Consolidated Financial Statements of

GREENLIGHT CAPITAL RE, LTD.

December 31, 2020 and 2019

GREENLIGHT CAPITAL RE, LTD.

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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 (the Company's) internal control over financial reporting as of December 31, 2020, 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, 2020, 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, 2020 and 2019, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and schedules, and our report dated March 10, 2021 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 - Controls and Procedures - 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 U.S.A.
March 10, 2021

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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 the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Greenlight Capital Re, Ltd. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 10, 2021 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, 2020 and 2019, and for the years ended December 31, 2020 and 2019, and the period from September 1, 2018 (commencement of operations) through December 31, 2018. The Company's investment in Solasglas Investments, LP as of December 31, 2020 and 2019 was $166.7 million and $240.1 million, respectively, and its equity in net income (loss) of Solasglas Investments, LP was $4.4 million and $46.1 million for the years ended December 31, 2020 and 2019, respectively, and was $(60.6) million for the period from September 1, 2018 (commencement of operations) to December 31, 2018. 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 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Incurred But Not Reported (IBNR) Loss Reserves

As described in Note 2 and Note 7 to the Company's consolidated financial statements, the Company's loss and loss adjustment expense reserves were $494.2 million for the year ended December 31, 2020. The total reserve was made up of $176.8 million of case reserves and $317.4 million of IBNR reserves. Case reserves have resulted from claims notified to the Company by its clients. IBNR reserves relate to claims that have been incurred by insureds and reinsureds but have not yet been reported to the insurer or reinsurer, including unknown future developments on amounts already known by the insurer or reinsurer. The calculation of the IBNR reserves requires the Company's reserving actuaries to calculate a best, or "point" estimate of reserves for each contract. To calculate this estimate, a number of different actuarial methodologies and key assumptions are weighted and applied to each individual contract.

We identified the IBNR portion of the Company's loss and loss adjustment expense reserves as a critical audit matter. The Company's actuarial methodologies and key assumptions used to calculate IBNR reserves are highly subjective and can have a significant impact on the loss and loss adjustment expense reserve. Auditing these methodologies and key assumptions used involves a high degree of subjective auditor judgment due to the assessment of risk and nature and extent of specialized skill and knowledge needed to address the risk.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and effectiveness of the controls relating to management's loss reserving process, including:
  - Management's review of the completeness and accuracy of source data provided by cedents.
  - Management's review of internally selected actuarial methodologies and key assumptions used.
  - Management's review of the independent external actuarial report, which includes an independent recommended reserve balance. A comparison is performed between the Company's internal reserves balance and the recommended balance per the independent external actuary.
- Reviewing the development of prior year estimates of IBNR reserves.
- Testing the completeness and accuracy of the source information used by the Company and any additional source information used by BDO's actuarial specialists to calculate the IBNR reserves.
- Utilizing personnel with specialized knowledge and skill in actuarial services to evaluate the reasonableness of the Company's loss and loss adjustment expense reserves by developing an independent estimate and reasonable range of actuarial central estimates based on an alternative combination of methods, assumptions and/or segmentation of the data.

BDO USA, LLP

We have served as the Company's auditor since 2006.
Grand Rapids, Michigan U.S.A.
March 10, 2021

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Building a better working world

Report of Independent Registered Public Accounting Firm

The General Partner
Solasglas Investments, LP

Opinion on the Financial Statements

We have audited the accompanying statements of assets, liabilities and partners' capital of Solasglas Investments, LP (the "Partnership"), including the condensed schedules of investments, as of December 31, 2020 and 2019, and the related statements of operations, changes in partners' capital and cash flows for the years ended December 31, 2020, 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, 2020 and 2019, and the results of its operations, changes in its partners' capital and its cash flows for the years ended December 31, 2020, 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.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to those charged with governance and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Ernst & Young Ltd.

