Consolidated Financial Statements of

GREENLIGHT CAPITAL RE, LTD.

December 31, 2019 and 2018

GREENLIGHT CAPITAL RE, LTD.

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Tel: 616-774-7000
Fax: 616-776-3680
www.bdo.com

200 Ottawa Avenue NW, Suite 300
Grand Rapids, MI 49503

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Greenlight Capital Re, Ltd.
Grand Cayman, Cayman Islands

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Greenlight Capital Re, Ltd. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 9, 2020 expressed an unqualified opinion thereon.

We did not audit the financial statements of Solasglas Investments, LP, an equity method investment of the Company, as of December 31, 2019 and 2018, and for the year ended December 31, 2019 and the period from September 1, 2018 (commencement of operations) to December 31, 2018. The Company's investment in Solasglas Investments, LP as of December 31, 2019 and 2018 was $240.1 million and $235.6 million, respectively, and its equity in net income (loss) of Solasglas Investments, LP was $46.1 million and $(60.6) million for the year ended December 31, 2019 and for the period from September 1, 2018 (commencement of operations) to December 31, 2018, respectively. The financial statements of Solasglas Investments, LP were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Solasglas Investments, LP, is based solely on the report of the other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO USA, LLP

We have served as the Company's auditor since 2006.
Grand Rapids, Michigan U.S.A
March 9, 2020

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Greenlight Capital Re, Ltd.
Grand Cayman, Cayman Islands

Opinion on Internal Control Over Financial Reporting

We have audited Greenlight Capital Re, Ltd.'s Company's (the Company's) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedules, and our report dated March 9, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

BDO USA, LLP

Grand Rapids, Michigan USA
March 9, 2020

Building a better working world

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Main tel: +1 345 949 8444
Fax: +1 345 949 8529
ey.com

Report of Independent Registered Public Accounting Firm

The General Partner
Solasglas Investments, LP

Opinion on the Financial Statements

We have audited the statement of assets, liabilities and partners' capital of Solasglas Investments, LP (the "Partnership"), including the condensed schedule of investments, as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital and cash flows for the year ended December 31, 2019 and for the period from September 1, 2018 (commencement of operations) to December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Partnership at December 31, 2019 and 2018, and the results of its operations, changes in its partners' capital and its cash flows for the year ended December 31, 2019 and for the period from September 1, 2018 (commencement of operations) to December 31, 2018 in conformity with U.S. generally accepted accounting principles.

Basis of Opinion

These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young Ltd.

We have served as the Partnership's auditor since 2018.
Grand Cayman, Cayman Islands
March 9, 2020

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2019	2018
Assets		
Investments		
Investment in related party investment fund	$ 240,056	$ 235,612
Equity securities, trading, at fair value	—	36,908
Other investments	16,384	11,408
Total investments	256,440	283,928
Cash and cash equivalents	25,813	18,215
Restricted cash and cash equivalents	742,093	685,016
Reinsurance balances receivable	230,384	300,251
Loss and loss adjustment expenses recoverable	27,531	43,705
Deferred acquisition costs	49,665	49,929
Unearned premiums ceded	901	24,981
Notes receivable (net of valuation allowance)	20,202	26,861
Other assets	2,164	2,559
Total assets	$ 1,355,193	$ 1,435,445
Liabilities and equity		
Liabilities		
Due to related party investment fund	$ —	$ 9,642
Loss and loss adjustment expense reserves	470,588	482,662
Unearned premium reserves	179,460	211,789
Reinsurance balances payable	122,665	139,218
Funds withheld	4,958	16,418
Other liabilities	6,825	5,067
Convertible senior notes payable	93,514	91,185
Total liabilities	878,010	955,981
Redeemable non-controlling interest in related party joint venture	—	1,692
Equity		
Preferred share capital (par value $0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value $0.10; authorized, 100,000,000; issued and outstanding, 30,739,395 (2018: 30,130,214): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding, 6,254,715 (2018: 6,254,715))	3,699	3,638
Additional paid-in capital	503,547	499,726
Retained earnings (deficit)	(30,063)	(26,077)
Shareholders' equity attributable to Greenlight Capital Re, Ltd.	477,183	477,287
Non-controlling interest in related party joint venture	—	485
Total equity	477,183	477,772
Total liabilities, redeemable non-controlling interest and equity	$ 1,355,193	$ 1,435,445

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2019, 2018 and 2017
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2019	2018	2017
Revenues			
Gross premiums written	$ 523,977	$ 567,531	$ 692,651
Gross premiums ceded	(48,667)	(102,788)	(56,587)
Net premiums written	475,310	464,743	636,064
Change in net unearned premium reserves	8,270	43,620	(10,060)
Net premiums earned	483,580	508,363	626,004
Income (loss) from investment in related party investment fund [net of related party expenses of $9,874, $3,100 and $0, respectively]	46,056	(60,573)	—
Net investment income (loss) [net of related party expenses of $0, $11,221 and $19,863, respectively]	6,211	(262,533)	20,231
Other income (expense), net	2,306	(2,228)	(560)
Total revenues	538,153	183,029	645,675
Expenses			
Net loss and loss adjustment expenses incurred	388,487	363,873	502,404
Acquisition costs	117,084	145,475	161,740
General and administrative expenses	29,822	25,173	26,356
Interest expense	6,263	2,505	—
Total expenses	541,656	537,026	690,500
Income (loss) before income tax	(3,503)	(353,997)	(44,825)
Income tax (expense) benefit	(483)	(332)	451
Net income (loss)	(3,986)	(354,329)	(44,374)
Loss (income) attributable to non-controlling interest in related party joint venture	—	4,275	(578)
Net income (loss) attributable to Greenlight Capital Re, Ltd.	$ (3,986)	$ (350,054)	$ (44,952)
Earnings (loss) per share			
Basic	$ (0.11)	$ (9.74)	$ (1.21)
Diluted	$ (0.11)	$ (9.74)	$ (1.21)
Weighted average number of ordinary shares used in the determination of earnings and loss per share			
Basic	36,079,419	35,951,659	37,002,260
Diluted	36,079,419	35,951,659	37,002,260

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2019, 2018 and 2017
(expressed in thousands of U.S. dollars)

	Ordinary share capital	Additional paid-in capital	Retained earnings (deficit)	Shareholders' equity attributable to Greenlight Capital Re, Ltd.	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2016	$ 3,737	$ 500,337	$ 370,168	$ 874,242	$ 11,561	$ 885,803
Issue of Class A ordinary shares, net of forfeitures	13	—	—	13	—	13
Repurchase of Class A ordinary shares	(14)	(1,861)	(944)	(2,819)	—	(2,819)
Share-based compensation expense, net of forfeitures	—	4,840	—	4,840	—	4,840
Change in non-controlling interest in related party joint venture	—	—	—	—	1,372	1,372
Net income (loss) attributable to Greenlight Capital Re, Ltd.	—	—	(44,952)	(44,952)	—	(44,952)
Balance at December 31, 2017	$ 3,736	$ 503,316	$ 324,272	$ 831,324	$ 12,933	$ 844,257
Issue of Class A ordinary shares, net of forfeitures	20	—	—	20	—	20
Repurchase of Class A ordinary shares	(118)	(16,090)	(295)	(16,503)	—	(16,503)
Share-based compensation expense	—	4,604	—	4,604	—	4,604
Issuance of convertible notes	—	7,896	—	7,896	—	7,896
Change in non-controlling interest in related party joint venture	—	—	—	—	(12,448)	(12,448)
Net income (loss) attributable to Greenlight Capital Re, Ltd.	—	—	(350,054)	(350,054)	—	(350,054)
Balance at December 31, 2018	$ 3,638	$ 499,726	$ (26,077)	$ 477,287	$ 485	$ 477,772
Issue of Class A ordinary shares, net of forfeitures	61	—	—	61	—	61
Share-based compensation expense	—	3,821	—	3,821	—	3,821
Change in non-controlling interest in related party joint venture	—	—	—	—	(485)	(485)
Net income (loss) attributable to Greenlight Capital Re, Ltd.	—	—	(3,986)	(3,986)	—	(3,986)
Balance at December 31, 2019	$ 3,699	$ 503,547	$ (30,063)	$ 477,183	$ —	$ 477,183

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019, 2018 and 2017
(expressed in thousands of U.S. dollars)

	2019	2018	2017
Cash provided by (used in) operating activities			
Net income (loss)	$ (3,986)	$ (354,329)	$ (44,374)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Loss (income) from investments in related party investment fund	(46,056)	60,573	—
Loss (income) from equity accounted investment	(700)	247	—
Net change in unrealized gains and losses on investments, financial contracts and notes receivable	(8,380)	32,597	41,444
Net realized (gains) losses on investments and financial contracts	14,150	236,887	(87,618)
Foreign exchange (gains) losses on investments	270	186	5,292
Share-based compensation expense	3,882	4,624	4,853
Amortization and interest expense	2,329	2,505	—
Depreciation expense	21	260	368
Net change in			
Reinsurance balances receivable	69,867	1,511	(82,636)
Loss and loss adjustment expenses recoverable	16,174	(14,246)	(26,755)
Deferred acquisition costs	264	12,421	(1,328)
Unearned premiums ceded	24,080	139	(22,743)
Other assets	374	411	705
Loss and loss adjustment expense reserves	(12,074)	18,282	157,739
Unearned premium reserves	(32,329)	(44,029)	33,291
Reinsurance balances payable	(16,553)	(4,840)	102,643
Funds withheld	(11,460)	(7,161)	17,652
Other liabilities	1,758	(5,346)	(4,114)
Net cash provided by (used in) operating activities	1,631	(59,308)	94,419
Investing activities			
Proceeds from redemptions from related party investment fund	114,077	96,635	—
Contributions to related party investment fund	(35,792)	(268,317)	—
Purchases of investments	(4,702)	(402,244)	(1,120,549)
Sales of investments	—	1,002,374	1,036,665
Payments for financial contracts	—	(129,907)	(24,714)
Proceeds from financial contracts	—	44,596	82,789
Securities sold, not yet purchased	—	340,693	1,120,506
Dispositions of securities sold, not yet purchased	—	(844,379)	(1,253,176)
Change in due to related party investment fund	(9,642)	—	—
Change in due to prime brokers and other financial institutions	—	(672,700)	352,870
Net change in notes receivable	671	1,636	5,237
Non-controlling interest contribution into (withdrawal from) related party joint venture, net	(1,278)	(13,650)	2,079
Net cash provided by (used in) investing activities	63,334	(845,263)	201,707
Financing activities			
Net proceeds from issuance of convertible senior notes payable, net of costs	—	96,576	—
Repurchase of Class A ordinary shares	—	(16,503)	(2,819)
Net cash provided by (used in) financing activities	—	80,073	(2,819)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(290)	(3,369)	(4,718)
Net increase (decrease) in cash, cash equivalents and restricted cash	64,675	(827,867)	288,589
Cash, cash equivalents and restricted cash at beginning of the period (see Note 2)	703,231	1,531,098	1,242,509
Cash, cash equivalents and restricted cash at end of the period (see Note 2)	$ 767,906	$ 703,231	$ 1,531,098
Supplementary information			
Interest paid in cash	$ 3,933	$ 11,088	$ 10,062
Income tax paid in cash	—	4	—
Non-cash transfer of investments (Note 3)	36,673	125,008	—
Non-cash addition of right-of-use asset	323	—	—

The accompanying Notes to the Consolidated Financial Statements are an integral part of the Consolidated Financial Statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Capital Re, Ltd. (“GLRE”) was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. GLRE’s principal wholly-owned subsidiary, Greenlight Reinsurance, Ltd. (“Greenlight Re”), provides global specialty property and casualty reinsurance. Greenlight Re has a Class D insurer license issued in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto (the “Law”) and is subject to regulation by the Cayman Islands Monetary Authority, in terms of the Law. Greenlight Re commenced underwriting in April 2006. Verdant Holding Company, Ltd. (“Verdant”), a wholly-owned subsidiary of GLRE, was incorporated in 2008 in the state of Delaware. During 2010, GLRE established Greenlight Reinsurance Ireland, Designated Activity Company (“GRIL”), a wholly-owned reinsurance subsidiary based in Dublin, Ireland. GRIL is authorized as a non-life reinsurance undertaking in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations 2015. GRIL provides multi-line property and casualty reinsurance capacity to the European broker market and provides GLRE with an additional platform to serve clients located in Europe and North America. As used herein, the “Company” refers collectively to GLRE and its consolidated subsidiaries.

Prior to January 2, 2019, the Company and its reinsurance subsidiaries were party to a joint venture agreement (the “venture agreement”) with DME Advisors, LP (“DME Advisors”) and DME Advisors LLC (“DME”) under which the Company, its reinsurance subsidiaries and DME were participants in a joint venture (the “Joint Venture”) for the purpose of managing certain jointly held assets. The Joint Venture was consolidated in accordance with ASC 810, Consolidation (ASC 810). DME and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company’s Board of Directors.

On September 1, 2018, the Company entered into an amended and restated exempted limited partnership agreement (the “SILP LPA”) of Solasglas Investments, LP (“SILP”), with DME Advisors II, LLC (“DME II”), as General Partner, Greenlight Re, GRIL and the initial limited partner (each, a “Partner”). The SILP LPA, in conjunction with a participation agreement, replaced the venture agreement and assigned and/or transferred Greenlight Re’s and GRIL’s invested assets in the Joint Venture to SILP. The Joint Venture was terminated on January 2, 2019 by which date all assets were transferred to SILP (see Note 3 for details).

The Class A ordinary shares of GLRE are listed on Nasdaq Global Select Market under the symbol “GLRE.”

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of GLRE and the consolidated financial statements of its wholly owned subsidiaries, Greenlight Re, GRIL, Verdant and for periods prior to January 2, 2019, the Joint Venture. All significant intercompany transactions and balances have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and certain short-term, highly liquid investments with original maturity dates of three months or less.

Restricted Cash and Cash Equivalents

The Company maintains cash and cash equivalent balances to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 6 and 15). The amount of cash encumbered varies depending on the collateral required by those cedents. Prior to the termination of the Joint Venture on January 2, 2019, the Company maintained cash in segregated accounts with prime brokers and derivative counterparties.

