

Enstar Group LTD  
Form PRE 14A  
April 17, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**ENSTAR GROUP LIMITED**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
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“ Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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**NOTICE OF THE  
2014 ANNUAL GENERAL MEETING  
AND PROXY STATEMENT**

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**DEAR FELLOW SHAREHOLDER:**

On behalf of the Enstar Group Limited Board of Directors, I am pleased to invite you to attend Enstar Group Limited's 2014 Annual General Meeting of Shareholders on June 10, 2014 at 9:00 a.m. Atlantic time. This year the meeting will be held at our Company headquarters at Windsor Place, 3<sup>rd</sup> Floor, 22 Queen Street, Hamilton, Bermuda. You can contact us at +1 (441) 292-3645 for directions.

A notice of the annual general meeting and the proxy statement follow. We have also included our Annual Report on Form 10-K for your information.

Your vote is very important. We urge you to vote as soon as possible using the internet, telephone, or, if you received a proxy/voting instruction card, by marking, dating, and signing it, and returning it by mail.

I look forward to seeing you at the 2014 Annual General Meeting, and I thank you for your continued support of Enstar.

Sincerely,

Robert J. Campbell

Chairman of the Board

**IMPORTANT NOTICE REGARDING THE AVAILABILITY  
OF PROXY MATERIALS FOR THE ANNUAL GENERAL MEETING  
OF SHAREHOLDERS TO BE HELD ON JUNE 10, 2014**

**This notice of meeting, the proxy statement, the proxy card and the annual report to shareholders for the year ended December 31, 2013 are available at <http://www.enstargroup.com/financials.cfm> by clicking on Annual General Meeting Materials.**

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**ENSTAR GROUP LIMITED**

**NOTICE OF 2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**JUNE 10, 2014**

To the shareholders of Enstar Group Limited:

Notice is hereby given that the 2014 Annual General Meeting of Shareholders of Enstar Group Limited (the Company ) will be held on Tuesday, June 10, 2014 at 9:00 a.m. Atlantic time at our Company headquarters, located at Windsor Place, 3<sup>rd</sup> Floor, 22 Queen Street, Hamilton Bermuda, for the following purposes, as more fully described in the accompanying proxy statement:

1. To elect one Class II Director nominated by our Board of Directors to hold office until 2017.
2. To amend the Company s bye-laws to create an additional series of non-voting common shares, a portion of which will be issued to affiliates of First Reserve in place of the non-voting preferred shares that were issued at the closing of the Torus acquisition.
3. To hold an advisory vote to approve executive compensation.
4. To ratify the appointment of KPMG Audit Limited as our independent registered public accounting firm for 2014 and to authorize the Board of Directors, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm.
5. To act on the election of directors for our subsidiaries.

Only holders of record of our voting ordinary shares at the close of business on April 17, 2014 are entitled to notice of and to vote at the meeting.

You are cordially invited to attend the Annual General Meeting in person. To ensure that your vote is counted at the meeting, however, please vote as promptly as possible. Submitting your proxy now will not prevent you from voting your shares at the meeting if you desire to do so, as your vote by proxy is revocable at your option in the manner described in the proxy statement.

By Order of the Board of Directors,

Audrey B. Taranto

Corporate Secretary

Hamilton, Bermuda

April , 2014

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To assist you in reviewing our proxy statement, we have summarized several key topics below. The following description is only a summary and does not contain all of the information that you should consider before voting. For more complete information, you should carefully review the rest of our proxy statement, as well as our Annual Report to Shareholders for the year ended December 31, 2013.

**Annual General Meeting of Shareholders Information**

<b>Date and Time</b>	<b>Place</b>
June 10, 2014	Enstar Group Limited's Corporate Headquarters
9:00 a.m., Atlantic time	Windsor Place, 3 <sup>rd</sup> Floor, 22 Queen Street, Hamilton, Bermuda
<b>Record Date</b>	<b>Voting</b>
April 17, 2014	Your vote is very important and we urge you to vote as soon as possible. See Question and Answer No. 13 on page 4 for voting instructions.