We have served as the Partnership's auditor since 2018.
March 10, 2021

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019
(expressed in thousands of U.S. dollars, except per share and share amounts)

	December 31, 2020	December 31, 2019
Assets		
Investments		
Investment in related party investment fund	$ 166,735	$ 240,056
Other investments	29,418	16,384
Total investments	196,153	256,440
Cash and cash equivalents	8,935	25,813
Restricted cash and cash equivalents	745,371	742,093
Reinsurance balances receivable (net of allowance for expected credit losses of $89 and $0)	330,232	230,384
Loss and loss adjustment expenses recoverable (net of allowance for expected credit losses of $47 and $0)	16,851	27,531
Deferred acquisition costs	51,014	49,665
Unearned premiums ceded	—	901
Notes receivable (net of allowance for expected credit losses - see Note 2)	6,101	20,202
Other assets	2,993	2,164
Total assets	$ 1,357,650	$ 1,355,193
Liabilities and equity		
Liabilities		
Loss and loss adjustment expense reserves	494,179	470,588
Unearned premium reserves	201,089	179,460
Reinsurance balances payable	92,247	122,665
Funds withheld	4,475	4,958
Other liabilities	5,009	6,825
Convertible senior notes payable	95,794	93,514
Total liabilities	892,793	878,010
Shareholders' 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, 28,260,075 (2019: 30,739,395): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding, 6,254,715 (2019: 6,254,715))	3,452	3,699
Additional paid-in capital	488,488	503,547
Retained earnings (deficit)	(27,083)	(30,063)
Total shareholders' equity	464,857	477,183
Total liabilities and equity	$ 1,357,650	$ 1,355,193

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

For the years ended December 31, 2020, 2019, and 2018
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2020	2019	2018
Revenues			
Gross premiums written	$ 479,791	$ 523,977	$ 567,531
Gross premiums ceded	(2,268)	(48,667)	(102,788)
Net premiums written	477,523	475,310	464,743
Change in net unearned premium reserves	(22,112)	8,270	43,620
Net premiums earned	455,411	483,580	508,363
Income (loss) from investment in related party investment fund (net of related party expenses of $3,251, $9,874, and $3,100, respectively)	4,431	46,056	(60,573)
Net investment income (loss)	21,101	6,211	(262,533)
Other income (expense), net	3,149	2,306	(2,228)
Total revenues	484,092	538,153	183,029
Expenses			
Net loss and loss adjustment expenses incurred	337,833	388,487	363,873
Acquisition costs	109,288	117,084	145,475
General and administrative expenses	26,401	29,822	25,173
Interest expense	6,280	6,263	2,505
Total expenses	479,802	541,656	537,026
Income (loss) before income tax	4,290	(3,503)	(353,997)
Income tax (expense) benefit	(424)	(483)	(332)
Net income (loss)	3,866	(3,986)	(354,329)
Loss attributable to non-controlling interest in related party joint venture	—	—	4,275
Net income (loss) attributable to Greenlight Capital Re, Ltd.	$ 3,866	$ (3,986)	$ (350,054)
Earnings (loss) per share			
Basic	$ 0.11	$ (0.11)	$ (9.74)
Diluted	$ 0.11	$ (0.11)	$ (9.74)
Weighted average number of ordinary shares used in the determination of earnings and loss per share			
Basic	36,172,216	36,079,419	35,951,659
Diluted	36,278,028	36,079,419	35,951,659

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

For the years ended December 31, 2020, 2019, and 2018
(expressed in thousands of U.S. dollars)

	Year ended December 31		
	2020	**2019**	**2018**
Ordinary share capital			
Beginning balance	$ 3,699	$ 3,638	$ 3,736
Issue of Class A ordinary shares, net of forfeitures	8	61	20
Repurchase of Class A ordinary shares	(255)	—	(118)
Ending balance	3,452	3,699	3,638
Additional paid-in capital			
Beginning balance	503,547	499,726	503,316
Repurchase of Class A ordinary shares	(17,526)	—	(16,090)
Share-based compensation expense	2,467	3,821	4,604
Issuance of convertible notes	—	—	7,896
Ending balance	488,488	503,547	499,726
Retained earnings (deficit)			
Beginning balance	(30,063)	(26,077)	324,272
Repurchase of Class A ordinary shares	—	—	(295)
Cumulative effect of adoption of accounting guidance for expected credit losses at January 1, 2020	(886)	—	—
Net income (loss) attributable to Greenlight Capital Re, Ltd.	3,866	(3,986)	(350,054)
Ending balance	(27,083)	(30,063)	(26,077)
Non-controlling interest in joint venture			
Beginning balance	—	485	12,933
Change in non-controlling interest in related party joint venture	—	(485)	(12,448)
Ending balance	—	—	485
Total shareholders' equity	$ 464,857	$ 477,183	$ 477,772