The following table reconciles the cash, cash equivalents, and restricted cash reported within the consolidated balance sheets to the total presented in the consolidated statements of cash flows:

	December 31, 2019	December 31, 2018
	($ in thousands)	
Cash and cash equivalents	$ 25,813	$ 18,215
Restricted cash and cash equivalents	742,093	685,016
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	$ 767,906	$ 703,231

Premium Revenue Recognition

The Company writes excess of loss contracts and quota share contracts, and estimates the ultimate premiums for the contract period. These estimates are based on information received from the ceding companies and actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written in the same periods in which the underlying insurance contracts are written, and are based on cession statements from cedents. These statements are typically received monthly or quarterly depending on the terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premiums. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts, are not unusual and may result in significant adjustments in any period. A significant portion of amounts included in the caption "Reinsurance balances receivable" in the Company's consolidated balance sheets represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts. Additional premiums due on a contract that has no remaining coverage period are earned in full when written.

Certain contracts allow for reinstatement premiums in the event of a loss. Reinstatement premiums are written and earned when a triggering loss event occurs.

Premiums written are generally recognized as earned over the contract period in proportion to the risk covered. Unearned premiums represent the unexpired portion of reinsurance provided.

Reinsurance Premiums Ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (retrocessionaires). The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for their unpaid obligations.

Ceded premiums are written during the period in which the risks incept and the associated expense is recognized over the contract period in proportion to the protection provided. Unearned premiums ceded represent the unexpired portion of reinsurance obtained.

Acquisition Costs

Policy acquisition costs are costs that vary with, and are directly related to, the successful production of new and renewal business, and consist principally of commissions, taxes and brokerage expenses. Acquisition costs incurred on reinsurance assumed are shown net of commissions earned on reinsurance ceded. However, if the sum of a contract's expected losses and loss expenses and deferred acquisition costs exceeds associated unearned premiums and expected investment income, a premium deficiency is determined to exist. In this event, deferred acquisition costs are written off to the extent necessary to eliminate the premium deficiency. If the premium deficiency exceeds deferred acquisition costs then a liability is accrued for the excess deficiency. There were no significant premium deficiency adjustments recognized during the periods presented herein.

Policy acquisition costs also include profit commissions, which are recognized on a basis consistent with our estimate of losses and loss expenses. As of December 31, 2019, $1.2 million (2018: $8.5 million) of profit commission reserves were included in the caption "Reinsurance balances payable" in the Company's consolidated balance sheets. For the year ended December 31, 2019, $6.7 million, (2018: $18.2 million, 2017: $2.0 million) of net profit commission expense was included in the caption "Acquisition costs" in the Company's consolidated statements of operations.

Funds Withheld

Funds withheld represent reinsurance balances retained as collateral by the Company on retroceded contracts. Any interest expense that the Company incurs while these funds are withheld are included under the caption "Net investment income (loss)" in the consolidated statements of operations.

Loss and Loss Adjustment Expense Reserves and Recoverable

The Company's loss and loss adjustment expense reserves are composed of:

- case reserves resulting from claims notified to the Company by its clients; and
- reserves for estimated loss and loss adjustment expenses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer ("IBNR"), including unknown future developments on loss and loss adjustment expenses which are known to the insurer or reinsurer.

These reserve estimates are based on the Company's own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company's reserving committee at least quarterly and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss estimates are based upon actuarial and statistical projections, an assessment of currently available data, predictions of future developments, estimates of future trends and other factors. The final settlement of losses may vary, perhaps materially, from the reserves recorded. All adjustments to the estimates are recorded in the period in which they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

Loss and loss adjustment expenses recoverable represent the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded IBNR recoverable is estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may ultimately be unable to recover the loss and loss adjustment expense recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

For natural peril exposed business, loss reserves are generally established based on loss payments and case reserves reported by clients when, and if, received. Estimates for IBNR losses are added to the case reserves as the Company deems appropriate. To establish IBNR loss estimates, the Company uses estimates communicated by ceding companies, industry data and information, knowledge of the business written and management's judgment.

For all non-natural peril business, initial reserves for each individual contract are determined on the basis of a combination of: (i) the pricing analysis of the expected loss ratio performed prior to the contract being bound; (ii) the underwriter's detailed knowledge of the cedent, its operations and future business plans; and (iii) the professional judgment and recommendation of the Chief Actuary. In the pricing analysis, the Company utilizes information both from the individual client and from industry data. This information typically includes, but is not limited to, data related to premiums, losses, exposure, business mix, industry performance and associated trends covering as much history as deemed appropriate. The level of detail within the data obtained varies greatly depending on the underlying contract, line of business, client and/or coverage provided. In all cases, the Company requests each client to provide data for each reporting period, which, depending on the contract, could be on a monthly or quarterly basis. The exact data reporting requirements are specified in the terms and conditions of each contract. Where practical, historical reserving data that is received from a client is compared to publicly available financial statements of the client to identify, confirm and monitor the accuracy and completeness of the data.

Generally, the Company obtains regular updates of premium and loss related information for the current and historical periods, which are utilized to update the initial expected loss ratio. There may be a lag between (i) claims being reported by the underlying insured to the Company's cedent and (ii) claims being reported by the Company's cedent to the Company. This lag may impact the Company's loss reserve estimates. Client reports have pre-determined due dates (for example, fifteen days after each month end). As a result, the lag depends in part upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the client has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications are provided to the Company immediately upon the occurrence of an event. Once the updated information is received, the Company uses a variety of standard actuarial methods for its analysis each quarter. Such methods may include the following:

- ***Paid Loss Development Method.*** Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. The paid loss development method assumes that losses are paid in a consistent pattern. It provides an objective test of reported loss projections because paid losses contain no reserve estimates.
- ***Reported Loss Development Method.*** Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development. Since reported losses include payments and case reserves, changes in both of these amounts are incorporated in this method.
- ***Expected Loss Ratio Method.*** Ultimate losses are estimated by multiplying earned premiums by an expected loss ratio. The expected loss ratio is selected using industry data, historical company data and actuarial professional judgment. This method is typically used for lines of business and contracts where there are no historical losses or where past loss experience is not considered applicable to the current period.
- ***Bornhuetter-Ferguson Paid Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent that paid losses experienced to date differ from what would have been expected to have been paid based upon the selected paid loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of paid losses to calculate ultimate losses.
- ***Bornhuetter-Ferguson Reported Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent reported losses experienced to date differ from what would have been expected to have been reported based upon the selected reported loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of reported losses to calculate ultimate losses.
- ***Frequency / Severity Method.*** Ultimate losses are estimated under this method by multiplying the ultimate number of claims (i.e. the frequency multiplied by the exposure base on which the frequency has been determined), by the estimated ultimate average cost per claim (i.e. the severity). This approach enables trends and patterns in the rates of claims emergence (i.e. reporting) and settlement (i.e. closure), as well as in the average cost of claims, to be analyzed separately.

In addition, the Company may supplement its analysis with other reserving methodologies that are deemed to be relevant to specific contracts.

For each contract, the Company utilizes reserving methodologies that are deemed appropriate to calculate a best, or "point," estimate of reserves. The decision as to whether to use a single methodology or a combination of multiple methodologies depends upon the segment of the portfolio being analyzed and the judgment of the actuaries. The Company's reserving methodology does not require a fixed weighting of the various methods used. Certain methods are considered more appropriate than others depending on the type, structure, age, maturity and duration of the expected losses on the contract. For example, the ultimate incurred loss for contracts that are relatively new (and therefore have experienced little paid loss development) may be more appropriately estimated using a Bornhuetter-Ferguson reported loss method than a paid loss development method.

The Company's gross aggregate reserves are the sum of the point estimate reserves of all portfolio exposures. Generally, IBNR loss reserves are calculated by estimating the ultimate incurred losses at any point in time and subtracting cumulative paid claims and case reserves. Each quarter, the Company's reserving committee, which is led by the Chief Actuary, meets to assess the adequacy of our loss reserves based on the reserve analysis and recommendations prepared by the Company's reserving department. The reserving committee reviews, discusses and puts forward a loss reserve recommendation for the Audit Committee's approval.

Additionally, an independent third-party actuarial firm performs a quarterly reserve review and annually opines on the reasonableness and adequacy of the aggregate loss reserves. The Company provides the third-party actuarial firm with its pricing models, reserving analysis and any other data. Additionally, the actuarial firm may inquire as to the various assumptions and estimates used in the reserving analysis. The actuarial firm independently creates its own reserving models based on industry loss information, augmented by specific client loss information as well as its own independent assumptions and estimates. Based on various reserving methodologies that the actuarial firm considers appropriate, it creates a loss reserve estimate for each segment in the portfolio and recommends an aggregate loss reserve, including IBNR. In the event of material differences between the Company's aggregated booked reserves and the actuarial firm's recommended reserves, the reserving committee and Audit Committee would be notified, with the reserves adjusted as deemed appropriate. To date there have been no material differences resulting from the external actuary’s reviews requiring adjustments to the Company’s booked reserves.

We do not typically experience significant claims processing backlogs, although such backlogs may occur following a major catastrophic event. At December 31, 2019 and 2018, we did not have a significant backlog in our claims processing.

There were no significant changes in the actuarial methodology or assumptions relating to the Company’s loss and loss adjustment expense reserves during the year ended December 31, 2019.

Notes Receivable

Notes receivable represent promissory notes receivable from third parties. These notes are recorded at cost plus accrued interest, if any, net of any valuation allowance. Interest income, change in valuation allowance and realized gains or losses on the sale of notes receivable are included in the caption “Net investment income (loss)” in the Company’s consolidated statements of operations.

The Company regularly reviews all notes receivable individually for impairment and records valuation allowance provisions for uncollectible and non-performing notes. When there is uncertainty as to the collection of interest contractually due, the Company places the note on non-accrual status. For notes receivable placed on non-accrual status, the notes are presented excluding any accrued interest amount. The Company resumes the accrual of interest on a note when none of the principal or interest remains past due, and the Company expects to collect the remaining contractual principal and interest. Interest collected on notes that are placed on non-accrual status is recorded as interest income when collected, provided that the recorded value of the note is deemed to be fully collectible. Where doubt exists as to the collectability of the remaining recorded value of the notes placed on non-accrual status, any payments received are applied to reduce the recorded value of the notes.

The following table provides a roll-forward of the Company’s provision for valuation allowance:

	Year ended December 31		
	2019	2018	2017
		($ in thousands)	
Balance at beginning of period	$ 9,012	$ 9,012	$ 9,012
Net increase (decrease) in provision	5,988	—	—
Balance at end of period	$ 15,000	$ 9,012	$ 9,012

During the year ended December 31, 2019, the Company increased the valuation allowance for notes receivable by $6.0 million based on management’s assessment of the counterparties’ credit risk, historical experience, the estimated value of any underlying collateral and other relevant factors.

At December 31, 2019, certain notes receivable that were on non-accrual status, had a carrying value (net of valuation allowance) of $0.0 million (2018: $9.8 million).

At December 31, 2019 and 2018, $0.1 million and $0.2 million, respectively, of accrued interest was included in the caption “Notes receivable” in the Company’s consolidated balance sheets. Management has assessed the carrying values of the notes receivable, net of valuation allowance,at December 31, 2019 and 2018, to be fully collectible.

Deposit Assets and Liabilities

The Company applies deposit accounting to reinsurance contracts that do not transfer sufficient insurance risk to merit reinsurance accounting. Under deposit accounting, an asset or liability is recognized based on the consideration paid or received. The deposit asset or liability balance is subsequently adjusted using the interest method with a corresponding income or expense recorded in the Company’s consolidated statements of operations under the caption “Other income (expense).” The Company’s deposit assets and liabilities are recorded in the Company’s consolidated balance sheets in the caption “Reinsurance balances receivable” and “Reinsurance balances payable,” respectively. At December 31, 2019, deposit assets and deposit liabilities were $5.2 million and $56.9 million, respectively (2018: $11.9 million and $52.9 million, respectively). For the year ended December 31, 2019, 2018 and 2017, the interest income (expense) on deposit accounted contracts was as follows:

	Year ended December 31		
	2019	2018	2017
		($ in thousands)	
Deposit interest income	$ 3,316	$ 1,224	$ 205
Deposit interest expense	(543)	(1,510)	(555)
Deposit interest income (expense), net	$ 2,773	$ (286)	$ (350)

Equity Method Accounted Investments

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Company's consolidated balance sheets and statements of operations; however, the Company's share of the earnings or losses of the investee company is reflected in the caption ''Net investment income (loss)'' in the consolidated statements of operations. The Company's carrying value in an equity method investee company is reflected in the caption ''Other investments'' in the Company's consolidated balance sheets.

When the Company's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed the obligations of the investee company or has committed additional funding (see Notes 3 and 4).

Variable Interest Entities

The Company accounts for the investments it makes in certain legal entities in which equity investors do not have (1) sufficient equity at risk for the legal entity to finance its activities without additional subordinated financial support, or (2) as a group, the holders of the equity investment at risk do not have either the power, through voting or similar rights, to direct the activities of the legal entity that most significantly impact the entity's economic performance, or (3) the obligation to absorb the expected losses of the legal entity or the right to receive expected residual returns of the legal entity. These legal entities are referred to as "variable interest entities" or "VIEs."

The Company would consolidate the results of any such entity in which it determined that it had a controlling financial interest. The Company would have a "controlling financial interest" in such an entity if the Company had both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb the losses of, or right to receive benefits from, the VIE that could be potentially significant to the VIE. On a quarterly basis, the Company reassesses whether it has a controlling financial interest in any such entities.

Financial Instruments

The Company invests in debt instruments and equity securities that are classified as "trading securities" and are carried at fair value.

The Company purchases "other investments" which may include investments in private and unlisted equity securities, limited partnerships and commodities, all of which are carried at fair value.

For securities classified as "trading securities" and "other investments," any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations.

Interest income and interest expense are recorded on an accrual basis. Prior to the liquidation of the Joint Venture, dividend income and expense were recorded on the ex-dividend date. "Ex-dividend" indicates that the quoted price of a share of stock excludes the value of a declared dividend. Investors purchasing shares between the declaration and ex-dividend dates are entitled to receive the dividend, whereas investors purchasing shares on or after the ex-dividend date are not entitled to the dividend.

Transfer of Financial Assets

The Company accounts for transfers of financial assets as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. Gains and losses stemming from transfers reported as sales, if any, are included as realized gains (losses) within the caption "Net investment income (loss)" in the accompanying consolidated statements of operations.

In instances where a transfer of financial assets does not qualify for sale accounting, the transaction is accounted for as a collateralized borrowing. Accordingly, the related assets remain on the Company's consolidated balance sheets and continue to be reported and accounted for as if the transfer had not occurred (see Notes 3 and 4).

Share-Based Compensation

The Company has established a stock incentive plan for directors, employees and consultants.

