

Enstar Group LTD
Form 10-Q
May 08, 2009

Table of Contents

**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 March 31, 2009
- OR**
- o** **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

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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):

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 May 6, 2009, the registrant had outstanding 13,450,634 ordinary shares, par value \$1.00 per share.

TABLE OF CONTENTS

		Page
PART I FINANCIAL INFORMATION		
<u>Item 1.</u>	<u>Financial Statements:</u>	1
	Condensed Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008 (Unaudited)	1
	Condensed Consolidated Statements of Earnings for the Three-Month Periods Ended March 31, 2009 and 2008 (Unaudited)	2
	Condensed Consolidated Statements of Comprehensive Income for the Three-Month Periods Ended March 31, 2009 and 2008 (Unaudited)	3
	Condensed Consolidated Statements of Changes in Shareholders' Equity for the Three-Month Periods Ended March 31, 2009 and 2008	4
	Condensed Consolidated Statements of Cash Flows for the Three-Month Periods Ended March 31, 2009 and 2008 (Unaudited)	5
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	6
	Report of Independent Registered Public Accounting Firm	20
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
<u>Item 4.</u>	<u>Controls and Procedures</u>	29
PART II OTHER INFORMATION		
<u>Item 1.</u>	<u>Legal Proceedings</u>	30
<u>Item 1A.</u>	<u>Risk Factors</u>	30
<u>Item 6.</u>	<u>Exhibits</u>	31
<u>Signatures</u>		32
Exhibit 10.1		
Exhibit 15.1		
Exhibit 31.1		
Exhibit 31.2		
Exhibit 32.1		
Exhibit 32.1		

Table of Contents**Item 1. FINANCIAL STATEMENTS****ENSTAR GROUP LIMITED****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****As of March 31, 2009 and December 31, 2008**

	March 31, 2009	December 31, 2008
	(expressed in thousands of U.S. dollars, except share data)	
ASSETS		
Short-term investments, available-for-sale, at fair value (amortized cost: 2009 \$504,374; 2008 \$406,712)	\$ 504,214	\$ 406,712
Fixed maturities, available-for-sale, at fair value (amortized cost: 2009 \$118,320; 2008 \$103,452)	116,147	104,797
Fixed maturities, held-to-maturity, at amortized cost (fair value: 2009 \$673,067; 2008 \$598,686)	664,978	586,716
Fixed maturities, trading, at fair value (amortized cost: 2009 \$108,646; 2008 \$110,453)	112,500	115,846
Equities, trading, at fair value (cost: 2009 \$13,736; 2008 \$5,087)	9,568	3,747
Other investments, at fair value (cost: 2009 \$158,557; 2008 \$147,652)	69,566	60,237
Total investments	1,476,973	1,278,055
Cash and cash equivalents	1,564,053	1,866,546
Restricted cash and cash equivalents	415,812	343,327
Accrued interest receivable	19,217	21,277
Accounts receivable, net	16,225	15,992
Income taxes recoverable	711	
Reinsurance balances receivable	726,257	672,696
Investment in partly owned company	21,119	20,850
Goodwill	21,222	21,222
Other assets	109,420	118,186
TOTAL ASSETS	\$ 4,371,009	\$ 4,358,151
LIABILITIES		
Losses and loss adjustment expenses	\$ 2,797,827	\$ 2,798,287
Reinsurance balances payable	208,563	179,917
Accounts payable and accrued liabilities	27,132	39,340
Income taxes payable	14,456	19,034
Loans payable	392,684	391,534
Other liabilities	69,766	58,808
TOTAL LIABILITIES	3,510,428	3,486,920

SHAREHOLDERS EQUITY

Share capital

Authorized issued and fully paid, par value \$1 each (authorized 2009: 156,000,000; 2008: 156,000,000)

Ordinary shares (issued and outstanding 2009: 13,450,901; 2008: 13,334,353)	13,451	13,334
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Non-voting convertible ordinary shares (issued 2009: 2,972,892; 2008: 2,972,892)	2,973	2,973
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Treasury shares at cost (non-voting convertible ordinary shares 2009: 2,972,892; 2008: 2,972,892)	(421,559)	(421,559)
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Additional paid-in capital	713,459	709,485
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Accumulated other comprehensive loss	(39,375)	(30,871)
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Retained earnings	353,378	341,847
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Total Enstar Group Limited Shareholders Equity	622,327	615,209
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Noncontrolling interest	238,254	256,022
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TOTAL SHAREHOLDERS EQUITY	860,581	871,231
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TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 4,371,009	\$ 4,358,151
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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-Month Periods Ended March 31, 2009 and 2008**