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
For the years ended December 31, 2020, 2019, and 2018
(expressed in thousands of U.S. dollars)

	2020	2019	2018
Cash provided by (used in) operating activities			
Net income (loss)	$ 3,866	$ (3,986)	$ (354,329)
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	(4,431)	(46,056)	60,573
Loss (income) from investment accounted for under the equity method	(843)	(700)	247
Net change in unrealized gains and losses on investments and notes receivable	(25,159)	(8,380)	32,597
Net realized (gains) losses on investments and notes receivable	9,234	14,150	236,887
Foreign exchange (gains) losses on investments	83	270	186
Current expected credit losses recognized on notes receivable and reinsurance assets	(750)	—	—
Share-based compensation expense	2,475	3,882	4,624
Amortization and interest expense, net of change in accruals	2,280	2,329	2,505
Depreciation expense	21	21	260
Net change in			
Reinsurance balances receivable	(99,937)	69,867	1,511
Loss and loss adjustment expenses recoverable	10,633	16,174	(14,246)
Deferred acquisition costs	(1,349)	264	12,421
Unearned premiums ceded	901	24,080	139
Other assets, excluding depreciation	(850)	374	411
Loss and loss adjustment expense reserves	23,591	(12,074)	18,282
Unearned premium reserves	21,629	(32,329)	(44,029)
Reinsurance balances payable	(30,418)	(16,553)	(4,840)
Funds withheld	(483)	(11,460)	(7,161)
Other liabilities	(1,816)	1,758	(5,346)
Net cash provided by (used in) operating activities	(91,323)	1,631	(59,308)
Investing activities			
Proceeds from redemptions from related party investment fund	158,347	114,077	96,635
Contributions to related party investment fund	(80,595)	(35,792)	(268,317)
Purchases of investments	(1,993)	(4,702)	(402,244)
Sales of investments	—	—	1,002,374
Payments for financial contracts	—	—	(129,907)
Proceeds from financial contracts	—	—	44,596
Securities sold, not yet purchased	—	—	340,693
Dispositions of securities sold, not yet purchased	—	—	(844,379)
Change in due to related party investment fund	—	(9,642)	—
Change in due to prime brokers and other financial institutions	—	—	(672,700)
Notes receivable collected, net	19,867	671	1,636
Non-controlling interest withdrawal from related party joint venture, net	—	(1,278)	(13,650)
Net cash provided by (used in) investing activities	95,626	63,334	(845,263)
Financing activities			
Net proceeds from issuance of convertible senior notes payable, net of costs	—	—	96,576
Repurchase of Class A ordinary shares	(17,781)	—	(16,503)
Net cash provided by (used in) financing activities	(17,781)	—	80,073
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(122)	(290)	(3,369)
Net increase (decrease) in cash, cash equivalents and restricted cash	(13,600)	64,675	(827,867)
Cash, cash equivalents and restricted cash at beginning of the period (see Note 2)	767,906	703,231	1,531,098
Cash, cash equivalents and restricted cash at end of the period (see Note 2)	$ 754,306	$ 767,906	$ 703,231
Supplementary information			
Interest paid in cash	$ 4,000	$ 3,933	$ 11,088
Income tax paid in cash	—	—	4
Non-cash transfer of investments	—	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 Act, 2010 (as amended) and underlying regulations thereto (the "Act") and is subject to regulation by the Cayman Islands Monetary Authority, in terms of the Act. 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. In 2020, Greenlight Re Marketing (UK) Limited ("Greenlight Re UK"), a wholly-owned subsidiary of GLRE was established to increase the Company's presence in the London market. As used herein, the "Company" refers collectively to GLRE and its consolidated subsidiaries.