The Company recognizes share-based compensation costs on the basis of the fair value at the grant date of the award. The Company measures compensation for restricted shares and restricted stock units ("RSUs") based on the price of the Company's common shares at the grant date. For restricted shares and RSUs with both service and performance vesting conditions, the expense is recognized based on management's estimate of the probability of the performance conditions being achieved based on historical results and expectations of future results. If the performance conditions are expected to be met, the expense is attributed to the period for which the requisite service has been rendered. For restricted shares and RSUs with only service vesting conditions, the expense is recognized on a straight line basis over the vesting period, net of any estimated or expected forfeitures.

The forfeiture rate is estimated based on the Company's historical actual forfeitures relating to restricted shares and RSUs granted to employees. The forfeiture rate is reviewed annually and adjusted as necessary. No forfeiture rate is used for restricted shares granted to directors which vest over a twelve-month period.

Determining the fair value of share purchase options at the grant date requires significant estimation and judgment. The Company uses the Black-Scholes option pricing model to assist in the calculation of fair value for share purchase options. The model requires estimation of various inputs such as estimated term, forfeiture and dividend rates and expected volatility. In determining the grant date fair value, the Company uses the full ten-year life of the options as the estimated term, and assumes no forfeitures and no dividends paid during the life of the options. The estimate of expected volatility is based on the daily historical trading data of the Company's Class A ordinary shares from the date that these shares commenced trading (May 24, 2007) to the grant date.

For share purchase options issued under the employee stock incentive plan, the compensation cost is calculated and recognized over the vesting periods on a graded vesting basis (see Note 11).

Convertible Notes

The Company has determined that the senior convertible notes' cash conversion option represents an embedded derivative, which has therefore been bifurcated from the underlying contract for financial reporting purposes. For the debt component, the Company recorded a liability equivalent to the present value of comparable debt without the conversion features at the time of issuance. The remainder of the proceeds, which represented the embedded derivative, were included in the caption "Additional paid-in capital" in the Company's consolidated balance sheets.

Costs incurred in issuing the convertible notes consisted primarily of underwriting, legal, accounting and printing fees. The Company allocated the costs associated with the debt and derivative components ratably to the liability and shareholders' equity balances, respectively. The debt-related portion of these costs has been capitalized and deducted from the principal of senior convertible notes payable in the Company's consolidated balance sheets. These costs are amortized over the term of the debt and are included in the caption "Interest expense" in the Company's consolidated statements of operations. The issuance costs allocated to the embedded derivative have been deducted from additional paid-in capital.

Foreign Exchange

The reporting and functional currency of the Company and all its subsidiaries is the U.S. dollar. Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are converted at the exchange rate in effect at the balance sheet date and exchange gains and losses, if any, are included in the caption “Other income (expense), net” in the Company’s consolidated statements of operations.

Other Assets

Other assets consist primarily of prepaid expenses, fixed assets, right-of-use lease assets, other receivables and deferred tax assets.

Other Liabilities

Other liabilities consist primarily of accruals for legal and other professional fees, employee bonuses and lease liabilities.

Comprehensive Income (Loss)

The Company has no comprehensive income or loss, other than the net income or loss disclosed in the consolidated statements of operations.

Earnings (Loss) Per Share

The Company’s unvested restricted stock awards, which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered “participating securities” for the purposes of calculating earnings (loss) per share. Basic earnings per share is calculated on the basis of the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings (or loss) per share includes the dilutive effect of the following:

- Restricted Stock Units (“RSUs”) issued that would convert to common shares upon vesting;
- additional potential common shares issuable when stock options are exercised, determined using the treasury stock method; and
- those common shares with the potential to be issued by virtue of convertible debt and other such convertible instruments, determined using the treasury stock method.

Diluted earnings (or loss) per share contemplates a conversion to common shares of all convertible instruments only if they are dilutive in nature with regards to earnings per share. In the event of a net loss, all RSUs, stock options outstanding, convertible debt and participating securities are excluded from the calculation of both basic and diluted loss per share as their inclusion would be anti-dilutive.

The table below presents the shares outstanding for the purposes of the calculation of earnings (loss) per share for the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31		
	2019	**2018**	**2017**
Weighted average shares outstanding - basic	36,079,419	35,951,659	37,002,260
Effect of dilutive employee and director share-based awards	—	—	—
Weighted average shares outstanding - diluted	36,079,419	35,951,659	37,002,260
Anti-dilutive stock options outstanding	875,627	935,627	358,741
Participating securities excluded from calculation of loss per share	936,669	432,457	331,510

Taxation

Under current Cayman Islands law, no corporate entity, including GLRE and Greenlight Re, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company has an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Law, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to GLRE, Greenlight Re nor their respective operations, or to the Class A or Class B ordinary shares or related obligations, before February 1, 2025.

Verdant is incorporated in Delaware and therefore is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the U.S. Internal Revenue Service (“IRS”). Verdant’s taxable income is generally expected to be taxed at a marginal rate of 21% (2018: 21%). Verdant's tax years 2014 and beyond remain open and subject to examination by the IRS.

GRIL is incorporated in Ireland and therefore is subject to the Irish corporation tax rate of 12.5% on its trading income, and 25% on its non-trading income.

The Company records a valuation allowance to the extent that the Company considers it more likely than not that all or a portion of the deferred tax asset will not be realized in the future.

Segment Information

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". Under the new guidance, lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases (Topic 842) is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted Leases (Topic 842) during the first quarter of 2019 using the cumulative-effect adjustment transition method, which applies the provisions of the standard at the effective date without adjusting the comparative periods presented. The Company has adopted the following practical expedients:

- Carry forward of historical lease classifications and current accounting treatment for existing land easements;
- Short-term lease accounting policy election allowing lessees to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less; and
- Hindsight practical expedient for remeasuring the lease terms on the basis of information obtained between entering into the lease and adopting Leases (Topic 842).

Adoption of Leases (Topic 842) resulted in the recognition of operating lease right-of-use asset and corresponding lease liability of $0.3 million which were included in the Company's condensed consolidated balance sheets under the captions "Other Assets" and "Other Liabilities," respectively, as of December 31, 2019.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). As compared to current GAAP, which delays the recognition of credit losses until it is probable a loss has been incurred, ASU 2016-13 broadens the information that must be considered in the development of an expected credit loss estimate. Under ASU 2016-13, past events, current conditions, and reasonable and supportable forecasts are all considered in the development of this estimate. ASU 2016-13 is effective for public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019.

The financial assets included in the captions "Reinsurance balances receivable," "Notes Receivable," and "Loss and loss adjustment expenses recoverable" in the Company's consolidated balance sheets are carried at amortized cost and are therefore affected by ASU 2016-13. The Company is currently finalizing its assessment of the impact of this guidance as it relates to these balances; however, any consequent adjustments to these balances are not expected to have a material impact on the Company's consolidated statements of operations and financial position.

3. INVESTMENT IN RELATED PARTY INVESTMENT FUND

Effective September 1, 2018, Greenlight Re and GRIL entered into the SILP LPA with DME II. In accordance with the SILP LPA, DME II serves as the general partner of SILP. On September 1, 2018, SILP entered into a SILP investment advisory agreement ("IAA") with DME Advisors pursuant to which DME Advisors is the investment manager for SILP. In addition, on September 1, 2018, Greenlight Re and GRIL, together the "GLRE Limited Partners," and SILP executed a Participation Agreement pursuant to which the GLRE Limited Partners transferred a participation interest in the assets that were subject to the Joint Venture (except for certain assets that were mutually agreed and excluded from participating) to SILP (collectively referred to as the "LP Transaction.") SILP issued limited partner interests to the GLRE Limited Partners proportionate to and based on the net asset value transferred by each such entity effective September 1, 2018. The Joint Venture was terminated on January 2, 2019, the date by which all assets were transferred to SILP in accordance with the SILP LPA.

The Company has concluded that SILP qualifies as a variable interest entity ("VIE") under U.S. GAAP. In assessing its interest in SILP, the Company noted the following:

- DME II serves as SILP's general partner and has the power of appointing the investment manager. The Company does not have the power to appoint, change or replace the investment manager or the general partner except "for cause." Neither of the GLRE Limited Partners can participate in the investment decisions of SILP as long as SILP adheres to the investment guidelines provided within the SILP LPA. For these reasons, the GLRE Limited Partners are not considered to have substantive participating rights or kick-out rights.

- DME II holds an interest in excess of 10% of SILP's net assets which the Company considers to represent an obligation to absorb losses and a right to receive benefits of SILP that are significant to SILP.

Consequently, the Company has concluded that DME II's interests, and not the Company's, meet both the "power" and "benefits" criteria associated with VIE accounting guidance, and therefore DME II is SILP's primary beneficiary. The Company's investment in SILP is presented in the Company's consolidated balance sheets in the caption "Investment in related party investment fund."

The Company accounted for the transfer of the investment assets to SILP as a sale. The underlying investment liabilities were extinguished from the Company's consolidated balance sheet as they were either settled, novated or legally transferred to SILP as part of the LP Transaction. There were no net gains or losses resulting from the transfer of net assets, and there was no cash paid or received by the Company as part of the LP Transaction.

At December 31, 2018, certain assets that were subject to the Participation Agreement for which the GLRE Limited Partners received an interest in SILP had not transferred legal title to SILP. The Company accounted for those assets as collateralized borrowing and recorded a liability in the caption "Due to related party investment fund." These assets were transferred to SILP during the first quarter of 2019.

During the year ended December 31, 2019, SILP's investment portfolio was de-risked in order to reduce the Company's investment volatility in the near-term. As a result, a large proportion of the Company's investment assets in SILP was held in cash and short-term treasuries as of December 31, 2019.

The Company's maximum exposure to loss relating to SILP is limited to the net asset value of the GLRE Limited Partners' investment in SILP. As of December 31, 2019, the net asset value of the GLRE Limited Partners' investment in SILP was $240.1 million (2018: $235.6 million), representing 81.0% (2018: 84.9%) of SILP's total net assets. The remaining 19.0% (2018: 15.1%) of SILP's total net assets was held by DME II. The investment in SILP is recorded at the GLRE Limited Partners' share of the net asset value of SILP as reported by SILP's third-party administrator. The GLRE Limited Partners can redeem their assets from SILP for operational purposes by providing three business days' notice to DME II. As of December 31, 2019, the majority of SILP's long investments are composed of cash, short-term U.S. treasuries and publicly-traded equity securities, which can be readily liquidated to meet any GLRE Limited Partner's redemption requests. The Company's share of the change in the net asset value of SILP for the year ended December 31, 2019 and the period from September 1, 2018 (commencement of operations) to December 31, 2018 was $46.1 million and $(60.6) million, respectively, and shown in the caption "Income (loss) from investment in related party investment fund" in the Company's consolidated statements of operations.

During the first quarter of 2019, the Company transferred the rights to $36.7 million of remaining net investments from Greenlight Re and GRIL's Joint Venture investment accounts to SILP in exchange for limited partnership interests of the same amount, resulting in no net gain or loss.

As of December 31, 2019, the Company's investments in SILP was in excess of 10% of the Company's total shareholders' equity, with fair value of $240.1 million (2018: $235.6 million), representing 50.3% (2018: 49.3%), of total shareholders' equity.

The Company has determined that for its fiscal year ended December 31, 2019, the Company's investment in SILP met at least one of the conditions of a significant subsidiary under SEC's Regulation S-X, Rule 3-09. Accordingly, the audited financial statements for SILP have been attached as an exhibit (Exhibit 99.1) to this Form 10-K. The summarized financial statements of SILP are presented below.

Summarized Statement of Assets and Liabilities of Solasglas Investments, LP

	December 31, 2019	December 31, 2018
	($ in thousands)	
Assets		
Investments, at fair value	$ 162,928	$ 401,318
Derivative contracts, at fair value	6,324	63,143
Due from brokers	68,060	77,821
Cash and cash equivalents	111,046	13,200
Interest and dividends receivable	47	2,358
Total assets	348,405	557,840
Liabilities and partners' capital		
Liabilities		
Investments sold, not yet purchased, at fair value	(47,834)	(198,728)
Notes Payable	—	(30,000)
Derivative contracts, at fair value	(2,054)	(26,344)
Due to brokers	(1,180)	(23,951)
Interest and dividends payable	(828)	(1,238)
Other liabilities	(101)	(169)
Total liabilities	(51,997)	(280,430)
Net Assets	**$ 296,408**	**$ 277,410**
GLRE Limited Partners' share of Net Assets	**$ 240,056**	**$ 235,612**

Summarized Statement of Operations of Solasglas Investments, LP

	Year ended December 31, 2019	From September 1, 2018 (commencement of operations) to December 31, 2018
	($ in thousands)	
Investment income		
Dividend income (net of withholding taxes)	$ 3,179	$ 2,160
Interest income	3,884	1,868
Total Investment income	7,063	4,028
Expenses		
Management fee	(4,893)	(3,100)
Interest	(2,408)	(2,627)
Dividends	(1,670)	(1,608)
Professional fees and other	(1,141)	(483)
Total expenses	(10,112)	(7,818)
Net investment income (loss)	(3,049)	(3,790)
Realized and change in unrealized gains (losses)		
Net realized gain (loss)	34,539	(80,996)
Net change in unrealized appreciation (depreciation)	28,515	14,789
Net gain (loss) on investment transactions	63,054	(66,207)
Net income (loss)	$ 60,005	$ (69,997)
GLRE Limited Partners' share of net income (loss) (1)	$ 46,056	$ (60,573)

[1] Net of management fees of $4.9 million and $3.1 million for year ended December 31, 2019 and the period from September 1, 2018 (inception) to December 31, 2018 respectively, and net of accrued performance allocation of $5.0 million and nil for the year ended December 31, 2019 and the period from inception to December 31, 2018, respectively. See Note 14 for further details.

4. FINANCIAL INSTRUMENTS

Prior to the termination of the Joint Venture, the Company, via the Joint Venture, purchased and sold various financial instruments, including listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased. These instruments were transferred to SILP as part of the LP Transaction. See Note 3 for further details.

Purchases and sales of investments are disclosed in the Company's consolidated statements of cash flows. The following table summarizes the change in unrealized gains and losses and the realized gains and losses on financial instruments included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017:

	Year ended December 31		
	2019	2018	2017
	($ in thousands)		
Gross realized gains	$ —	$ 303,674	$ 267,904
Gross realized losses	(14,150)	(540,561)	(180,286)
Net realized gains (losses)	$ (14,150)	$ (236,887)	$ 87,618
Change in unrealized gains and losses	$ 8,380	$ (32,597)	$ (41,444)

Investments

Equity securities, trading

At December 31, 2019, the Company held no equity securities.