**Voting Matters**

<b>Proposal</b>	<b>Board of Directors Recommendation</b>	<b>Vote</b>	<b>Page References</b>
1. Election of Director: <i>JamesD. Carey</i>	FOR the Director Nominee		Page 8 (Nominee Biography) Page 52 (Proposal No. 1)
2. Amend Bye-laws to Create Additional Series of Non-Voting Common Shares	FOR		Page 2 (Questions and Answers) Page 53 (Proposal No. 2)
3. Advisory Approval of Enstar's Executive Compensation	FOR		Page 30 (Compensation Discussion and Analysis) Page 42 (Summary Compensation Table) Page 55 (Proposal No. 3)
4. Ratification of KPMG Audit Limited as the Independent Registered Public Accounting Firm for 2014	FOR		Page 56 (Proposal No. 4) Page 57 (Audit and Non-Audit Fees Table)
5. Acting on Election of Directors for our Subsidiaries	FOR each Subsidiary Director Nominee		Page 59 (Proposal No. 5) Page 65 (Nominee Biographies)

**Board Composition**

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The following describes our current Board composition, current committee assignments of each of our directors, and the number of meetings held in 2013.

Director	Primary Occupation	Nominating and				
		Board of Directors	Compensation Committee	Governance Committee	Investment Committee	Audit Committee
Robert J. Campbell*	Partner, Beck Mack and Oliver	Chair	ü	ü	Chair	Chair
Charles T. Akre, Jr.*	Managing Member and CEO, Akre Capital Management	ü	ü	Chair	ü	ü
T. Whit Armstrong*	Retired CEO and Chairman, The Citizens Bank (Enterprise, AL)	ü	ü	ü		ü
James D. Carey	Senior Principal, Stone Point Capital	ü			ü	
Kenneth J. LeStrange*	Retired Chairman, President and CEO, Endurance Specialty Holdings Ltd.	ü	Chair	ü		ü
Kenneth W. Moore*	Managing Director, First Reserve Corp.	ü			ü	ü
Paul J. O Shea	EVP and Joint COO, Enstar Group Limited	ü				
Sumit Rajpal*	Managing Director, Goldman Sachs & Co.	ü			ü	
Dominic F. Silvester	CEO, Enstar Group Limited	ü				
<b>2013 Meetings</b>		6	3	2	4	5

\*Independent Director

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**Corporate Governance**

Enstar is committed to sound governance, and we employ a number of practices that the Board believes are in the best interest of the Company and our shareholders. Highlights of these practices are listed below.

An independent director serves as Chairman of the Board	Maintain separate roles for the Chairman and the CEO
For 2013, five of eight directors serving were independent	Align pay and performance in executive officer compensation
Hold executive sessions of independent directors	Majority voting standard in uncontested elections
Hold annual shareholder advisory votes on executive officer compensation	Prohibit hedging transactions with respect to Enstar securities (applicable to directors and all employees)
Executive officer change of control payments are double trigger	Perform robust risk assessment of compensation programs
Promote a strong Code of Conduct that requires all employees and directors to adhere to high ethical standards	Maintain entirely independent Audit, Compensation, and Nominating and Governance Committees
Board and Committee oversight of Enterprise Risk Management programs and processes	No tax gross-ups on change of control
Conduct annual Board and Committee Self-Evaluations	Subsidiary boards maintain strong governance programs

**Business Highlights**

Enstar delivered excellent financial and operational results in 2013 and completed several key acquisitions as our business evolved. Select highlights include:

We increased our fully diluted net book value per share by 12.8% to an all-time high of \$105.20 this is a compound annual growth rate of 18.6% since we became a public company in 2007.

Our net earnings were \$208.6 million, an increase of 24.2% from 2012, and our highest annual total net earnings since becoming a public company.



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We grew our business significantly through our acquisitions of SeaBright Holdings, Inc., the Pavonia closed-life businesses, and active underwriting companies Atrium Underwriting Group and Arden Reinsurance Company Ltd.

This 2013 acquisition activity drove a \$1.83 billion (or 50%) increase in our total combined non-life and life reserves from December 31, 2012.