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 Greenlight Re UK. All significant intercompany transactions and balances have been eliminated on consolidation.

The global pandemic related to the novel coronavirus (the "COVID-19 pandemic") is having a significant adverse impact on the property and casualty insurance and reinsurance industry. The Company has included in the loss and loss adjustment reserves, its best estimate of losses arising from the COVID-19 pandemic. However, there remains considerable uncertainty relating to the ultimate losses, which will depend on the extent and duration of economic contraction, impact of recent court rulings, and outcomes of pending court cases. Accordingly, significant estimates used in the preparation of the Company's consolidated financial statements including those associated with premiums, expected credit losses on amounts owed to us and the estimations of loss and loss adjustment expense reserves may be subject to significant adjustments in future periods.

2. SIGNIFICANT ACCOUNTING POLICIES

In the first quarter of 2020, the Company adopted ASU No. 2016-13, Financial Instruments - Credit Losses ("ASU 2016-13") which requires an entity to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. ASU 2016-13 was effective for public business entities for annual and interim periods beginning after December 15, 2019. The financial assets included in the captions "Reinsurance balances receivable," "Loss and loss adjustment expenses recoverable" (collectively, "Reinsurance Assets") and "Notes receivable," in the Company's consolidated balance sheets are carried at amortized cost and therefore affected by ASU 2016-13. Other than the changes relating to the adoption of ASU 2016-13, there have been no changes to the Company's 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 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, 2020	December 31, 2019
	($ in thousands)	
Cash and cash equivalents	$ 8,935	$ 25,813
Restricted cash and cash equivalents	745,371	742,093
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	$ 754,306	$ 767,906

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 (referred to as "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 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, 2020, $10.9 million of profit commission reserves were recoverable (December 31, 2019: $1.2 million payable). The recovery of profit commissions was related to mortgage contracts based on increases in loss reserves recorded by the Company during 2020. For the year ended December 31, 2020, net profit commission expense (income) of $(7.7) million, (2019: $6.7 million, 2018: $18.2 million) 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.

Funds Held by Cedents

The caption "Reinsurance balances receivable" in the Company's consolidated balance sheets includes amounts held by cedents and Funds at Lloyd's provided to support the reinsurance contracts with Lloyd's syndicates. As of December 31, 2020, funds held by cedents were $127.6 million (2019: $68.0 million).

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 catastrophe 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.

The Company does not typically experience significant claims processing backlogs, although such backlogs may occur following a major catastrophic event. At December 31, 2020 and 2019, the Company 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, 2020.

Reinsurance Assets

Upon adoption of ASU 2016-13, the Company calculated an allowance for expected credit losses for its reinsurance balances receivable and loss and loss adjustment expenses recoverable by applying a Probability of Default ("PD") / Loss Given Default ("LGD") model that considers both the Company's collectibility history on its reinsurance assets as well as representative external loss history. The external loss history that the Company uses includes a long-term probability of liquidation study specific to insurance companies. Additionally, the life of each of the Company's reinsurance treaties is also considered as the probability of default is calculated over the contractual length of the reinsurance contracts.

The credit worthiness of a counterparty is evaluated by considering the credit ratings assigned by independent agencies and individually evaluating all the counterparties. The Company manages its credit risk in its reinsurance assets by transacting with insurers and reinsurers that it considers financially sound.

For its retrocessionaire counterparties that are unrated, the Company may hold collateral in the form of funds withheld, trust accounts and/or irrevocable letters of credit. In evaluating credit risk associated with reinsurance balances receivable, the Company considers its right to offset loss obligations or unearned premiums against premiums receivable. The Company regularly evaluates its net credit exposure to assess the ability of retrocessionaires to honor their respective obligations.