At December 31, 2018, the following long positions were included in the caption "Equity securities, trading":

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ 50,521	$ 1,015	$ (14,628)	$ 36,908
Total equity securities	$ 50,521	$ 1,015	$ (14,628)	$ 36,908

Other Investments

"Other investments" include private securities and investments accounted for under the equity method which are not significant to present separately on the balance sheet.

At December 31, 2019, the following securities were included in the caption "Other investments":

	Cost	Unrealized gains	Unrealized losses	Fair value / carrying value
	($ in thousands)			
Private investments and unlisted equities	$ 10,420	$ 265	$ (4)	$ 10,681
Investment accounted for under the equity method	—	—	—	5,703
Total other investments				$ 16,384

At December 31, 2018, the following securities were included in the caption "Other investments":

	Cost	Unrealized gains	Unrealized losses	Fair value / carrying value
	($ in thousands)			
Private investments and unlisted equity funds	$ 6,672	$ —	$ (267)	$ 6,405
Investment accounted for under the equity method	—	—	—	5,003
Total other investments				$ 11,408

Private and unlisted equity funds include private equity securities that did not have readily determinable fair values and the Company applied the measurement alternative under ASU 2016-01 and ASU 2018-03. The carrying values of the private equity securities are determined based on the original cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. At December 31, 2019 the carrying value of the private equity securities without readily determinable fair value was $10.7 million (December 31, 2018: $6.4 million). The carrying value of these private equity securities included an upward adjustment of $0.2

million based on an observable price change during the year ended December 31, 2019. There were no other significant upward or downward adjustments to the carrying values of the private equity securities for the year ended December 31, 2019.

At December 31, 2019, the Company held a 58% interest in AccuRisk Holdings LLC ("AccuRisk") and had provided a $6.0 million credit facility to AccuRisk. The Company's involvement in AccuRisk includes providing capital and funding for AccuRisk's expansion plans and providing reinsurance to business produced by AccuRisk. The Company has determined that AccuRisk is a VIE, of which the Company is not the primary beneficiary. The Company has accounted for its investment in AccuRisk under the equity method and included it in the caption "Other Investments" in the Company's consolidated balance sheets. The carrying value of AccuRisk is adjusted based on the Company's share of ownership, including its share of the income (loss) reported in quarterly management accounts by AccuRisk. The Company's maximum exposure to loss relating to AccuRisk is limited to the carrying amount of its investment in AccuRisk plus any loans outstanding to AccuRisk (see Note 15). For the year ended December 31, 2019, the Company's share of AccuRisk's net income (loss) was $0.7 million (2018: $(0.2) million) which was included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations.

Fair Value Hierarchy

The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

- *Level 1:* Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- *Level 2:* Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

As of December 31, 2019, the Company did not carry any investments at fair value that were assigned a Level within the fair value hierarchy.

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2018:

	Fair value measurements as of December 31, 2018			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets:		**($ in thousands)**		
Listed equity securities	$ 36,908	$ —	$ —	$ 36,908
Private and unlisted equity securities	—	—	664	664
	$ 36,908	$ —	$ 664	$ 37,572
Investment in related party investment fund measured at net asset value (1) (2)				235,612
Equities without readily determinable fair values for which measurement alternative is applied				5,741
Investment accounted for under the equity method				5,003
Total investments				$ 283,928

[(1)] Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the consolidated balance sheets.
[(2)] See Note 3 "Investment in related party investment fund".

The Company's "Investment in related party investment fund" is measured at fair value using the net asset value practical expedient, and is therefore not classified within the fair value hierarchy (See Note 3 for further details).

The carrying value of investments accounted for under the equity method is based on the Company's share of the investees' net assets.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2019		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
		($ in thousands)	
Beginning balance	$ —	$ 664	$ 664
Sales	—	(664)	(664)
Total realized and unrealized gains (losses) and amortization included in earnings, net	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$ —	$ —	$ —

During the year ended December 31, 2019, the sales of private and unlisted equities measured at fair value using Level 3 inputs were the result of the LP Transaction. There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2019.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2018		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
		($ in thousands)	
Beginning balance	$ 880	$ 6,108	$ 6,988
Sales	$ (916)	$ (1,890)	$ (2,806)
Total realized and unrealized gains (losses) and amortization included in earnings, net	$ 36	$ (304)	$ (268)
Transfers out of Level 3	$ —	$ (3,250)	$ (3,250)
Ending balance	$ —	$ 664	$ 664

During the year ended December 31, 2018, the sales of debt instruments and private and unlisted equities measured at fair value using Level 3 inputs were the result of the LP Transaction. For the year ended December 31, 2018 the private and unlisted equity securities without readily determinable fair values, for which measurement alternative is applied, were transferred out of Level 3 fair value hierarchy. There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2018.

Financial Instruments Disclosed, But Not Carried, at Fair Value

The captions "Notes receivable (net of valuation allowance)" and "Convertible senior notes payable" are composed of financial instruments that are carried at amortized cost. The carry values of these financial instruments approximate their fair values, which the Company has determined on the basis of Level 2 inputs for its convertible senior notes payable, and Level 3 inputs for its notes receivable.

5. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents as of December 31, 2019 and 2018 were composed of the following:

	December 31, 2019	December 31, 2018
	($ in thousands)	
Cash at banks	$ 25,813	$ 7,295
Cash held with brokers	—	10,920
Total cash and cash equivalents	$ 25,813	$ 18,215

Due to the short term nature of cash and cash equivalents, the above noted carrying values approximate their fair value. Cash at banks include cash held at non-U.S. financial institutions which are not insured by the FDIC or any other deposit insurance programs.

6. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include amounts held by the Company but pledged as security to provide collateral required by the cedents in the form of trust accounts and letters of credit (see Note 15). As of December 31, 2019 and 2018, the restricted cash and cash equivalents were composed of the following:

	December 31, 2019	December 31, 2018
	($ in thousands)	
Cash held as collateral in trust accounts	$ 528,686	$ 463,361
Cash collateral relating to letters of credit issued	213,407	221,655
Total restricted cash and cash equivalents	$ 742,093	$ 685,016

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

There were no significant changes in the actuarial methodology or assumptions relating to the Company's loss and loss adjustment expense reserves for the year ended December 31, 2019.

At December 31, 2019 and 2018, loss and loss adjustment expense reserves were composed of the following:

	2019	2018
	($ in thousands)	
Case reserves	$ 217,834	$ 211,910
IBNR	252,754	270,752
Total	$ 470,588	$ 482,662

A summary of changes in outstanding loss and loss adjustment expense reserves for all lines of business consolidated for the years ended December 31, 2019, 2018 and 2017 is as follows:

Consolidated	2019	2018	2017
		($ in thousands)	
Gross balance at January 1	$ 482,662	$ 464,380	$ 306,641
Less: Losses recoverable	(43,705)	(29,459)	(2,704)
Net balance at January 1	438,957	434,921	303,937
Incurred losses related to:			
Current year	357,237	363,871	466,247
Prior years	31,250	2	36,157
Total incurred	388,487	363,873	502,404
Paid losses related to:			
Current year	(167,508)	(160,975)	(220,298)
Prior years	(217,998)	(197,097)	(154,183)
Total paid	(385,506)	(358,072)	(374,481)
Foreign currency revaluation	1,119	(1,765)	3,061
Net balance at December 31	443,057	438,957	434,921
Add: Losses recoverable	27,531	43,705	29,459
Gross balance at December 31	$ 470,588	$ 482,662	$ 464,380

The changes in the outstanding loss and loss adjustment expense reserves for health claims for the years ended December 31, 2019, 2018 and 2017 are as follows:

Health	2019	2018	2017
		($ in thousands)	
Gross balance at January 1	$ 24,502	$ 22,181	$ 18,993
Less: Losses recoverable	—	—	—
Net balance at January 1	24,502	22,181	18,993
Incurred losses related to:			
Current year	33,736	56,868	44,539
Prior years	3,569	1,508	3,739
Total incurred	37,305	58,376	48,278
Paid losses related to:			
Current year	(17,410)	(34,696)	(23,814)
Prior years	(26,334)	(21,359)	(21,276)
Total paid	(43,744)	(56,055)	(45,090)
Foreign currency revaluation	—	—	—
Net balance at December 31	18,063	24,502	22,181
Add: Losses recoverable	—	—	—
Gross balance at December 31	$ 18,063	$ 24,502	$ 22,181

Loss development

Year ended December 31, 2019

During the year ended December 31, 2019, the Company experienced $31.3 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

Adverse developments:

- $39.8 million of adverse loss development on non-standard automobile contracts. These unanticipated automobile losses were the result of adverse rulings that affected a significant number of loss events that occurred in Florida between 2015 and early 2018, including many claims that had previously been considered closed; and
- $3.6 million of adverse loss development on specialty health contracts arising from an unexpectedly high frequency of medical claims reported.

Favorable developments:

- $13.5 million of favorable development on prior year property and multi-line contracts primarily resulting from lower than anticipated losses relating to California wildfires.

The remaining net favorable development on prior year loss and LAE reserves recognized in 2019 related to several smaller adjustments made across various lines of business.

Year ended December 31, 2018

During the year ended December 31, 2018, the Company experienced a modest $2.2 thousand in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

Adverse developments:

- $11.9 million of adverse loss development on non-standard automobile contracts stemming from industry-wide issues affecting motor liability claims in Florida over accident years 2015 to 2017;
- $3.8 million of adverse loss development on solicitors professional indemnity contracts resulting primarily from several large claims being reported on prior accident years;
- $2.0 million of adverse loss development on general liability contracts, spread over treaty years 2012-2017, resulting from deteriorations in claims experience; and
- $1.8 million of adverse loss development on surety business, net of retrocession recoveries, due to deterioration on several previously reported claims for one contract.

Favorable developments:

- $7.5 million of favorable prior period experience on property contracts stemming primarily from accident years 2015 and 2016 where claims experience has been better than expected;
- $5.9 million of favorable loss development, net of retrocession recoveries, relating to 2017 hurricanes as a result of claims experience being better than initially estimated. The net financial impact of the favorable loss development was partially offset by $1.6 million of return premiums relating to reinstatement premiums previously recorded; and
- $4.1 million of favorable loss development on prior period mortgage insurance contracts resulting from ongoing favorable claims experience across all prior accident years.

The remaining net favorable development on prior year loss and LAE reserves recognized in 2018 related to several smaller adjustments made across various lines of business.

Year ended December 31, 2017

During the year ended December 31, 2017, the Company experienced $36.2 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

- $10.7 million of adverse loss development associated with various classes of professional liability exposure, driven by additional reporting on individual claims, as well as the Company’s assessment of industry-wide loss ratio performance;
- $4.3 million of adverse loss development associated with motor contracts based on re-projection of ultimate losses using client reporting patterns;
- $4.1 million of adverse loss development relating to Florida homeowners’ insurance contracts, largely driven by “assignment of benefits” issues whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters;

- $3.7 million of adverse loss development associated with specialty health contracts arising from frequency of medical claims reported; and
- $2.2 million of adverse loss development due to large claims reported on a surety contract.

The remaining net adverse development on prior year loss and LAE reserves recognized in 2017 related to several smaller adjustments made across various lines of business.

Disclosures about Short Duration Contracts

The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance, and categorizes its business as Property, Casualty and Other. The Company’s loss development tables presented below have been disaggregated by lines of business for the years ended from December 31, 2010 to 2019.

For purposes of the loss development tables, the property business has been further disaggregated into "Property" and "Motor - Physical Damage". The casualty category has been disaggregated into "General Liability", "Motor Liability", "Professional Liability" and "Workers' Compensation". In addition, the incurred and paid claims relating to accident and health business have been presented separately as "Health". Other specialty business including financial, aviation, energy and marine, which are individually insignificant to our overall business, have been grouped together as "Other". Contracts that cover more than one line of business are grouped as "Multi-line".

For each of the categories, the following tables present the incurred and paid claims development as of December 31, 2019, net of retrocession, as well as the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amount. Health claims have been disaggregated and presented separately.

The information in the tables below about incurred and paid claims development for the years ended December 31, 2010 to 2018, is presented as unaudited supplementary information.

Health

	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
Accident year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 36,075	$ 35,924	$ 36,224	$ 36,159	$ 36,159	$ 36,145	$ 36,145	$ 36,145	$ 36,145	$ 36,145	$ —
2011		36,140	36,212	35,821	35,800	35,595	35,595	35,595	35,566	35,566	—
2012			24,712	23,088	22,780	22,681	22,671	22,671	22,658	22,658	—
2013				30,544	33,841	34,203	33,960	33,945	33,945	33,944	—
2014					32,875	30,191	29,514	29,072	29,031	28,970	—
2015						34,097	33,530	34,116	33,894	33,885	9
2016							37,747	40,889	41,255	41,355	193
2017								45,007	46,455	46,687	72
2018									56,868	60,176	1,463
2019										33,736	16,326
									Total	$ 373,122	18,063

Health

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 17,826	$ 35,795	$ 36,224	$ 36,159	$ 36,159	$ 36,145	$ 36,145	$ 36,145	$ 36,145	$ 36,145
2011		26,979	35,542	35,814	35,800	35,595	35,595	35,595	35,566	35,566
2012			14,896	22,691	22,780	22,679	22,671	22,671	22,658	22,658
2013				21,459	33,841	34,024	33,957	33,944	33,944	33,944
2014					19,056	28,515	29,117	29,038	29,032	28,970
2015						14,529	31,802	34,044	33,894	33,876
2016							21,881	39,988	41,255	41,162
2017								23,834	44,125	46,615
2018									34,696	58,713
2019										17,410
									Total	355,059
									All outstanding liabilities before 2010, net of reinsurance	—
									Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)	$ 18,063

Multiline

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2011		—	—	—	—	—	—	—	—	—	—
2012			—	—	—	—	—	—	—	—	—
2013				—	—	—	—	—	—	—	—
2014					2,390	2,390	2,390	2,609	2,625	2,586	1,173
2015						27,956	28,103	30,536	32,038	30,941	11,885
2016							55,758	60,042	60,757	59,805	26,803
2017								81,836	79,466	83,232	43,596
2018									58,832	50,944	30,215
2019										46,131	35,096
									Total	$ 273,639	$ 148,768

Multiline

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2011		—	—	—	—	—	—	—	—	—
2012			—	—	—	—	—	—	—	—
2013				—	—	—	—	—	—	—
2014					—	—	145	566	1,092	1,413
2015						30	2,828	9,990	16,107	19,056
2016							5,859	16,577	27,108	33,002
2017								9,562	27,363	39,636
2018									8,134	20,729
2019										11,035
									Total	124,871
	All outstanding liabilities before 2010, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Multiline)									$ 148,768