**Executive Compensation**

*Philosophy:* We are a rapidly growing company operating in an extremely competitive and changing industry. Our compensation program is based on these core principles:

- Induce performance consistent with clearly defined corporate objectives
- Align our executives' long-term interests with those of our shareholders
- Fairly compensate our executives
- Retain and attract qualified executives who are able to contribute to our long-term success

*Performance-Based Compensation:* Our annual incentive plan is funded based on enterprise-wide net after-tax profits, which we believe reflects and promotes our primary corporate objective of increasing our net book value per share over the long term.

Ø Executive incentive award payments are determined after the performance year by our Compensation Committee based on an evaluation of individual performance and contribution to operating results as well as advancement of our long-term strategic objectives.

Ø Decisions are subjective and not based on mandated, pre-established pay-out formulas, which we believe provides necessary flexibility for compensation in line with our program objectives.

*Key Decisions for 2013 Performance Year:* Reflecting our very strong results, acquisition achievements and execution of our strategies to position us for future growth and success, our Compensation Committee made the following key decisions:

Incentive Bonuses	Base Salaries	Bonus Pool
Following two straight years of no increases to incentive bonuses, the CEO bonus increased by 26.5% and	Base salaries, which had remained flat in 2011, 2012, and 2013, increased by 3.0% for 2014.	The Committee, in accordance with the CEO's recommendation, reduced the size of the overall bonus pool

the average NEO bonuses increased by 27.5%.	from 15% of net after-tax profits to 13.3% (a \$4.0 million reduction).
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*Summary Compensation Table:* See page 42 for detailed information regarding our executive compensation over the last three years.

### **Bye-law Amendment**

We are proposing that our shareholders approve the creation of a new series of non-voting common shares, a portion of which will be issued to First Reserve in place of the non-voting preferred shares issued to First Reserve on April 1, 2014 in connection with closing the Torus acquisition. See pages 2 and 53 for more information.

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**ENSTAR GROUP LIMITED**

**Windsor Place, 3<sup>rd</sup> Floor**

**22 Queen Street**

**Hamilton, HM JX, Bermuda**

**PROXY STATEMENT**

**FOR**

**2014 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**QUESTIONS AND ANSWERS**

**1. Why am I receiving these proxy materials?**

We have made these proxy materials available to you on the internet or, in some cases, have delivered printed copies of these proxy materials to you by mail in connection with the solicitation of proxies by the Board of Directors (the Board ) of Enstar Group Limited (the Company ) for use at the 2014 Annual General Meeting of Shareholders of the Company to be held on Tuesday, June 10, 2014 at 9:00 a.m. Atlantic time at our Company headquarters, Windsor Place, 3<sup>rd</sup> Floor, 22 Queen Street, Hamilton, Bermuda and at any postponement or adjournment thereof. These proxy materials are first being sent or given to shareholders on April , 2014. You are invited to attend the Annual General Meeting and are requested to vote on the proposals described in this proxy statement.

**2. Why did I receive a one-page notice in the mail regarding the internet availability of proxy materials instead of a full set of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission (the SEC ), we have elected to provide access to our proxy materials via the internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice ) to our shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy are included in the Notice. In addition, shareholders may request proxy materials in printed form by mail or electronically by email on an ongoing basis.

We believe that providing access to our proxy materials via the internet will expedite shareholders receipt of materials, while lowering costs and reducing the environmental impact of our Annual General Meeting because we will print and mail fewer full sets of materials.



**3. What is included in these proxy materials?**

These proxy materials include this proxy statement, our Annual Report to Shareholders for the year ended December 31, 2013 and, if you received printed copies of the proxy materials by mail, the proxy card. We have included the Annual Report for informational purposes and not as a means of soliciting your proxy.

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

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

1. To elect one Class II Director nominated by our Board of Directors to hold office until 2017.
2. To amend the Company's bye-laws to create an additional series of non-voting common shares, a portion of which will be issued to affiliates of First Reserve in place of the non-voting preferred shares that were issued at the closing of the Torus acquisition.
3. To hold an advisory vote to approve executive compensation.

