
Balance, beginning and end of period	\$ 2,973	\$ 2,973
Share Capital Series B, C and D Non-Voting Convertible Ordinary Shares		
Balance, beginning of period	\$	\$
Preferred shares converted	750	
Balance, end of period	\$ 750	\$
Share Capital Preference Shares		
Balance, beginning of period	\$	\$
Issue of shares	750	
Shares converted	(750)	
Balance, end of period	\$	\$
Treasury Shares		
Balance, beginning and end of period	\$ (421,559)	\$ (421,559)
Additional Paid-in Capital		
Balance, beginning of period	\$ 667,907	\$ 721,120
Share awards granted/vested	168	5,286
Issue of shares and warrants, net	105,310	318
Amortization of share awards	1,252	599
Balance, end of period	\$ 774,637	\$ 727,323
Accumulated Other Comprehensive Income Attributable to Enstar Group Limited		

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Balance, beginning of period	\$ 35,017	\$ 8,709
Foreign currency translation adjustments	9,152	(12,103)
Net movement in unrealized holdings gains (losses) on investments	5,895	(3,022)
Decrease in defined benefit pension liability	272	
Balance, end of period	\$ 50,336	\$ (6,416)
Retained Earnings		
Balance, beginning of period	\$ 651,143	\$ 477,057
Net earnings attributable to Enstar Group Limited	12,878	28,351
Balance, end of period	\$ 664,021	\$ 505,408
Noncontrolling Interest		
Balance, beginning of period	\$ 267,400	\$ 274,271
Return of capital	(16,200)	(13,579)
Contribution of capital		28,742
Dividends paid		(7,000)
Net earnings attributable to noncontrolling interest	7,210	12,745
Foreign currency translation adjustments	3,103	(5,013)
Net movement in unrealized holding gains (losses) on investments	48	(606)
Balance, end of period	\$ 261,561	\$ 289,560

See accompanying notes to the unaudited condensed consolidated financial statements

Table of Contents**ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Month Periods Ended June 30, 2011 and 2010**

	Six Months Ended June 30,	
	2011	2010
	(expressed in thousands of U.S. dollars)	
OPERATING ACTIVITIES:		
Net earnings	\$ 20,088	\$ 41,096
Adjustments to reconcile net earnings to cash flows used in operating activities:		
Gain on bargain purchase	(13,105)	
Share of undistributed net earnings of partly owned company		(9,353)
Net realized and unrealized investment (gain) loss	(8,632)	2,025
Share of net gain from other investments	(6,863)	(9,410)
Other items	2,353	(1,155)
Depreciation and amortization	771	374
Amortization of bond premiums and discounts	8,866	2,507
Net movement of trading securities held on behalf of policyholders	448	23,306
Sales and maturities of trading securities	630,961	64,695
Purchases of trading securities	(980,455)	(755,925)
Changes in assets and liabilities:		
Reinsurance balances receivable	(40,238)	(68,415)
Other assets	60,005	(104,969)
Losses and loss adjustment expenses	(41,924)	166,148
Reinsurance balances payable	(7,412)	11,284
Accounts payable and accrued liabilities	(52,667)	(24,558)
Other liabilities	(44,937)	(33,293)
Net cash flows used in operating activities	(472,741)	(695,643)
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(7,949)	157,184
Sales and maturities of available-for-sale securities	261,977	54,872
Purchase of held-to-maturity securities		(608,680)
Maturity of held-to-maturity securities		461,810
Movement in restricted cash and cash equivalents	143,408	87,052
Funding of other investments	(23,581)	(66,245)
Redemption of bond funds	12,535	
Sale of investment in partly owned company		29,400
Other investing activities	(297)	278
Net cash flows provided by investing activities	386,093	115,671
FINANCING ACTIVITIES:		
Net proceeds from issuance of shares	105,703	
Distribution of capital to noncontrolling interest	(16,200)	(13,579)