	Three Months Ended March 31,	
	2009	2008
	(expressed in thousands of U.S. dollars, except share and per share data)	
INCOME		
Consulting fees	\$ 3,336	\$ 6,055
Net investment income	17,309	590
Net realized losses	(6,010)	(1,084)
	14,635	5,561
EXPENSES		
Net (decrease) increase in loss and loss adjustment expense liabilities	(26,679)	685
Salaries and benefits	12,417	11,357
General and administrative expenses	12,382	11,911
Interest expense	4,965	3,315
Net foreign exchange loss (gain)	1,598	(1,335)
	4,683	25,933
EARNINGS (LOSS) BEFORE INCOME TAXES AND SHARE OF NET EARNINGS OF PARTLY OWNED COMPANY	9,952	(20,372)
INCOME TAXES	618	239
SHARE OF NET EARNINGS OF PARTLY OWNED COMPANY	269	
EARNINGS (LOSS) BEFORE EXTRAORDINARY GAIN	10,839	(20,133)
Extraordinary gain Negative goodwill		50,280
NET EARNINGS	10,839	30,147
Less: Net loss (earnings) attributable to noncontrolling interests (including share of extraordinary gain of \$nil and \$15,084, respectively)	692	(18,460)
NET EARNINGS ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$ 11,531	\$ 11,687
EARNINGS PER SHARE BASIC:		

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Earnings (loss) before extraordinary gain attributable to Enstar Group Limited ordinary shareholders	\$	0.86	\$	(1.97)
Extraordinary gain attributable to Enstar Group Limited ordinary shareholders				2.95
Net earnings attributable to Enstar Group Limited ordinary shareholders	\$	0.86	\$	0.98
EARNINGS PER SHARE DILUTED:				
Earnings (loss) before extraordinary gain attributable to Enstar Group Limited ordinary shareholders	\$	0.84	\$	(1.97)
Extraordinary gain attributable to Enstar Group Limited ordinary shareholders				2.95
Net earnings attributable to Enstar Group Limited ordinary shareholders	\$	0.84	\$	0.98
Weighted average shares outstanding basic		13,363,507		11,927,542
Weighted average shares outstanding diluted		13,699,419		11,927,542
AMOUNTS ATTRIBUTABLE TO ENSTAR GROUP LIMITED ORDINARY SHAREHOLDERS:				
Earnings (loss) before extraordinary gain	\$	11,531	\$	(23,509)
Extraordinary gain				35,196
Net earnings	\$	11,531	\$	11,687

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-Month Periods Ended March 31, 2009 and 2008

	Three Months Ended	
	March 31,	
	2009	2008
	(expressed in thousands of U.S. dollars)	
NET EARNINGS	\$ 10,839	\$ 30,147
Other comprehensive loss:		
Unrealized holding (losses) gains on investments arising during the period	(7,849)	568
Reclassification adjustment for net realized losses included in net earnings	6,010	1,084
Currency translation adjustment	(3,982)	(1,902)
Total other comprehensive loss	(5,821)	(250)
Comprehensive income	5,018	29,897
Less comprehensive income attributable to noncontrolling interests	(1,994)	(18,460)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSTAR GROUP LIMITED	\$ 3,024	\$ 11,437

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 Three-Month Periods Ended March 31, 2009 and 2008**

	Three Months Ended March 31,	
	2009	2008
	(expressed in thousands of U.S. dollars)	
Share Capital Ordinary Shares		
Balance, beginning of period	\$ 13,334	\$ 11,920
Shares issued	117	28
Balance, end of period	\$ 13,451	\$ 11,948
Share Capital Non-Voting Convertible Ordinary Shares		
Balance, beginning and end of period	\$ 2,973	\$ 2,973
Treasury Shares		
Balance, beginning and end of period	\$ (421,559)	\$ (421,559)
Additional Paid-in Capital		
Balance, beginning of period	\$ 709,485	\$ 590,934
Shares issued	3,974	2,562
Amortization of share awards		216
Balance, end of period	\$ 713,459	\$ 593,712
Accumulated Other Comprehensive (Loss) Income		
Balance, beginning of period	\$ (30,871)	\$ 6,035
Other comprehensive (loss)	(8,504)	(250)
Balance, end of period	\$ (39,375)	\$ 5,785
Retained Earnings		
Balance, beginning of period	\$ 341,847	\$ 260,296
Net earnings	11,531	11,687
Balance, end of period	\$ 353,378	\$ 271,983
Noncontrolling Interest		
Balance, beginning of period	\$ 256,022	\$ 63,437
(Return) contribution of capital	(18,783)	86,209
Dividends paid	(979)	
Net earnings (loss)	(692)	18,460

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Other comprehensive income		2,686		
Balance, end of period	\$	238,254	\$	168,106

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 Three-Month Periods Ended March 31, 2009 and 2008**

	Three Months Ended March 31, 2009 2008 (expressed in thousands of U.S. dollars)	
OPERATING ACTIVITIES:		
Net earnings	\$ 10,839	\$ 30,147
Adjustments to reconcile net earnings to cash flows provided by operating activities:		
Negative goodwill		(50,280)
Share of undistributed net (earnings) of partly owned company	(269)	
Share-based compensation expense		216
Net realized and unrealized investment loss	6,010	1,084
Share of net loss from other investments	2,100	26,510
Other items	5,550	1,723
Depreciation and amortization	210	191
Amortization of bond premiums and discounts	2,513	(148)
Net movement of trading securities	3,302	(4,202)
Changes in assets and liabilities:		
Reinsurance balances receivable	(50,686)	(160,775)
Other assets	8,685	(33,814)
Losses and loss adjustment expenses	(7,876)	520,829
Reinsurance balances payable	28,967	