General Liability

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31,										December 31, 2019
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 12,111	$ 14,327	$ 17,484	$ 19,649	$ 21,664	$ 25,946	$ 28,251	$ 28,251	$ 28,251	$ 28,251	$ —
2011		20,925	30,693	40,756	44,897	61,446	77,105	77,105	77,105	77,105	—
2012			12,626	18,133	16,921	29,554	31,145	31,161	31,274	30,902	—
2013				3,018	2,689	4,666	4,511	4,510	4,916	4,770	—
2014					1,238	1,229	1,174	1,033	1,355	1,000	238
2015						1,699	1,690	1,756	1,979	2,152	1,227
2016							6,203	6,519	7,124	7,867	3,197
2017								5,431	6,525	7,379	4,556
2018									2,901	3,438	2,152
2019										1,002	976
									Total	$ 163,866	$ 12,346

General Liability

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 2,107	$ 5,096	$ 9,356	$ 14,051	$ 17,471	$ 19,228	$ 28,251	$ 28,251	$ 28,251	$ 28,251
2011		2,873	11,751	20,030	25,018	32,954	77,105	77,105	77,105	77,105
2012			1,750	9,926	13,142	15,836	30,667	30,687	30,891	30,902
2013				1,371	1,917	2,298	4,191	4,274	4,652	4,770
2014					18	146	413	548	492	762
2015						69	293	532	547	925
2016							122	1,589	3,277	4,670
2017								136	1,412	2,823
2018									165	1,286
2019										26
									Total	151,520
									All outstanding liabilities before 2010, net of reinsurance	3
									Liabilities for claims and claims adjustment expenses, net of reinsurance (General Liability)	$ 12,349

Motor Casualty

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 64,264	$ 74,260	$ 86,881	$ 83,496	$ 84,742	$ 88,377	$ 88,022	$ 88,008	$ 88,012	$ 88,034	$ —
2011		53,035	57,498	57,342	62,921	70,880	70,435	70,495	70,495	70,478	—
2012			132,284	131,196	131,896	131,202	131,305	131,302	131,302	131,302	—
2013				182,833	179,930	174,744	174,782	174,848	174,925	174,931	—
2014					93,718	92,844	94,688	94,385	94,147	94,192	—
2015						128,199	130,410	129,991	132,853	134,951	1,278
2016							166,389	169,294	174,037	179,801	1,001
2017								187,109	188,754	195,258	7,033
2018									150,700	170,016	26,749
2019										168,154	69,111
									Total	$ 1,407,117	$ 105,172

Motor Casualty

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 23,413	$ 44,889	$ 60,630	$ 70,356	$ 79,089	$ 82,266	$ 88,008	$ 88,008	$ 88,012	$ 88,034
2011		19,082	36,462	49,569	58,244	65,018	70,433	70,433	70,433	70,478
2012			58,585	118,142	126,622	128,913	131,302	131,302	131,302	131,302
2013				86,558	159,200	171,855	174,658	174,848	174,925	174,931
2014					49,994	86,297	89,687	94,385	94,147	94,192
2015						81,093	125,645	129,174	129,571	133,673
2016							97,325	157,948	170,658	178,800
2017								115,204	170,157	188,225
2018									83,652	143,267
2019										99,043
									Total	1,301,945
							All outstanding liabilities before 2010, net of reinsurance			—
			Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Casualty)							$ 105,172

Motor Property

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 560	$ 656	$ 671	$ 684	$ 662	$ 662	$ 667	$ 667	$ 667	$ 667	$ —
2011		3,276	3,271	3,343	3,285	3,285	3,306	3,306	3,306	3,303	—
2012			36,985	36,129	36,008	35,998	35,922	35,922	35,922	35,922	—
2013				46,189	45,629	44,728	44,656	44,695	44,719	44,478	—
2014					18,870	18,797	19,056	19,000	19,006	19,021	—
2015						22,035	22,516	22,505	23,263	23,939	100
2016							27,853	28,279	29,090	29,051	200
2017								39,986	39,621	40,394	683
2018									42,336	47,209	7,091
2019										43,103	18,000
									Total	$ 287,087	$ 26,074

Motor Property

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 560	$ 620	$ 620	$ 620	$ 620	$ 644	$ 667	$ 667	$ 667	$ 667
2011		1,418	2,944	3,305	3,285	3,285	3,303	3,303	3,303	3,303
2012			16,902	34,588	35,854	35,903	35,922	35,922	35,922	35,922
2013				21,112	41,066	44,363	44,431	44,476	44,476	44,478
2014					10,305	17,621	18,420	19,000	19,006	19,021
2015						13,859	22,013	22,505	22,595	23,839
2016							16,725	27,023	28,609	28,851
2017								23,091	37,058	39,711
2018									23,576	40,118
2019										25,103
									Total	261,013
	All outstanding liabilities before 2010, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Property)									$ 26,074

Other

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 4,008	$ 3,858	$ 4,291	$ 4,130	$ 4,130	$ 4,130	$ 3,955	$ 4,130	$ 3,955	$ 3,955	$ —
2011		7,360	8,099	7,525	7,473	7,470	7,468	7,468	7,468	7,468	—
2012			4,017	3,591	3,756	3,773	3,759	3,755	3,782	3,777	42
2013				2,492	2,875	2,840	2,821	2,801	2,755	2,586	46
2014					4,768	3,525	1,776	1,701	1,084	2,125	—
2015						4,794	6,769	6,898	4,519	4,229	298
2016							8,360	10,401	9,142	9,131	1,751
2017								9,087	6,011	6,447	1,913
2018									6,165	7,519	1,931
2019										19,225	13,828
									Total	$ 66,462	$ 19,809

Other

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 864	$ 1,593	$ 3,123	$ 3,130	$ 3,406	$ 3,477	$ 3,955	$ 3,955	$ 3,955	$ 3,955
2011		1,162	7,547	7,513	7,468	7,468	7,468	7,468	7,468	7,468
2012			3,002	3,251	3,676	3,683	3,684	3,688	3,735	3,735
2013				213	1,828	2,426	2,339	2,323	2,578	2,540
2014					197	659	1,124	1,282	1,084	2,125
2015						472	1,387	2,010	3,399	3,931
2016							1,473	3,107	5,646	7,380
2017								484	3,083	4,534
2018									962	5,588
2019										5,397
									Total	46,653
	All outstanding liabilities before 2010, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Other)									$ 19,809

Property

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 39,106	$ 41,983	$ 51,698	$ 51,483	$ 52,263	$ 52,507	$ 53,723	$ 53,574	$ 53,495	$ 53,506	$ —
2011		73,309	83,261	79,794	80,402	81,894	83,012	83,067	83,006	83,296	—
2012			63,961	50,183	50,874	52,812	53,218	53,473	53,737	53,823	—
2013				60,955	59,002	61,786	62,504	62,491	62,431	62,774	537
2014					41,740	45,153	46,845	47,085	46,874	47,030	510
2015						27,872	30,352	31,752	30,954	30,615	593
2016							25,633	26,127	24,005	23,477	1,450
2017								84,771	78,430	69,042	4,804
2018									28,219	30,291	14,563
2019										22,738	18,684
									Total	$ 476,592	$ 41,141

Property

Accident year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 20,611	$ 40,858	$ 42,697	$ 43,406	$ 47,914	$ 48,438	$ 53,408	$ 53,542	$ 53,495	$ 53,506
2011		49,441	74,383	77,182	79,022	81,214	82,370	82,655	83,006	83,296
2012			32,085	45,887	50,242	52,657	53,211	53,259	53,737	53,823
2013				34,807	55,674	58,533	60,352	61,083	61,996	62,237
2014					20,230	40,172	43,640	45,211	46,301	46,520
2015						12,939	25,453	28,846	29,816	30,022
2016							9,944	18,198	21,040	22,027
2017								43,281	56,397	64,238
2018									5,365	15,728
2019										4,054
									Total	435,451
	All outstanding liabilities before 2010, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Property)									$ 41,141

Professional Liability

Accident year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	December 31, 2019 — Total IBNR plus expected development on reported claims
	Incurred claims and allocated claim adjustment expenses, net of reinsurance										
	For the years ended December 31,										
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 3,875	$ 3,331	$ 3,571	$ 3,713	$ 3,907	$ 3,936	$ 3,922	$ 3,921	$ 3,921	$ 3,921	$ 424
2011		6,043	6,910	7,367	8,064	8,121	7,950	8,196	8,196	8,023	262
2012			11,236	11,241	11,785	12,221	12,411	13,131	13,131	12,565	885
2013				12,435	13,319	14,844	16,494	17,314	17,489	17,290	2,614
2014					19,229	18,630	18,593	21,149	22,152	22,475	6,017
2015						18,548	18,545	21,100	22,528	22,748	9,952
2016							13,778	16,960	17,328	16,925	9,028
2017								10,252	9,940	9,762	6,673
2018									4,482	4,468	3,327
2019										586	441
									Total	$ 118,763	$ 39,623

Professional Liability

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ —	$ 35	$ 402	$ 834	$ 1,112	$ 1,478	$ 1,620	$ 1,740	$ 3,497	$ 3,497
2011		110	1,331	3,680	5,244	6,580	7,285	7,781	7,830	7,761
2012			533	3,668	6,392	8,836	10,268	11,780	11,947	11,680
2013				710	3,482	7,771	11,175	14,092	14,863	14,676
2014					1,370	5,440	9,716	14,173	16,448	16,458
2015						1,186	3,349	9,012	11,953	12,796
2016							342	2,187	4,915	7,897
2017								228	1,437	3,089
2018									241	1,141
2019										145
									Total	79,140
	All outstanding liabilities before 2010, net of reinsurance									2,120
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Professional Liability)									$ 41,743

Workers' Compensation

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2019
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2010	$ 11,181	$ 11,736	$ 12,426	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ —
2011		14,915	15,233	16,861	16,861	16,861	16,861	16,861	16,861	16,861	—
2012			11,763	12,213	12,213	12,213	12,213	12,213	12,213	12,213	—
2013				4,751	4,751	4,751	4,751	4,751	4,751	4,751	—
2014					—	—	—	3	—	—	—
2015						1,014	1,010	948	950	951	174
2016							4,342	4,275	4,266	3,975	701
2017								10,882	10,346	9,603	2,204
2018									13,609	13,499	5,178
2019										22,927	17,454
									Total	$ 97,888	$ 25,711

Workers' Compensation

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2010	$ 3,184	$ 8,170	$ 12,270	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108	$ 13,108
2011		5,004	11,175	16,861	16,861	16,861	16,861	16,861	16,861	16,861
2012			2,359	12,213	12,213	12,213	12,213	12,213	12,213	12,213
2013				4,751	4,751	4,751	4,751	4,751	4,751	4,751
2014					—	—	—	—	—	—
2015						28	251	564	688	777
2016							613	1,920	2,782	3,274
2017								2,028	5,356	7,399
2018									4,213	8,321
2019										5,473
									Total	72,177
	All outstanding liabilities before 2010, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Workers' Compensation)									$ 25,711

For any incurred and paid claims denominated in a currency other than U.S. dollars, the above tables are presented using the foreign exchange rate in effect as of the current year end date. As a result, all prior year information has been restated to reflect the exchange rates as of December 31, 2019. This treatment removes any changes in foreign currency exchange rates from distorting the claims development between the years presented.

For assumed contracts the Company does not generally receive claims information by accident year from the ceding insurers, but instead receives claims information by the treaty year of the contract. Claims reported by the ceding insurer to the Company may have the covered losses occurring in an accident year other than the treaty year. For the purpose of the loss development tables, some incurred and paid claims have been allocated to the accident years based on the proportion of premiums earned for each contract during such accident year.

For example, a one-year treaty incepting on October 1, 2010 (with underlying policies each having a one-year duration), would have a 24-month period over which the premiums would be earned. Therefore, claims would be allocated to accident years 2010, 2011 and 2012 based on the proportion of the premiums earned during each accident year. For illustration of this contract, any claims reported during 2010 would be allocated to the 2010 accident year. For losses reported during 2011, the claims would be allocated between 2010 and 2011 based on the percentage of premiums earned during 2010 and 2011. Similarly, for losses reported during 2012 and thereafter, the losses would be allocated to the 2010, 2011 and 2012 accident years based on the proportion of premiums earned during each of those years. However, natural catastrophe and certain other large losses are addressed separately and are assigned to the accident year in which they occurred.

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

		December 31, 2019
		($ in thousands)
Net outstanding liabilities		
Health	$	18,063
Multiline		148,768
General Liability		12,349
Motor Casualty		105,172
Motor Property		26,074
Other		19,809
Property		41,141
Professional Liability		41,743
Workers' Compensation		25,711
Liabilities for claims and claims adjustment expenses, net of reinsurance		438,830
Add: Reinsurance recoverable on unpaid claims		27,531
Add: Unallocated claims adjustment expenses		4,227
Total gross liabilities for unpaid claims and claim adjustment expense	$	470,588

The average historical annual percentage payout of net incurred claims (excluding health) as of December 31, 2019 is as follows:

Years	1	2	3	4	5	6	7	8	9	10
				(Unaudited - Supplementary Information)						
Multiline	10.2%	19.0%	18.8%	16.0%	13.3%	22.7%	—%	—%	—%	—%
General Liability	4.7%	13.5%	12.9%	11.4%	18.8%	29.5%	6.1%	2.7%	0.4%	—%
Motor Casualty	45.7%	33.1%	8.8%	5.1%	3.5%	1.8%	1.3%	0.7%	—%	—%
Motor Property	53.1%	39.8%	5.3%	0.6%	1.0%	0.2%	—%	—%	—%	—%
Other	21.1%	39.8%	19.1%	9.0%	2.8%	5.9%	2.3%	—%	—%	—%
Property	51.0%	32.9%	7.0%	2.9%	2.7%	0.9%	2.2%	0.3%	0.1%	—%
Professional Liability	5.3%	19.4%	28.7%	24.0%	14.0%	6.2%	2.3%	0.1%	—%	—%
Workers' Compensation	27.9%	41.6%	23.0%	6.1%	0.9%	0.5%	—%	—%	—%	—%

The historical annual percentage payout pattern for health claims is excluded from the table above because health claims have short settlement periods and including it would skew the results presented.