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Contribution to surplus of subsidiary by noncontrolling interest		28,742
Dividends paid to noncontrolling interest		(7,000)
Receipt of loans	167,650	21,400
Repayment of loans	(207,016)	
Net cash flows provided by financing activities	50,137	29,563
TRANSLATION ADJUSTMENT	(2,919)	7,699
NET DECREASE IN CASH AND CASH EQUIVALENTS	(39,430)	(542,710)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	799,154	1,266,445
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 759,724	\$ 723,735

Supplemental Cash Flow Information

Net income taxes paid	\$ 55,927	\$ 41,089
Interest paid	\$ 3,848	\$ 5,738

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

June 30, 2011 and December 31, 2010

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

(unaudited)

1. 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 following information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Adoption of New Accounting Standards

Effective January 1, 2011, the Company adopted the new guidance issued by the U.S. Financial Accounting Standards Board (FASB), which provides additional guidance for performing Step 1 of the test for goodwill impairment when an entity has reporting units with zero or negative carrying values. As of June 30, 2011, none of the Company's reporting units were at risk of failing Step 1 of the test for goodwill impairment. Under the new guidance, Step 2 of the goodwill impairment test must be performed when adverse qualitative factors indicate that goodwill is more likely than not impaired. The adoption of the revised guidance did not have a material impact on the consolidated financial statements.

Effective January 1, 2011, the Company adopted the new guidance issued by FASB, which specifies that if a public entity presents comparative financial statements, the entity should disclose, in its supplementary pro-forma information, revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The adoption of the revised guidance did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In May 2011, FASB issued amendments to disclosure requirements for common fair value measurement. These amendments, effective for the interim and annual periods beginning on or after December 15, 2011 (early adoption is prohibited), result in a common definition of fair value and common requirements for measurement of and disclosure requirements under U.S. GAAP and International Financial Reporting Standards. Consequently, the amendments change some fair value measurement principles and disclosure requirements. The implementation of this amended accounting guidance is not expected to have a material impact on the consolidated financial statements.

In June 2011, FASB issued amendments to disclosure requirements for presentation of comprehensive income. This guidance, effective retrospectively for the interim and annual periods beginning on or after December 15, 2011 (early

adoption is permitted), requires presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The implementation of this amended accounting guidance is not expected to have a material impact on the consolidated financial statements.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (Continued)****1. BASIS OF PREPARATION AND CONSOLIDATION (cont d)**

The Company has determined that all other recently issued accounting pronouncements do not apply to its operations.

2. ACQUISITIONS

The Company accounts for acquisitions using the purchase method of accounting, which requires that the acquirer record the assets and liabilities acquired at their estimated fair value. The fair values of reinsurance assets and liabilities acquired are derived from probability weighted ranges of the associated projected cash flows, based on actuarially prepared information and management's run-off strategy. Any amendment to the fair values resulting from changes in such information or strategy will be recognized when the changes occur.

Laguna

On March 25, 2011, the Company, through its wholly-owned subsidiary, Kenmare Holdings Ltd., completed the acquisition of Laguna Life Limited, formerly known as CitiLife Financial Limited (Laguna), from Citigroup Insurance Holding Corporation (Citigroup), an affiliate of Citigroup Inc. Laguna is an Ireland-based life insurer that is in run-off. The purchase price was 15.0 million (approximately \$21.2 million) and was funded from available cash on hand. The previously disclosed purchase price of 30.0 million (approximately \$42.4 million) was reduced, prior to completion of the acquisition, after Citigroup received approval from Laguna's regulator to distribute 15.0 million (approximately \$21.2 million) to its shareholders.

The purchase price and fair value of the assets acquired in the Laguna acquisition were as follows:

Purchase price	\$ 21,223
Net assets acquired at fair value	\$ 34,328
Excess of net assets over purchase price (gain on bargain purchase)	\$ (13,105)

The gain on bargain purchase of approximately \$13.1 million, relating to the acquisition of Laguna, arose primarily as a result of the reassessment by the Company, upon acquisition, of the total required estimated costs to manage the business to expiry. The Company's assessment of costs was lower than the acquired costs recorded by the vendor in the financial statements of Laguna.

