

Enstar Group LTD  
Form 10-Q  
August 02, 2012  
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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, 2012

**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**

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*(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

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 July 31, 2012, the registrant had outstanding 13,857,378 voting ordinary shares and 2,725,637 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, 2012 and December 31, 2011

	June 30, 2012	December 31, 2011
	(expressed in thousands of U.S. dollars, except share data)	
<b>ASSETS</b>		
Short-term investments, trading, at fair value	\$ 405,090	\$ 410,269
Fixed maturities, available-for-sale, at fair value (amortized cost: 2012 \$411,168; 2011 \$590,588)	421,809	607,316
Fixed maturities, trading, at fair value	2,216,611	2,035,369
Equities, trading, at fair value	97,779	89,981
Other investments, at fair value	324,635	192,264
<b>Total investments</b>	<b>3,465,924</b>	<b>3,335,199</b>
Cash and cash equivalents	672,883	850,474
Restricted cash and cash equivalents	283,416	373,191
Accrued interest receivable	26,116	26,924
Accounts receivable	31,814	50,258
Income taxes recoverable	12,254	10,559
Reinsurance balances recoverable	1,407,013	1,789,582
Funds held by reinsured companies	90,612	107,748
Goodwill	21,222	21,222
Other assets	19,687	40,981
<b>TOTAL ASSETS</b>	<b>\$ 6,030,941</b>	<b>\$ 6,606,138</b>
<b>LIABILITIES</b>		
Losses and loss adjustment expenses	\$ 3,810,331	\$ 4,282,916
Reinsurance balances payable	162,838	208,540
Accounts payable and accrued liabilities	121,913	75,983
Income taxes payable	9,645	16,985
Loans payable	126,312	242,710
Other liabilities	112,826	95,593
<b>TOTAL LIABILITIES</b>	<b>4,343,865</b>	<b>4,922,727</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY</b>		
Share capital		
Authorized, issued and fully paid, par value \$1 each (authorized 2012: 156,000,000; 2011: 156,000,000)		
Ordinary shares (issued and outstanding 2012: 13,711,656; 2011: 13,665,051)	13,712	13,665
Non-voting convertible ordinary shares:		
Series A (issued 2012: 2,972,892; 2011: 2,972,892)	2,973	2,973
Series B, C and D (issued and outstanding 2012: 2,725,637; 2011: 2,725,637)	2,726	2,726

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Treasury shares at cost (Series A non-voting convertible ordinary shares 2012: 2,972,892; 2011: 2,972,892)	(421,559)	(421,559)
Additional paid-in capital	958,351	956,329
Accumulated other comprehensive income	26,380	27,096
Retained earnings	855,230	804,836
Total Enstar Group Limited Shareholders Equity	1,437,813	1,386,066
Noncontrolling interest	249,263	297,345
TOTAL SHAREHOLDERS EQUITY	1,687,076	1,683,411
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 6,030,941	\$ 6,606,138

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, 2012 and 2011**

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2011	
	(expressed in thousands of U.S. dollars, except share and per share data)			
<b>INCOME</b>				
Consulting fees	\$ 1,775	\$ 2,045	\$ 3,969	\$ 6,081
Net investment income	23,393	22,928	46,176	41,470
Net realized and unrealized (losses) gains	(808)	5,264	22,234	8,632
Gain on bargain purchase				13,105
	24,360	30,237	72,379	69,288
<b>EXPENSES</b>				
Net reduction in ultimate loss and loss adjustment expense liabilities:				
Reduction in estimates of net ultimate losses	(58,417)	(27,829)	(61,715)	(30,441)
Reduction in provisions for bad debt	(527)	(1,672)	(2,782)	(1,672)
Reduction in provisions for unallocated loss adjustment expense liabilities	(11,661)	(11,783)	(24,513)	(23,320)
Amortization of fair value adjustments	2,240	6,969	9,827	17,046
	(68,365)	(34,315)	(79,183)	(38,387)
Salaries and benefits	24,379	16,723	44,830	27,105
General and administrative expenses	14,156	28,211	29,014	45,961
Interest expense	2,062	1,697	4,173	3,663
Net foreign exchange (gains) losses	(627)	1,932	1,642	9,266
	(28,395)	14,248	476	47,608
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>52,755</b>	<b>15,989</b>	<b>71,903</b>	<b>21,680</b>
<b>INCOME TAXES</b>	<b>(11,905)</b>	<b>(975)</b>	<b>(15,647)</b>	<b>(1,592)</b>
<b>NET EARNINGS</b>	<b>40,850</b>	<b>15,014</b>	<b>56,256</b>	<b>20,088</b>
Less: Net earnings attributable to noncontrolling interest	(129)	(5,639)	(5,862)	(7,210)
<b>NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 40,721</b>	<b>\$ 9,375</b>	<b>\$ 50,394</b>	<b>\$ 12,878</b>
<b>EARNINGS PER SHARE BASIC:</b>				
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	\$ 2.48	\$ 0.67	\$ 3.07	\$ 0.96
<b>EARNINGS PER SHARE DILUTED</b>				
Net earnings per ordinary share attributable to Enstar Group Limited shareholders	\$ 2.44	\$ 0.66	\$ 3.02	\$ 0.94