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4. To ratify the appointment of KPMG Audit Limited ( KPMG ) as our independent registered public accounting firm for 2014 and to authorize the Board of Directors, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm.
5. To act on the election of directors for our subsidiaries.
6. To transact such other business as may properly come before the meeting and any postponement or adjournment thereof.

**5. What are the Board s voting recommendations?**

The Board recommends that you vote your shares:

1. **FOR** the nominee to serve on our Board (Proposal No. 1).
2. **FOR** the amendment to the Company s bye-laws to create an additional series of non-voting common shares, a portion of which will be issued to affiliates of First Reserve in place of the non-voting preferred shares that were issued at the closing of the Torus acquisition (Proposal No. 2).
3. **FOR** advisory approval of the resolution on our executive compensation (Proposal No. 3).
4. **FOR** the ratification of the appointment of KPMG as our independent registered public accounting firm for 2014 and the authorization of our Board, acting through the Audit Committee, to approve the fees for the independent registered public accounting firm (Proposal No. 4).
5. **FOR** each of the subsidiary director nominees (Proposal No. 5).

**6. Why is the Company seeking approval to amend its bye-laws to create an additional series of non-voting common shares?**

On April 1, 2014, we closed the amalgamation (the Amalgamation ) of Torus Insurance Holdings Limited ( Torus ) and Veranda Holdings Ltd ( Veranda ), an entity in which we own an indirect 60% interest. Trident V, L.P. and certain of its affiliated funds own an indirect 40% interest in Veranda.

At closing, we 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

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Participating Non-Voting Perpetual Preferred Stock (the Non-Voting Preferred Shares ). Based on a price of \$136.31 per share, our 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.

In the transaction, Torus shareholders 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. 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 acquired approximately 9.5% and 11.5%, respectively, of our voting ordinary shares and outstanding share capital.

We have the right to cause First Reserve s Non-Voting Preferred Shares to convert to non-voting convertible common shares having rights substantially the same as the Company s existing Series D non-voting convertible common shares. The conversion would be on a one-to-one basis.

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We believe it is in the best interests of the Company and our shareholders to have non-voting convertible common shares outstanding rather than the Non-Voting Preferred Shares in order to maintain a simpler capital structure for the Company and to avoid there being outstanding a class of equity that is preferential to our voting ordinary shares. Our bye-laws do not currently permit the issuance of non-voting convertible common shares having the terms negotiated with First Reserve, but we were able to issue Non-Voting Preferred Shares having those terms, which we did at closing on April 1, 2014. Therefore, we structured the necessary portion of the Amalgamation consideration in the form of Non-Voting Preferred Shares until we could obtain shareholder approval to create and issue an additional series of non-voting convertible common shares.

In addition, the proposed amendment would cause all other Non-Voting Common Shares authorized under our bye-laws that are not classified as Series A, B, C or D Non-Voting Common Shares to be classified as Series E Non-Voting Common Shares. This will give us the ability to issue additional Series E Non-Voting Common Shares in the future, which may be desirable if a proposed recipient of shares sought to hold non-voting shares instead of voting shares for insurance regulatory, tax, or other business reasons. We do not have a present intention to issue any Series E Non-Voting Common Shares other than the shares being issued to First Reserve.

We are now seeking your approval of the proposed bye-law amendment, which is described in Proposal No. 2 on page 53.

### **7. Will the issuance of non-voting common shares dilute my percentage ownership of the Company?**

No. If the bye-law amendment is approved, First Reserve's Non-Voting Preferred Shares will convert into non-voting convertible common shares on a one-to-one basis, with no dilutive changes to outstanding share capital.

### **8. What will happen if Proposal No. 2 is not approved?**

If our shareholders do not approve the amendment to our bye-laws to create the additional series of non-voting convertible common shares, then we will not be able to issue non-voting convertible common shares to First Reserve. In that case, First Reserve would keep its Non-Voting Preferred Shares, and there would be no change to our existing capital structure (i.e., there would continue to be outstanding a class of equity that is preferential to our voting ordinary shares).

### **9. How can I get electronic access to the proxy materials?**