The following summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition:

Cash	\$ 13,274
Investments:	
Short-term investments, trading	1,154

Fixed maturities, trading	30,765
Total investments	31,919
Reinsurance balances receivable	1,459
Other assets	1,325
Losses and loss adjustment expenses	(11,898)
Accounts payable	(1,751)
Net assets acquired at fair value	\$ 34,328

From March 25, 2011, the date of acquisition, to June 30, 2011, the Company has recorded \$0.7 million in revenues and \$nil net earnings related to Laguna in its consolidated statement of earnings.

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

2. ACQUISITIONS (cont d)

Clarendon

On July 12, 2011, the Company, through its wholly-owned subsidiary, Clarendon Holdings, Inc., completed the acquisition of 100% of the shares of Clarendon National Insurance Company (Clarendon) from Clarendon Insurance Group, Inc., an affiliate of Hannover Re. Clarendon is a New Jersey-domiciled insurer that is in run-off. Clarendon owns three other insurers, two domiciled in New Jersey and one domiciled in Florida, that are also in run-off. The purchase price was \$219.1 million and was financed in part by \$106.5 million from a four-year term loan facility provided by National Australia Bank Limited (NAB) and the remainder from available cash on hand. The accounting for this business combination has not been completed at the time of issuance of these financial statements.

3. SIGNIFICANT NEW BUSINESS

Shelbourne RITC Transactions

In December 2007, the Company, 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 or 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. The Company owns 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 on December 16, 2007 to undertake RITC transactions with Lloyd s syndicates in run-off.

JCF FPK is a joint investment program between Fox-Pitt, Kelton, Cochran, Caronia & Waller (USA) LLC (FPK) and J.C. Flowers II, L.P. (the Flowers Fund). The Flowers Fund is a private investment fund advised by J.C. Flowers & Co. LLC. J. Christopher Flowers, one of the Company s largest shareholders and formerly a member of the Company s board of directors, is the Chairman and Chief Executive Officer of J.C. Flowers & Co. LLC. In addition, an affiliate of the Flowers Fund controlled approximately 41% of FPK until its sale of FPK in December 2009.

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 with respect to these two RITC agreements amounted to £21.3 million (approximately \$34.1 million), which was fully funded by the Company from available cash on hand.

4. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents were \$512.8 million and \$656.2 million as of June 30, 2011 and December 31, 2010, respectively. The restricted cash and cash equivalents are used as collateral against letters of credit and as guarantees under trust agreements. Letters of credit are issued to ceding insurers as security for the obligations of insurance subsidiaries under reinsurance agreements with those ceding insurers.

Table of Contents**ENSTAR GROUP LIMITED****NOTES TO THE UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. INVESTMENTS*****Available-for-sale***

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

	Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Losses Non-OTTI	Fair Value
<u>As at June 30, 2011</u>				
U.S. government and agency	\$ 36,618	\$ 673	\$ (11)	\$ 37,280
Non-U.S. government	182,641	12,617	(53)	195,205
Corporate	541,111	19,515	(445)	560,181
Residential mortgage-backed	17,059	345	(104)	17,300
Commercial mortgage-backed	14,681	2,913	(175)	17,419
Asset backed	25,174	489	(238)	25,425
	\$ 817,284	\$ 36,552	\$ (1,026)	\$ 852,810

	Amortized Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Losses Non-OTTI	Fair Value
<u>As at December 31, 2010</u>				
U.S. government and agency	\$ 65,115	\$ 766	\$ (92)	\$ 65,789
Non-U.S. government	248,487	8,832	(314)	257,005
Corporate	695,372	16,513	(1,615)	710,270
Residential mortgage-backed	20,036	305	(234)	20,107
Commercial mortgage-backed	19,667	2,083	(11)	21,739
Asset backed	27,072	574	(346)	27,300
	\$ 1,075,749	\$ 29,073	\$ (2,612)	\$ 1,102,210

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. INVESTMENTS (cont d)**

The following tables summarize the Company's fixed maturity securities 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 security has continuously been in an unrealized loss position:

	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>As at June 30, 2011</u>						
U.S. government and agency	\$ 7,013	\$ (11)	\$	\$	\$ 7,013	