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Weighted average ordinary shares outstanding	basic	16,436,401	13,999,179	16,432,001	13,475,418
Weighted average ordinary shares outstanding	diluted	16,674,792	14,285,685	16,673,250	13,755,623

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, 2012 and 2011**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>(expressed in thousands of U.S. dollars)</b>			
<b>NET EARNINGS</b>	<b>\$ 40,850</b>	<b>\$ 15,014</b>	<b>\$ 56,256</b>	<b>\$ 20,088</b>
Other comprehensive income, net of tax:				
Unrealized holding (losses) gains on investments arising during the period	(2,182)	5,839	22,833	14,575
Reclassification adjustment for net realized and unrealized losses (gains) included in net earnings	808	(5,264)	(22,234)	(8,632)
Decrease in defined benefit pension liability				272
Currency translation adjustment	(3,892)	10,049	(908)	12,255
<b>Total other comprehensive (loss) income</b>	<b>(5,266)</b>	<b>10,624</b>	<b>(309)</b>	<b>18,470</b>
Comprehensive income	35,584	25,638	55,947	38,558
Less comprehensive loss (income) attributable to noncontrolling interest	643	(7,846)	(6,269)	(10,361)
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSTAR GROUP LIMITED</b>	<b>\$ 36,227</b>	<b>\$ 17,792</b>	<b>\$ 49,678</b>	<b>\$ 28,197</b>

See accompanying notes to the unaudited condensed consolidated financial statements



**Table of Contents****ENSTAR GROUP LIMITED****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES****IN SHAREHOLDERS EQUITY****For the Six Month Periods Ended June 30, 2012 and 2011**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(expressed in thousands of U.S. dollars)</b>	
<b>Share Capital Ordinary Shares</b>		
Balance, beginning of period	\$ 13,665	\$ 12,940
Issue of shares	3	538
Share awards granted/vested	44	42
Balance, end of period	\$ 13,712	\$ 13,520
<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 B, C and D Non-Voting Convertible Ordinary Shares</b>		
Balance, beginning of period	\$ 2,726	\$
Preferred shares converted		750
Balance, end of period	\$ 2,726	\$ 750
<b>Share Capital Preference Shares</b>		
Balance, beginning of period	\$	\$
Issue of shares		750
Shares converted		(750)
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	\$ 956,329	\$ 667,907
Share awards granted/vested	381	168
Issue of shares and warrants, net	280	105,310
Amortization of share awards	1,361	1,252
Balance, end of period	\$ 958,351	\$ 774,637
<b>Accumulated Other Comprehensive Income Attributable to Enstar Group Limited</b>		

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Balance, beginning of period	\$ 27,096	\$ 35,017
Foreign currency translation adjustments	(1,487)	9,152
Net movement in unrealized holding gains on investments	771	5,895
Decrease in defined benefit pension liability		272
Balance, end of period	\$ 26,380	\$ 50,336
<b>Retained Earnings</b>		
Balance, beginning of period	\$ 804,836	\$ 651,143
Net earnings attributable to Enstar Group Limited	50,394	12,878
Balance, end of period	\$ 855,230	\$ 664,021
<b>Noncontrolling Interest</b>		
Balance, beginning of period	\$ 297,345	\$ 267,400
Return of capital	(35,366)	(16,200)
Dividends paid	(18,985)	
Net earnings attributable to noncontrolling interest	5,862	7,210
Foreign currency translation adjustments	579	3,103
Net movement in unrealized holding (losses) gains on investments	(172)	48
Balance, end of period	\$ 249,263	\$ 261,561