As a reinsurance entity, the Company generally does not receive detailed claims frequency information or claims counts from ceding insurers and third party claim handlers. Due to the nature of the reinsurance contracts, the underlying insured reports claims to the insurer who cedes losses to the Company. The Company is contractually obligated to reimburse the ceding insurer for its share of the losses. While the Company has the right to conduct audits of the ceding insurer's claims files, the insurer is generally not obligated to provide detailed listing of claims counts or other claims frequency information to the Company. Therefore it is impracticable for the Company to present the cumulative number of reported claims by accident year.

8. RETROCESSION

The Company, from time to time, purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to balance its underwriting portfolio. Loss and loss adjustment expenses recoverable from retrocessionaires are recorded as assets.

For the year ended December 31, 2019, the Company's earned ceded premiums were $72.8 million (2018: $102.9 million and 2017: $33.8 million). For the year ended December 31, 2019, loss and loss adjustment expenses incurred of $388.5 million (2018: $363.9 million and 2017: $502.4 million) reported on the Company's consolidated statements of operations are net of loss and loss expenses recovered and recoverable of $60.7 million (2018: $71.0 million and 2017: $31.8 million).

Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2019, the Company's loss reserves recoverable consisted of (i) $21.2 million (2018: $34.3 million) from unrated retrocessionaires which were secured by cash, letters of credit and collateral held in trust accounts for the benefit of the Company and (ii) $6.4 million (2018: $9.4 million) from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2019 and 2018, no provision for uncollectible losses recoverable was considered appropriate.

9. SENIOR CONVERTIBLE NOTES

On August 7, 2018, the Company issued $100.0 million of senior unsecured convertible notes (the "Notes") which mature on August 1, 2023. The Notes bear interest at 4.0% payable semi-annually on February 1 and August 1 of each year beginning on February 1, 2019.

Note holders have the option, under certain conditions, to redeem the Notes prior to maturity.

If the Notes are converted by the holder, the Company shall have the option to settle the conversion obligation in cash, ordinary shares of the Company, or a combination thereof pursuant to the terms of the indenture governing the Notes. The Company has therefore bifurcated the Notes into liability and equity components.

If converted at December 31, 2019, the face value of the Notes would be cash settled and the Company has assumed that the conversion option will not be exercised due to the share price at December 31, 2019 being lower than the conversion price of $17.19 per share.

The Company's effective borrowing rate for non-convertible debt at the time of issuance of the Notes was estimated to be 6.0%, which equated to an $8.2 million discount. As of December 31, 2019 and December 31, 2018, the unamortized debt discount was $5.9 million and $7.5 million respectively, and is expected to be amortized through the maturity date. The debt discount also represents the portion of the Note's principal amount allocated to the equity component.

The Company incurred issuance costs in connection with the issuance of the Notes. As of December 31, 2019, the unamortized portion of these costs attributed to the debt component was $2.3 million (December 31, 2018: $2.9 million), which are expected to be amortized through the maturity date. The portion of these issuance costs attributed to the equity component was netted against the gross proceeds allocated to equity, resulting in $7.9 million being included in the caption "Additional paid-in capital" in the Company's consolidated balance sheets.

The carrying value of the Notes as of December 31, 2019, including accrued interest of $1.7 million was $93.5 million (December 31, 2018: $91.2 million), which approximates their fair value.

For the year ended December 31, 2019, the Company recognized interest expense of $6.3 million (December 31, 2018: $2.5 million), in connection with the interest coupon, amortization of issuance costs and amortization of the discount.

The Company was in compliance with all covenants relating to the Notes as of December 31, 2019 and December 31, 2018.

10. SHARE CAPITAL

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the assets of the Company, after payment of all debts and liabilities of the Company and after the liquidation of any issued and outstanding preferred shares. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate. At December 31, 2019, no preferred shares were issued or outstanding.

The Third Amended and Restated Memorandum and Articles of Association as revised by special resolution on July 10, 2008 (the “Articles”), provide that the holders of Class A ordinary shares generally are entitled to one vote per share. However, except upon unanimous consent of the Board of Directors, no Class A shareholder is permitted to vote an amount of shares which would cause any United States person to own (directly, indirectly or constructively under applicable United States tax attribution and constructive ownership rules) 9.9% or more of the total voting power of all issued and outstanding ordinary shares. The Articles further provide that the holders of Class B ordinary shares generally are entitled to ten votes per share. However, holders of Class B ordinary shares, together with their affiliates, are limited to voting that number of Class B ordinary shares equal to 9.5% of the total voting power of the total issued and outstanding ordinary shares.

Pursuant to the Shareholders’ Agreement, dated August 11, 2004, by and among the Company and certain of its shareholders (the “Shareholders’ Agreement”), the holders of at least 50% of the outstanding Registrable Securities (as defined in the Shareholders’ Agreement), may, subject to certain conditions, request to have all or part of their Registrable Securities to be registered. The Shareholders’ Agreement requires, among other things, that the Company use its commercially reasonable best efforts to have a registration statement covering such Registrable Securities to be declared effective. The registration rights granted pursuant to the Shareholders’ Agreement are not deemed to be liabilities; therefore, there has been no recognition in the Company’s consolidated financial statements of the registration rights granted pursuant to the Shareholders’ Agreement.

As of December 31, 2019, the Company has an effective Form S-3 registration statement, on file with the SEC, for an aggregate principal amount of $200.0 million in securities.

Shares reserved for issuance are composed of 0.3 million (2018: 0.3 million) Class A ordinary shares in relation to share purchase options granted to a service provider and 5.0 million (2018: 5.0 million) Class A ordinary shares reserved for the Company’s stock incentive plan for eligible employees, directors and consultants. On April 26, 2017, the Company’s shareholders approved an amendment to the stock incentive plan to increase the number of Class A ordinary shares available for issuance by 1.5 million shares from 3.5 million to 5.0 million. As of December 31, 2019 and 2018, there were no remaining Class A ordinary shares available for future issuance relating to share purchase options granted to the service provider as all options granted to service providers had been exercised. As of December 31, 2019 555,805 (2018: 1,122,170) Class A ordinary shares remained available for future issuance under the Company’s stock incentive plan. The stock incentive plan is administered by the Compensation Committee of the Board of Directors.

The Board has adopted a share repurchase plan. On May 2, 2019, the Board of Directors renewed the share repurchase plan, with effect from July 1, 2019 and expiring on June 30, 2020, authorizing the Company to purchase up to 2.5 million Class A ordinary shares or securities convertible into Class A ordinary shares in the open market, through privately negotiated transactions or Rule 10b5-1 stock trading plans. The timing of such repurchases and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable regulatory and corporate requirements. The share repurchase plan, which expires on June 30, 2020, does not require the Company to repurchase any specific number of shares and may be modified, suspended or terminated at any time without prior notice. During the year ended December 31, 2019, no Class A ordinary shares were repurchased by the Company. As of December 31, 2019, 2.5 million shares remained available for repurchase under the share repurchase plan. Under the Companies Law of the Cayman Islands, the Company cannot hold treasury shares; therefore, all ordinary shares repurchased are canceled immediately upon repurchase.

The following table is a summary of voting ordinary shares issued and outstanding:

	2019		2018		2017	
	Class A	Class B	Class A	Class B	Class A	Class B
Balance – beginning of year	30,130,214	6,254,715	31,104,830	6,254,715	31,111,432	6,254,895
Issue of ordinary shares, net of forfeitures	609,181	—	205,384	—	129,530	—
Repurchase of ordinary shares	—	—	(1,180,000)	—	(136,312)	—
Class B shares converted to Class A shares	—	—	—	—	180	(180)
Balance – end of year	30,739,395	6,254,715	30,130,214	6,254,715	31,104,830	6,254,715

Additional paid-in capital includes the premium per share paid by the subscribing shareholders for Class A and B ordinary shares which have a par value of $0.10 each. It also includes share-based awards earned not yet issued.

Statutory Capital and Surplus

Greenlight Re is subject to the Cayman Islands' Insurance (Capital and Solvency) (Classes B, C, and D Insurers) Regulations, (2018 Revision) (the "Insurance Regulations"). The Insurance Regulations impose a Minimum Capital Requirement ("MCR") of $50.0 million and a Prescribed Capital Requirement ("PCR") on Greenlight Re which was $200.9 million as of December 31, 2019 (2018: $191.9 million). As of December 31, 2019, Greenlight Re's statutory capital and surplus of $519.9 million exceeded the MCR as well as the PCR. For the years ended December 31, 2019, 2018 and 2017, Greenlight Re's net income (loss) was $9.2 million, $(330.3) million, and $(38.2) million, respectively.

Greenlight Re is not required to prepare separate statutory financial statements for filing with CIMA and there were no material differences between Greenlight Re's GAAP capital, surplus and net income, and its statutory capital, surplus and net income as of December 31, 2019 and 2018.

As of December 31, 2019, the Company was not restricted from payment of dividends to the Company's shareholders. However, since most of the Company's capital and retained earnings are invested in its subsidiaries, a dividend from one or more of the Company's subsidiaries would likely be required in order to fund a dividend to the Company's shareholders. Any dividends declared and paid from Greenlight Re to the Company would require approval of CIMA. During the year ended December 31, 2019, no dividends (2018: $0.0 million, 2017: $33.0 million) were declared or paid by Greenlight Re to the Company. As of December 31, 2019 and 2018, $319.0 million and $322.8 million, respectively, of Greenlight Re's capital and surplus was available for distribution as dividends.

GRIL is obligated to maintain a minimum level of statutory capital. As of December 31, 2019 and 2018, GRIL met such requirements. As of December 31, 2019 and 2018, GRIL's statutory capital was $35.6 million and $36.6 million, respectively. As of December 31, 2019, GRIL's statutory minimum capital required under Solvency II was approximately $5.4 million (2018: $5.9 million). GRIL's statutory net income (loss) was $0.8 million, $(15.4) million and $(3.7) million for the years ended December 31, 2019, 2018 and 2017, respectively. The amount of dividends that GRIL is permitted to distribute is limited to its retained earnings and the Central Bank of Ireland has powers to intervene if a dividend payment were to lead to a breach of regulatory capital requirements. As of December 31, 2019 and 2018, none of GRIL's capital and surplus was available for distribution as dividends.

11. SHARE-BASED COMPENSATION

The Company has a stock incentive plan for directors, employees and consultants that is administered by the Compensation Committee of the Board of Directors.

Employee and Director Restricted Shares

For the year ended December 31, 2019, 235,701 (2018: 160,595, 2017: 125,371) Class A ordinary shares were issued to employees pursuant to the Company's stock incentive plan. The majority of these shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. The restricted shares cliff vest three years after the date of issuance, subject to the grantee's continued service with the Company. During the vesting period, the holder of the restricted shares retains voting rights and is entitled to any dividends declared by the Company.

For the year ended December 31, 2019, 326,240 (2018: 30,660, 2017: nil) Class A ordinary shares were issued to the Company's Chief Executive Officer ("CEO") pursuant to the Company's stock incentive plan. These shares contain performance and service conditions and certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. 89,945 of these restricted shares cliff vest 5 years after the date of issuance, subject to the performance condition being met and the grantee's continued service with the Company while the remainder of these restricted shares vest upon occurrence of a specified performance condition being met prior to December 15, 2020. During the vesting period, the holder of the restricted shares retains voting rights and is entitled to any dividends declared by the Company. The weighted average grant date fair value of the restricted shares subject to performance conditions was $10.65 (2018: $15.90) per share. No compensation cost was recognized relating to these shares for the year ended December 31, 2019 (2018: nil) based on the performance conditions remaining.

For the year ended December 31, 2019, the Company also issued to non-employee directors an aggregate of 77,556 (2018: 54,720, 2017: 41,396) restricted Class A ordinary shares as part of their remuneration for services to the Company. Each of these restricted shares issued to non-employee directors contains similar restrictions to those issued to employees and will vest on the earlier of the first anniversary of the date of the share issuance or the Company's next annual general meeting, subject to the grantee's continued service with the Company.

For the year ended December 31, 2019, 37,502 (2018: 44,644, 2017: 46,943) restricted shares were forfeited by employees and a director who left the Company prior to the expiration of the applicable vesting periods. For the year ended December 31, 2019, $0.2 million stock compensation expense (2018: $0.3 million, 2017: $0.0 million) relating to the forfeited restricted shares was reversed.

The Company recorded $2.8 million of share-based compensation expense, net of forfeiture reversals, relating to restricted shares for the year ended December 31, 2019 (2018: $2.9 million, 2017: $3.3 million). As of December 31, 2019, there was $2.7 million (2018: $2.6 million, 2017: $3.5 million) of unrecognized compensation cost relating to non-vested restricted shares (excluding CEO's restricted shares with performance conditions) which are expected to be recognized over a weighted average period of 1.6 years (2018: 1.6 years, 2017: 1.6 years). For the year ended December 31, 2019, the total fair value of restricted shares vested was $3.1 million (2018: $2.8 million, 2017: $4.5 million).

The following table summarizes the activity for unvested outstanding restricted share awards during the years ended December 31, 2019 and 2018:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance at December 31, 2017	331,510	$ 23.45
Granted	245,975	15.78
Vested	(100,384)	27.74
Forfeited	(44,644)	18.77
Balance at December 31, 2018	432,457	18.58
Granted	639,497	10.69
Vested	(161,365)	19.44
Forfeited	(37,502)	14.12
Balance at December 31, 2019	873,087	$ 12.83

Employee and Director Stock Options

For the year ended December 31, 2019 and 2018, no Class A ordinary share purchase options were granted (2017: 480,000). The Class A ordinary share purchase options granted to the Company's CEO in 2017 vest 16.7% each on the anniversary thereof in 2018, 2019, 2020, 2021, 2022 and 2023, and expire 10 years after the grant date. The grant date fair value of these options was $9.60, based on the Black-Scholes option pricing model. In addition, for the year ended December 31, 2017, 42,250 Class A ordinary share purchase options were granted to the Company's former interim Chief Executive Officer, pursuant to his consulting agreement. These options vested 100% on their grant date and expire 10 years after the grant date. The weighted average grant date fair value of these options was $9.90 per share based on the Black-Scholes option pricing model.

For the options granted in 2017, the Company applied the following weighted average assumptions to the options pricing model:

	2017
Risk free rate	2.32%
Estimated volatility	31.4%
Expected term (in years)	10
Dividend yield	—%
Forfeiture rate	—%

The estimate of expected volatility for options granted during 2017 was based on the daily historical trading data of the Company's Class A ordinary shares from the date that these shares commenced trading on May 24, 2007 to the grant date.

The Board of Directors does not currently anticipate that any dividends will be declared during the expected term of the options. The Company uses graded vesting for expensing employee stock options. The total compensation cost expensed for the year ended December 31, 2019 was $0.9 million (2018: $1.5 million, 2017: $1.3 million). At December 31, 2019, the total compensation cost related to non-vested options not yet recognized was $1.3 million (2018: $2.2 million) to be recognized over a weighted average period of 2.4 years (2018: 2.9 years) assuming the grantee completes the service period for vesting of the options.

For the year ended December 31, 2019, no stock options were exercised by directors and employees (2018: 0, 2017: 50,000) resulting in no Class A ordinary shares being issued (2018: 0, 2017: 5,011, net of shares surrendered as a result of the cashless exercise of stock options). When stock options are granted, the Company reduces the corresponding number from the shares authorized for issuance as part of the Company's stock incentive plan.

Employee and director stock option activity during the years ended December 31, 2019, 2018 and 2017 was as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average grant date fair value	Intrinsic value ($ in millions)	Weighted average remaining contractual term
Balance at December 31, 2016	543,377	$ 25.40	$ 10.17	$ 0.5	4.7 years
Granted	522,250	21.25	9.63		
Exercised	(50,000)	19.60	10.18	0.1	
Balance at December 31, 2017	1,015,627	23.55	9.89	—	6.9 years
Expired	(80,000)	29.39	8.69		
Balance at December 31, 2018	935,627	23.05	10.00	—	6.4 years
Expired	(60,000)	28.44	6.25		
Balance at December 31, 2019	875,627	$ 22.68	$ 10.25	$ —	5.8 years

The following table summarizes information about options exercisable for the periods indicated:

	December 31, 2019	December 31, 2018	December 31, 2017
Number of options exercisable	555,627	535,627	535,627
Weighted average exercise price	$ 23.54	$ 24.43	$ 25.66
Weighted average remaining contractual term	4.9	4.9	4.6
Intrinsic value ($ in millions)	$ —	$ —	$ —

During the year ended December 31, 2019, 80,000 (2018: 80,000, 2017: 113,585) options vested which had a weighted average grant date fair value of $9.60 (2018: $9.60, 2017: $10.29).

Employee Restricted Stock Units

The Company issues restricted stock units ("RSUs") to certain employees as part of the stock incentive plan.

These RSUs contain restrictions relating to vesting, forfeiture in the event of termination of employment, transferability and other matters. Each RSU grant cliff vests three years after the date of issuance, subject to the grantee's continued service with the Company. On the vesting date, the Company converts each RSU into one Class A ordinary share and issues new Class A ordinary shares from the shares authorized for issuance as part of the Company's stock incentive plan. For the year ended December 31, 2019, 48,535 (2018: 28,301, 2017: 11,559) RSUs were issued to employees pursuant to the Company's stock incentive plan. For the year ended December 31, 2019, 24,165 (2018: 648) RSUs were forfeited by employees who left the Company prior to the expiration of the applicable vesting periods.

The Company recorded $0.2 million of share-based compensation expense, net of forfeitures, relating to RSUs for the year ended December 31, 2019 (2018: $0.2 million, 2017: $0.2 million). At December 31, 2019, the total compensation cost related to non-vested RSUs not yet recognized was $0.4 million (2018: $0.4 million) to be recognized over a weighted average period of 1.8 years (2018: 1.9 years) assuming the grantee completes the service period for vesting of the options.

Employee RSU activity during the years ended December 31, 2019 and 2018 was as follows:

	Number of non-vested RSUs	Weighted average grant date fair value
Balance at December 31, 2017	22,798	$ 23.50
Granted	28,301	15.90
Vested	(4,053)	32.21
Forfeited	(648)	21.65
Balance at December 31, 2018	46,398	18.13
Granted	48,535	10.84
Vested	(7,186)	21.56
Forfeited	(24,165)	13.96
Balance at December 31, 2019	63,582	$ 13.76

For the years ended December 31, 2019, 2018 and 2017, the combined stock compensation expense (net of forfeitures), which was included in the caption "General and administrative expenses" in the Company's statements of operations, was $3.9 million, $4.6 million and $4.9 million, respectively.

12. NET INVESTMENT INCOME (LOSS)

A summary of net investment income (loss) for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
		($ in thousands)	
Realized gains (losses)	$ (14,150)	$ (236,887)	$ 87,618
Change in unrealized gains and losses	8,380	(32,597)	(41,444)
Investment related foreign exchange gains (losses)	20	938	(7,653)
Interest and dividend income, net of withholding taxes	16,059	35,468	25,510
Interest, dividend and other expenses	(4,798)	(17,987)	(23,937)
Income (loss) from equity method investment	700	(247)	—
Investment advisor compensation on joint venture	—	(11,221)	(19,863)
Net investment related income (loss)	6,211	(262,533)	20,231
Income (loss) from investments in related party investment fund	46,056	(60,573)	—
Total net investment related income (loss)	$ 52,267	$ (323,106)	$ 20,231

Income (loss) from investments in related party investment fund reflects the equity in earnings (loss) of SILP (see Note 3).

Investment returns are calculated monthly based on cash flows into or out of the investment accounts and compounded to calculate the annual returns generated by the Company's investments managed by DME Advisors. Effective from September 1, 2018, the investment return is calculated by dividing the investment income or loss (net of fees and expenses) by the

Investment Portfolio. For the year ended December 31, 2019, the total investment related income includes a gain of 9.3% on the investments managed by DME Advisors. This return compares to a loss of 30.3% and a gain of 1.5% reported for the years ended December 31, 2018 and 2017, respectively. The change in unrealized gains and losses for year ended December 31, 2019, included a net increase in the valuation allowance provision of $6.0 million (2018: $nil, 2017: $nil) relating to notes receivable.

13. TAXATION

Each of the Company and Greenlight Re intends to conduct all of its operations in a manner that will not cause it to be treated as engaging in a trade or business within the United States and will not cause it to be subject to current U.S. federal income taxation on its net income. However, because there are no definitive standards provided by the Internal Revenue Code, regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, there can be no assurance that the IRS will not successfully assert that the Company or Greenlight Re is engaged in a trade or business within the U.S.

As of December 31, 2019, a gross deferred tax asset of $3.6 million (2018: $3.6 million) and a deferred tax asset valuation allowance of $2.6 million (2018: $2.2 million) was recorded by the Company. The net deferred tax asset is included in the caption “Other assets” in the Company’s consolidated balance sheets. Based on the timing of the reversal of the temporary differences and likelihood of generating sufficient taxable income to realize the future tax benefit, management believes it is more likely than not that the recorded deferred tax asset (net of the valuation allowance) will be fully realized in the future. The Company currently believes that it has no uncertain tax positions which, if challenged, would cause a material change to the Company’s consolidated financial statements.

At December 31, 2019, GRIL had a net operating loss carry forward of $28.2 million (2018: $28.6 million) which can be carried forward indefinitely. At December 31, 2019 and 2018, no taxes recoverable were included in the Company’s consolidated balance sheets.

At December 31, 2019, Verdant had a net operating loss carry forward totaling $4.6 million available to offset future taxable income. Of the total $4.6 million, $2.9 million expire at various dates from 2033 to 2037 and the remaining $1.7 million have no expiration date. The deferred tax asset associated with the net operating loss carried forward, has been offset by a valuation allowance as management does not anticipate that the carried forward amount will be realized.

The following table sets forth our current and deferred income tax benefit (expense) on a consolidated basis for the years ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
		($ in thousands)	
Current tax (expense) benefit	$ (43)	$ 1,840	$ 465
Deferred tax (expense) benefit	(8)	(4)	(14)
Increase in deferred tax valuation allowance	(432)	(2,168)	—
Income tax (expense) benefit	$ (483)	$ (332)	$ 451

Federal Excise Taxes

The United States imposes an excise tax on reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States. The rate of tax, unless exempted or reduced by an applicable U.S. tax treaty, is 1.0% for all reinsurance premiums. The Company incurs federal excise taxes on certain of its reinsurance transactions, including amounts ceded through intercompany transactions. For the years ended 2019, 2018 and 2017, the Company incurred approximately $3.8 million, $3.6 million and $5.0 million, respectively, of federal excise taxes, net of any refunds received. These amounts are included in the caption “Acquisition costs” in the Company’s consolidated statements of operations.

14. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

DME, DME II and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company’s Board of Directors.

Prior to September 1, 2018, the Company and its reinsurance subsidiaries were party to the venture agreement with DME Advisors under which the Company, its reinsurance subsidiaries and DME were participants of the Joint Venture for the purpose of managing certain jointly held assets. In addition, prior to September 1, 2018, the Company, its reinsurance subsidiaries and DME had entered into a separate investment advisory agreement with DME Advisors (the “advisory agreement”). On September 1, 2018, the Company, DME and DME Advisors entered into a termination agreement to terminate the Joint Venture and the advisory agreement on January 2, 2019.

On September 1, 2018, the Company entered into the SILP LPA with DME II, as General Partner. DME II receives a performance allocation equal to (with capitalized terms having the meaning provided under the SILP LPA) (a) 10% of the portion of the Positive Performance Change for each limited partner’s capital account that is less than or equal to the positive balance in such limited partner’s Carryforward Account, plus (b) 20% of the portion of the Positive Performance Change for each limited partner’s capital account that exceeds the positive balance in such limited partner’s Carryforward Account. The Carryforward Account for Greenlight Re and GRIL include the amount of losses that were to be recouped under the Joint Venture as well as any loss generated on the assets invested in SILP, subject to adjustments for redemptions. The loss carry forward provision contained in the SILP LPA allows DME II to earn a reduced performance allocation of 10% of profits in years subsequent to any year in which SILP has incurred a loss, until all losses are recouped and an additional amount equal to 150% of the loss is earned. For the year ended December 31, 2019, performance allocation of $5.0 million, (2018: nil) was deducted from the Company’s investment in SILP and allocated to DME II.

In accordance with the SILP LPA, DME Advisors constructs a levered investment portfolio as agreed by the Company (the “Investment Portfolio” as defined in the SILP LPA). On September 1, 2018, SILP entered into the IAA with DME Advisors which entitles DME Advisors to a monthly management fee equal to 0.125% (1.5% on an annual basis) of each limited partner’s Investment Portfolio. The IAA has an initial term ending on August 31, 2023 subject to an automatic extension for successive three-year terms. For the year ended December 31, 2019, management fees paid by SILP to DME Advisors of $4.9 million, (2018: $3.1 million) were included in the caption “Income (loss) from investment in related party investment fund” in the Company’s consolidated statement of operations.

The Company has entered into a letter agreement with DME Advisors and DME II whereby during the period from June 1, 2019 to June 30, 2020, the portion of the Investment Portfolio held in cash or cash equivalents will not be subject to any management fee or performance allocation.

Pursuant to the SILP LPA and the IAA, the Company has agreed to indemnify DME, DME II and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company’s or SILP’s investment advisor. The Company will reimburse DME, DME II and DME Advisors for reasonable costs and expenses of investigating and/or defending such claims, provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME, DME II or DME Advisors. There were no indemnification amounts incurred by the Company during any of the periods presented.

Non-controlling Interest in Related Party Joint Venture

Non-controlling interests in related party joint venture represented DME’s share of the jointly held assets under the venture agreement. A portion of the non-controlling interest was subject to contractual withdrawal rights whereby DME, at its sole discretion, could withdraw its interest above the minimum capital required to be maintained in its capital accounts. This interest was recorded on the Company’s consolidated balance sheets under the caption “Redeemable non-controlling interest in related party joint venture.” The remaining portion without any withdrawal rights associated with it, was recorded under the caption “Non-controlling interest in related party joint venture” within the equity section on the Company’s consolidated balance sheet.

The following table is a reconciliation of the beginning and ending carrying amounts of redeemable non-controlling interest in related party, non-controlling interest in related party and total non-controlling interest in related party for the years ended December 31, 2019, 2018 and 2017:

	Redeemable non-controlling interest in related party joint venture			Non-controlling interest in related party joint venture			Total non-controlling interest in related party joint venture		
	Year ended December 31			Year ended December 31			Year ended December 31		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Opening balance	$ 1,692	$ 7,169	$ 5,884	$ 485	$ 12,933	$ 11,561	$ 2,177	$ 20,102	$17,445
Income (loss) attributed to non-controlling interest	—	(2,680)	201	—	(1,595)	378	—	(4,275)	579
Net contribution into (withdrawal from) non-controlling interest	(1,692)	(2,797)	1,084	(485)	(10,853)	994	(2,177)	(13,650)	2,078
Ending balance	$ —	$ 1,692	$ 7,169	$ —	$ 485	$ 12,933	$ —	$ 2,177	$ 20,102

Green Brick Partners, Inc.

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners, Inc. ("GRBK"), a publicly traded company. As of December 31, 2019, SILP, along with certain affiliates of DME Advisors, collectively owned 47.8% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of SILP.

Service Agreement

The Company has entered into a service agreement with DME Advisors, pursuant to which DME Advisors provides certain investor relations services to the Company for compensation of five thousand dollars per month (plus expenses). The agreement is automatically renewed annually until terminated by either the Company or DME Advisors for any reason with 30 days prior written notice to the other party.

Collateral Assets Investment Management Agreement

Effective January 1, 2019, the Company (and its subsidiaries) entered into a collateral assets investment management agreement (the "CMA") with DME Advisors, pursuant to which DME Advisors manages certain assets of the Company that are not subject to the SILP LPA and are held by the Company to provide collateral required by the cedents in the form of trust accounts and letters of credit. In accordance with the CMA, DME Advisors receives no fees and is required to comply with the collateral investment guidelines. The CMA can be terminated by any of the parties upon 30 days' prior written notice to the other parties.

15. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Trusts

At December 31, 2019, the Company had one letter of credit facility, which automatically renews each year unless terminated by either party in accordance with the applicable required notice period:

	Facility	Termination Date	Notice period required for termination
	($ in thousands)		
Citibank Europe plc	400,000	October 11, 2020	120 days prior to termination date

During 2019 the Butterfield Bank letter of credit facility was terminated. As of December 31, 2019, an aggregate amount of $204.5 million (2018: $208.3 million) in letters of credit were issued under the above facility. As of December 31, 2019, total cash and cash equivalents with a fair value in the aggregate of $213.4 million (2018: $221.7 million) were pledged as collateral against the letters of credit issued and included in the caption "Restricted cash and cash equivalents" in the Company's consolidated balance sheets. The facility contains customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, and restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facility, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of the facility as of December 31, 2019 and 2018.

The Company has also established regulatory trust arrangements for certain cedents. As of December 31, 2019, collateral of $528.7 million (2018: $463.4 million) was provided to cedents in the form of regulatory trust accounts and included in the caption “Restricted cash and cash equivalents” in the Company’s consolidated balance sheets.