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, 2012 and 2011**

	<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(expressed in thousands of U.S. dollars)</b>	
<b>OPERATING ACTIVITIES:</b>		
Net earnings	\$ 56,256	\$ 20,088
Adjustments to reconcile net earnings to cash flows used in operating activities:		
Gain on bargain purchase		(13,105)
Net realized and unrealized investment gains	(22,234)	(8,632)
Net gain from other investments	(4,839)	(6,863)
Other items	1,754	2,494
Depreciation and amortization	631	771
Amortization of premiums and discounts	16,426	9,007
Net movement of trading securities held on behalf of policyholders	11,317	448
Sales and maturities of trading securities	1,125,863	630,961
Purchases of trading securities	(1,319,669)	(980,455)
Changes in assets and liabilities:		
Reinsurance balances recoverable	382,569	(40,238)
Other assets	56,350	60,005
Losses and loss adjustment expenses	(472,676)	(41,924)
Reinsurance balances payable	(45,702)	(7,412)
Accounts payable and accrued liabilities	17,670	(52,667)
Other liabilities	9,729	(44,937)
Net cash flows used in operating activities	(186,555)	(472,741)
<b>INVESTING ACTIVITIES:</b>		
Acquisitions, net of cash acquired		(7,949)
Sales and maturities of available-for-sale securities	183,609	261,977
Movement in restricted cash and cash equivalents	89,775	143,408
Funding of other investments	(126,130)	(23,581)
Redemption of bond funds	103	12,535
Other investing activities	(454)	(297)
Net cash flows provided by investing activities	146,903	386,093
<b>FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of shares		105,703
Distribution of capital to noncontrolling interest	(7,236)	(16,200)
Dividends paid to noncontrolling interest	(18,985)	
Receipt of loans		167,650
Repayment of loans	(115,875)	(207,016)
Net cash flows (used in) provided by financing activities	(142,096)	50,137
TRANSLATION ADJUSTMENT	4,157	(2,919)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(177,591)</b>	<b>(39,430)</b>

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CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	850,474	799,154
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 672,883	\$ 759,724

### Supplemental Cash Flow Information

Net income taxes paid	\$ 15,367	\$ 55,927
Interest paid	\$ 4,689	\$ 3,848

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, 2012 and December 31, 2011**

**(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, 2011.

***Adoption of New Accounting Standards***

In May 2011, the U.S. Financial Accounting Standards Board ( FASB ) issued amendments to disclosure requirements for common fair value measurement. These amendments 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 ( IFRS ). Consequently, the amendments change some fair value measurement principles and disclosure requirements. The Company adopted this amended accounting guidance effective January 1, 2012. The adoption of the amended guidance did not 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 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 Company adopted this amended accounting guidance effective January 1, 2012. The adoption of the amended guidance had no impact on the consolidated financial statements.

***Recently Issued Accounting Standards Not Yet Adopted***

In December 2011, FASB issued new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivatives. The new disclosures are designed to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under IFRS. The new disclosure requirements are effective retrospectively for annual and interim reporting periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of adopting these revised disclosure requirements on the consolidated financial statements.

**2. SIGNIFICANT NEW BUSINESS**

***Zurich Danish Portfolio***

On June 30, 2012, the Company, through the Danish branch of its wholly-owned subsidiary, Marlon Insurance Company Limited ( Marlon ), acquired, by way of loss portfolio transfer under Danish law, a portfolio of reinsurance and professional disability business from the Danish branch of Zurich Insurance Company ( Zurich ). Marlon received total assets and assumed total net insurance and reinsurance liabilities of approximately \$58.7 million. The total assets and assumed total net insurance and reinsurance liabilities may be adjusted in the third quarter of 2012 based on final balances reported by Zurich.



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

**2. SIGNIFICANT NEW BUSINESS (cont d)***Reciprocal of America*

On July 6, 2012 the Company, through its wholly-owned subsidiary, Providence Washington Insurance Company, entered into a definitive loss portfolio reinsurance agreement with Reciprocal of America (in Receivership) and its Deputy Receiver relating to a portfolio of workers compensation business. The estimated total assets and liabilities to be assumed are approximately \$174.0 million. 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 2012.

**3. INVESTMENTS***Available-for-sale*

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

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
<b><u>As at June 30, 2012</u></b>				
U.S. government and agency	\$ 5,662	\$ 508	\$	\$ 6,170
Non-U.S. government	133,354	4,918	(727)	137,545
Corporate	234,699	4,434	(445)	238,688
Residential mortgage-backed	12,071	266	(88)	12,249
Commercial mortgage-backed	10,519	1,894		12,413
Asset-backed	14,863	26	(145)	14,744
	\$ 411,168	\$ 12,046	\$ (1,405)	\$ 421,809

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses Non-OTTI	Fair Value
<b><u>As at December 31, 2011</u></b>				
U.S. government and agency	\$ 17,816	\$ 546	\$ (433)	\$ 17,929
Non-U.S. government	160,128	9,227	(828)	168,527

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Corporate	366,954	7,937	(2,578)	372,313
Residential mortgage-backed	13,544	276	(108)	13,712
Commercial mortgage-backed	12,680	3,044	(7)	15,717
Asset-backed	19,466	65	(413)	19,118
	\$ 590,588	\$ 21,095	\$ (4,367)	\$ 607,316

Included within residential and commercial mortgage-backed securities are securities issued by U.S. agencies with a fair value of \$4,080 and \$nil, respectively (2011 \$4,624 and \$nil, respectively).