Lease Obligations

Greenlight Re has entered into lease agreements for office space in the Cayman Islands. The leases expired on June 30, 2018. The Company is currently in negotiations with the lessor for renewal of the leases and meanwhile both parties have agreed to extend the leases until December 31, 2020. The Company has determined that the current arrangement qualifies as a short term lease upon adoption of Leases (Topic 842) on January 1, 2019. The short-term lease expense for the year ended December 31, 2019 was $0.5 million.

GRIL has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, GRIL is committed to minimum annual rent payments denominated in Euros approximating €0.1 million until May 2021, and adjusted to the prevailing market rates for the subsequent five-year term. GRIL has the option to terminate the lease agreement in 2021. The Company has determined that this lease was an operating lease on January 1, 2019 and has recorded a right-of-use asset and a corresponding lease liability of $0.3 million. The operating lease expense for the year ended December 31, 2019 and 2018 was insignificant. Included in the “Schedule of Commitments and Contingencies,” below, are the net minimum lease payment obligations relating to this lease as of December 31, 2019.

Loan Facility

From time to time, the Company makes investments in the form of equity or debt in private entities as part of its strategic investments and innovation initiatives. As part of the Company’s participation in such investments, the Company may make funding commitments. As of December 31, 2019, the Company had committed to a loan facility (the “Loan Facility”) of $6.0 million to AccuRisk (see Note 4). As of December 31, 2019, $0.4 million of the Loan Facility was available to AccuRisk. Included in the schedule below is the obligation relating to the Loan Facility as of December 31, 2019 on the assumption that the entire Loan Facility will be drawn by AccuRisk during 2020.

Advisory fee

The Company has entered into an advisory agreement whereby the Company is obligated to pay a minimum of $2.0 million, no earlier than March 2020. Pursuant to the advisory agreement, additional fees may be payable depending on certain events occurring. Included in the schedule below is the minimum obligation relating to the advisory agreement as of December 31, 2019.

Schedule of Commitments and Contingencies

The following is a schedule of future minimum payments required under the above commitments:

	2020	2021	2022	2023	2024	Thereafter	Total
				($ in thousands)			
Operating lease obligations	$ 679	$ 62	$ 62	$ —	$ —	$ —	$ 803
Interest and convertible note payable	4,000	4,000	4,000	104,000	—	—	116,000
Loan facility	350	—	—	—	—	—	350
Advisory fee	2,000	—	—	—	—	—	2,000
	$ 7,029	$ 4,062	$ 4,062	$ 104,000	$ —	$ —	$ 119,153

Litigation

From time to time in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company’s reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes cannot be predicted with certainty, the Company does not believe that any existing dispute, when finally resolved, will have a material adverse effect on the Company's business, financial condition or operating results.

16. SEGMENT REPORTING

The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance.

Substantially all of the business is sourced through reinsurance brokers. The following table sets forth the premiums generated through our largest brokers and their subsidiaries and affiliates:

	Year ended December 31					
	2019		2018		2017	
	($ in thousands)					
Guy Carpenter (Marsh)	$ 297,150	56.7%	$ 376,696	66.4%	$ 366,390	52.9%
Trean Re	85,323	16.3	45,446	8.0	54,799	7.9
Aon Benfield	41,071	7.8	70,554	12.4	125,320	18.1
Total of largest brokers	$ 423,544	80.8%	$ 492,696	86.8%	$ 546,509	78.9%
All others	100,433	19.2	74,835	13.2	146,142	21.1
Total	$ 523,977	100.0%	$ 567,531	100.0%	$ 692,651	100.0%

The following tables provide a breakdown of the Company's gross premiums written by line and class of business, and by geographic area of risks insured for the periods indicated:

Gross Premiums Written by Line of Business

	Year ended December 31					
	2019		2018		2017	
	($ in thousands)					
Property						
Commercial	$ 14,165	2.7%	$ 10,487	1.8%	$ 12,256	1.8%
Motor	59,402	11.3	76,425	13.5	71,188	10.2
Personal	12,390	2.4	14,118	2.5	49,491	7.2
Total Property	85,957	16.4	101,030	17.8	132,935	19.2
Casualty						
General Liability	2,401	0.5	1,429	0.3	4,753	0.7
Motor Liability	233,591	44.6	291,690	51.4	281,551	40.6
Professional Liability (1)	(448)	(0.1)	3,068	0.5	8,703	1.3
Workers' Compensation	50,369	9.6	24,101	4.3	24,803	3.6
Multi-line	76,461	14.6	57,497	10.1	123,340	17.8
Total Casualty	362,374	69.2	377,785	66.6	443,150	64.0
Other						
Accident & Health	39,175	7.5	69,605	12.2	66,800	9.6
Financial	23,087	4.4	16,611	2.9	48,380	7.0
Marine	160	—	394	0.1	—	—
Other Specialty	13,224	2.5	2,106	0.4	1,386	0.2
Total Other	75,646	14.4	88,716	15.6	116,566	16.8
	$ 523,977	100.0%	$ 567,531	100.0%	$ 692,651	100.0%

(1) The negative balance represents the reversal of premiums due to premium adjustments, termination of contracts or premium returned upon novation or commutation of contracts.

Gross Premiums Written by Geographic Area of Risks Insured

	Year ended December 31					
	2019		2018		2017	
	($ in thousands)					
U.S. and Caribbean	$ 435,458	83.1%	$ 507,705	89.5%	$ 606,510	87.6%
Worldwide (1)	84,728	16.2	59,366	10.5	86,714	12.5
Europe (2)	(13)	—	506	—	(612)	(0.1)
Asia (2)	3,804	0.7	(46)	—	39	—
	$ 523,977	100.0%	$ 567,531	100.0%	$ 692,651	100.0%

(1) "Worldwide" is composed of contracts that reinsure risks in more than one geographic area and may include risks in the U.S.

(2) The negative balances represent the reversal of premiums due to premium adjustments, termination of contracts or premium returned upon novation or commutation of contracts.

17. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The following table presents the quarterly financial results for each of the quarters ended during 2019:

	2019 Quarter ended			
	March 31	June 30	September 30	December 31
	($ in thousands, except per share amounts)			
Revenues				
Gross premiums written	$ 162,560	$ 152,340	$ 110,607	$ 98,470
Gross premiums ceded	(21,401)	(23,141)	(4,035)	(90)
Net premiums written	141,159	129,199	106,572	98,380
Change in net unearned premium reserves	(15,797)	(8,758)	22,582	10,243
Net premiums earned	125,362	120,441	129,154	108,623
Income (loss) from investment in related party investment fund	30,756	14,405	6,609	(5,714)
Net investment income (loss)	1,567	4,386	3,312	(3,054)
Other income (expense), net	1,069	1,117	(887)	1,007
Total revenues	158,754	140,349	138,188	100,862
Expenses				
Net loss and loss adjustment expenses incurred	122,865	78,476	92,962	94,184
Acquisition costs	21,526	37,172	30,962	27,424
General and administrative expenses	6,840	7,919	7,725	7,338
Interest expense	1,544	1,562	1,578	1,579
Total expenses	152,775	125,129	133,227	130,525
Income (loss) before income tax expense	5,979	15,220	4,961	(29,663)
Income tax (expense) benefit	(73)	94	179	(683)
Net income (loss) attributable to Greenlight Capital Re, Ltd.	$ 5,906	$ 15,314	$ 5,140	$ (30,346)
Earnings (loss) per share				
Basic	$ 0.16	$ 0.42	$ 0.14	$ (0.84)
Diluted	$ 0.16	$ 0.42	$ 0.14	$ (0.84)
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	35,972,665	36,100,665	36,841,623	36,121,023
Diluted	36,364,358	36,829,963	36,921,490	36,121,023

The following table presents the quarterly financial results for each of the quarters ended during 2018:

	2018 Quarter ended			
	March 31	**June 30**	**September 30**	**December 31**
	($ in thousands)			
Revenues				
Gross premiums written	$ 175,125	$ 142,109	$ 115,154	$ 135,143
Gross premiums ceded	(29,843)	(27,237)	(15,456)	(30,252)
Net premiums written	145,282	114,872	99,698	104,891
Change in net unearned premium reserves	562	13,944	14,406	14,708
Net premiums earned	145,844	128,816	114,104	119,599
Income (loss) from investment in related party investment fund	—	—	(10,025)	(50,548)
Net investment income (loss)	(145,216)	(40,656)	(70,851)	(5,810)
Other income (expense), net	(487)	(76)	(683)	(982)
Total revenues	141	88,084	32,545	62,259
Expenses				
Net loss and loss adjustment expenses incurred	95,824	84,815	86,780	96,454
Acquisition costs	44,209	34,623	28,331	38,312
General and administrative expenses	5,956	6,958	7,136	5,123
Interest expense	—	—	927	1,578
Total expenses	145,989	126,396	123,174	141,467
Income (loss) before income tax	(145,848)	(38,312)	(90,629)	(79,208)
Income tax (expense) benefit	770	323	355	(1,780)
Net income (loss)	(145,078)	(37,989)	(90,274)	(80,988)
Loss (income) attributable to non-controlling interest in related party joint venture	2,326	621	1,159	169
Net income (loss) attributable to Greenlight Capital Re, Ltd.	$ (142,752)	$ (37,368)	$ (89,115)	$ (80,819)
Earnings (loss) per share				
Basic	$ (3.85)	$ (1.01)	$ (2.48)	$ (2.25)
Diluted	$ (3.85)	$ (1.01)	$ (2.48)	$ (2.25)
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	37,087,169	36,952,472	35,952,472	35,952,472
Diluted	37,087,169	36,952,472	35,952,472	35,952,472

GREENLIGHT CAPITAL RE, LTD.
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2019

(expressed in thousands of U.S. dollars)

Type of Investment	Cost	Fair Value	Balance Sheet Value
		($ in thousands)	
Other investments			
Private investments and unlisted equities	$ 10,420	$ 10,681	$ 10,681
Investment accounted for under the equity method	NA	5,703	5,703
Total other investments	10,420	16,384	16,384
Total investments	$ 10,420	$ 16,384	$ 16,384

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS — PARENT COMPANY ONLY
(expressed in thousands of U.S. dollars)

	December 31, 2019	December 31, 2018
	($ in thousands)	
Assets		
Other investments	$ 1,000	$ 800
Cash and cash equivalents	2	3
Investment in subsidiaries	557,835	553,323
Notes receivable (net of valuation allowance)	10,469	21,965
Due from subsidiaries	8,200	—
Total assets	$ 577,506	$ 576,091
Liabilities and equity		
Liabilities		
Convertible senior notes payable	$ 93,514	$ 91,185
Other liabilities	1,611	—
Due to subsidiaries	5,198	7,619
Total liabilities	100,323	98,804
Shareholders' equity		
Share capital	3,699	3,638
Additional paid-in capital	503,547	499,726
Retained earnings (deficit)	(30,063)	(26,077)
Total shareholders' equity	477,183	477,287
Total liabilities and equity	$ 577,506	$ 576,091

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENT OF OPERATIONS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year ended December 31		
	2019	2018	2017
	($ in thousands)		
Revenue			
Net investment income	$ 522	$ 1,574	$ 34,487
Total revenues	522	1,574	34,487
Expenses			
General and administrative expenses	6,496	4,445	4,691
Interest expense	6,263	2,505	—
Total expenses	12,759	6,950	4,691
Net income (loss) before equity in earnings of consolidated subsidiaries	(12,237)	(5,376)	29,796
Equity in earnings of consolidated subsidiaries	8,251	(344,678)	(74,748)
Consolidated net income (loss)	$ (3,986)	$ (350,054)	$ (44,952)

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF CASH FLOWS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year Ended December 31		
	2019	**2018**	**2017**
	($ in thousands)		
Cash provided by (used in) operating activities			
Net income (loss)	(3,986)	(350,054)	(44,952)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Equity in earnings of consolidated subsidiaries	(8,251)	344,678	74,748
Net change in unrealized gains and losses on investments	(200)	—	—
Share-based compensation expense	3,686	4,382	4,691
Amortization and interest expense	2,329	2,505	—
Net change in			
Due from subsidiaries	(8,200)	876	(876)
Other liabilities	1,611	—	—
Due from subsidiaries	(2,421)	7,619	(29,023)
Net cash provided by (used in) operating activities	(15,432)	10,006	4,588
Investing activities			
Purchase of investments	—	(800)	—
Change in note receivable	11,496	(6,610)	(191)
Contributed surplus to subsidiaries, net	3,935	(82,750)	(1,500)
Net cash provided by (used in) investing activities	15,431	(90,160)	(1,691)
Financing activities			
Net proceeds from issuance of convertible senior notes payable, net of costs	—	96,576	—
Repurchase of Class A ordinary shares	—	(16,503)	(2,819)
Net cash provided by (used in) financing activities	—	80,073	(2,819)
Net increase (decrease) in cash and cash equivalents	(1)	(81)	78
Cash and cash equivalents at beginning of the year	3	84	6
Cash and cash equivalents at end of the year	2	3	84
Supplementary information			
Non cash consideration from (to) subsidiaries, net	(196)	(242)	(162)

SCHEDULE III

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY INSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(expressed in thousands of U.S. dollars)

Year	Segment	Deferred acquisition costs, net	Reserves for losses and loss adjustment expenses – gross	Unearned premiums – gross	Net premiums earned	Total investment related income (loss)	Net losses, and loss adjustment expenses	Amortization of deferred acquisition costs	Other operating expenses	Gross premiums written
2019	Property & Casualty	$ 49,665	$ 470,588	$ 179,460	$ 483,580	$ 52,267	$ 388,487	$ 117,084	$ 29,822	$ 523,977
2018	Property & Casualty	$ 49,929	$ 482,662	$ 211,789	$ 508,363	$ (323,106)	$ 363,873	$ 145,475	$ 25,173	$ 567,531
2017	Property & Casualty	$ 62,350	$ 464,380	$ 255,818	$ 626,004	$ 20,231	$ 502,404	$ 161,740	$ 26,356	$ 692,651

SCHEDULE IV

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY REINSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(expressed in thousands of U.S. dollars)

Year	Segment	Direct gross premiums	Premiums ceded to other companies	Premiums assumed from other companies	Net written premiums	Percentage of amount assumed to net
2019	Property & Casualty	$ —	$ 48,667	$ 523,977	$ 475,310	110%
2018	Property & Casualty	$ —	$ 102,788	$ 567,531	$ 464,743	122%
2017	Property & Casualty	$ —	$ 56,587	$ 692,651	$ 636,064	109%