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

**3. INVESTMENTS (cont d)**

The following tables summarize the Company's fixed maturity securities 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
<b>As at June 30, 2012</b>						
U.S. government and agency	\$	\$	\$	\$	\$	\$
Non-U.S. government			15,215	(727)	15,215	(727)
Corporate	13,859	(205)	28,203	(240)	42,062	(445)
Residential mortgage-backed	1,146	(85)	38	(3)	1,184	(88)
Commercial mortgage-backed			49		49	
Asset-backed	8,887	(142)	892	(3)	9,779	(145)
	\$ 23,892	\$ (432)	\$ 44,397	\$ (973)	\$ 68,289	\$ (1,405)

	12 Months or Greater		Less Than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>As at December 31, 2011</b>						
U.S. government and agency	\$	\$	\$ 8,318	\$ (433)	\$ 8,318	\$ (433)
Non-U.S. government	14,982	(466)	16,305	(362)	31,287	(828)
Corporate	47,197	(1,367)	54,106	(1,211)	101,303	(2,578)
Residential mortgage-backed	1,299	(105)	36	(3)	1,335	(108)
Commercial mortgage-backed			215	(7)	215	(7)
Asset-backed	7,577	(187)	6,491	(226)	14,068	(413)
	\$ 71,055	\$ (2,125)	\$ 85,471	\$ (2,242)	\$ 156,526	\$ (4,367)

As at June 30, 2012 and December 31, 2011, the number of securities classified as available-for-sale in an unrealized loss position was 57 and 107, respectively, with a fair value of \$68.3 million and \$156.5 million, respectively. Of these securities, the number of securities that had been in an unrealized loss position for twelve months or longer was 20 and 59, respectively. As of June 30, 2012, none of these securities were considered to be other than temporarily impaired.

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

**3. INVESTMENTS (cont d)**

The contractual maturities of the Company's fixed maturity securities 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.

<b>As at June 30, 2012</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
Due in one year or less	\$ 264,812	\$ 267,322	63.4%
Due after one year through five years	104,539	110,427	26.2%
Due after five years through ten years	1,325	1,589	0.4%
Due after ten years	3,039	3,065	0.7%
	373,715	382,403	90.7%
Residential mortgage-backed	12,071	12,249	2.9%
Commercial mortgage-backed	10,519	12,413	2.9%
Asset-backed	14,863	14,744	3.5%
	\$ 411,168	\$ 421,809	100.0%

<b>As at December 31, 2011</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
Due in one year or less	\$ 230,550	\$ 230,377	37.9%
Due after one year through five years	308,062	322,131	53.0%
Due after five years through ten years	3,296	3,367	0.6%
Due after ten years	2,990	2,894	0.5%
	544,898	558,769	92.0%
Residential mortgage-backed	13,544	13,712	2.3%
Commercial mortgage-backed	12,680	15,717	2.6%
Asset-backed	19,466	19,118	3.1%
	\$ 590,588	\$ 607,316	100.0%

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

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<b>As at June 30, 2012</b>	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>% of Total Fair Value</b>
AAA	\$ 124,570	\$ 128,914	30.6%
AA	123,134	125,282	29.7%
A	141,446	145,376	34.5%
BBB or lower	21,720	21,614	5.1%
Not Rated	298	623	0.1%
	\$ 411,168	\$ 421,809	100.0%

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

**3. INVESTMENTS (cont d)**

As at December 31, 2011	Amortized Cost	Fair Value	% of Total Fair Value
AAA	\$ 204,967	\$ 214,873	35.4%
AA	131,092	132,971	21.9%
A	210,040	215,225	35.4%
BBB or lower	44,100	43,526	7.2%
Not Rated	389	721	0.1%
	\$ 590,588	\$ 607,316	100.0%

**Trading**

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

	June 30, 2012	December 31, 2011
U.S. government and agency	\$ 303,626	\$ 400,908
Non-U.S. government	244,909	212,251
Corporate	1,817,874	1,595,930
Municipal	21,308	25,416
Residential mortgage-backed	86,279	97,073
Commercial mortgage-backed	110,994	70,977
Asset-backed	36,711	43,083
Equities	97,779	89,981
	\$ 2,719,480	\$ 2,535,619

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

As at June 30, 2012	Fair Value	% of Total Fair Value
AAA	\$ 400,222	15.3%
AA	905,921	34.5%
A	948,003	36.2%

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BBB or lower	351,471	13.4%
Not Rated	16,084	0.6%
	\$ 2,621,701	100.0%

	<b>Fair Value</b>	<b>% of Total Fair Value</b>
<b>As at December 31, 2011</b>		
AAA	\$ 881,951	36.0%
AA	400,394	16.4%
A	796,608	32.6%
BBB or lower	341,307	14.0%
Not Rated	25,378	1.0%
	\$ 2,445,638	