Upon adoption of ASU 2016-13, the Company recorded an allowance for expected credit loss on its Reinsurance Assets of $0.1 million with an offset to retained earnings. At December 31, 2020, the allowance for expected credit losses was $0.1 million.

Notes Receivable

Notes receivable represent promissory notes receivable from third parties. These notes are recorded at cost plus accrued interest, if any, net of valuation allowance for expected credit losses. Interest income, changes in the allowance for expected credit losses and unrealized and realized gains or losses on the notes receivable are included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations.

The allowance for expected credit losses is calculated using a PD / LGD model that takes into account the Company's experience as well as representative external loss history. The expected loss percentage is calculated as the product of the PD and LGD for each period over the life of a note. The Company evaluates the financial condition of the notes receivable counterparties and monitors its exposure on a regular basis. At December 31, 2020, the Company considers the note receivable balance to be collectible and has not experienced any default on payments since inception of this note in 2018.

During the year ended December 31, 2020 the Company agreed to settle a promissory note that had been entered into with a reinsurance counterparty in 2015. The Company's amortized cost associated with the promissory note at the date of settlement was $13.3 million. In connection with this settlement, the Company received $19.1 million, resulting in a gain of $5.8 million that was included in "net investment income (loss)" in the Company's consolidated statements of operations.

At December 31, 2020 and 2019, $0.1 million and $0.1 million, respectively, of accrued interest was included in the caption “Notes receivable” in the Company’s consolidated balance sheets. 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 collectibility of the remaining recorded value of the notes placed on non-accrual status, the Company immediately reverses any previous accrued interest through interest income and any payments received are applied to reduce the recorded value of the notes. The allowance for expected credit losses for notes receivable is calculated on the amortized cost excluding accrued interest and interest written off due to non-accrual status.

Charge offs of notes receivable are recorded when all or a portion of the financial asset is deemed uncollectible. Full or partial charge offs are recorded as reductions to the amortized cost and deducted from the allowance in the period in which the note receivable is deemed uncollectible. In instances where the Company collects cash that it has previously charged off, the recovery will be recognized through earnings or as a reduction of the amortized cost for interest and principal, respectively.

The following table provides a roll-forward of the Company’s allowance for credit losses on notes receivable:

	Year ended December 31		
	2020	**2019**	**2018**
		($ in thousands)	
Balance at beginning of period	$ 15,000	$ 9,012	$ 9,012
Cumulative effect of adoption of ASU 2016-13 at January 1, 2020	750	—	—
Charge offs	(15,000)	—	—
Net increase (decrease) in allowance	(750)	5,988	—
Balance at end of period	$ —	$ 15,000	$ 9,012

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, 2020, deposit assets and deposit liabilities were $4.6 million and $31.0 million, respectively (December 31, 2019: $5.2 million and $56.9 million, respectively). For the years ended December 31, 2020, 2019, and 2018, the interest income/(expense) on deposit accounted contracts was as follows:

	Year ended December 31		
	2020	**2019**	**2018**
		($ in thousands)	
Deposit interest income	$ 1,711	$ 3,316	$ 1,224
Deposit interest expense	—	(543)	(1,510)
Deposit interest income (expense), net	$ 1,711	$ 2,773	$ (286)

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 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 “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.

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 maximum of 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 significant 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.

Derivative instruments

The Company's derivative financial instruments are recognized in the consolidated balance sheets at their fair values with any changes in unrealized gains and losses included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations.

The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the consolidated balance sheets on a gross basis and not offset against any collateral pledged or received.

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 in-the-money 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, 2020, 2019, and 2018:

	Year ended December 31		
	2020	**2019**	**2018**
Weighted average shares outstanding - basic	36,172,216	36,079,419	35,951,659
Effect of dilutive employee and director share-based awards	105,812	—	—
Weighted average shares outstanding - diluted	36,278,028	36,079,419	35,951,659
Anti-dilutive stock options outstanding	835,627	875,627	935,627
Participating securities excluded from calculation of loss per share	—	936,669	432,457

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% (2019: 21%). Verdant's tax years 2017 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. Other than this valuation allowance, the Company has not taken any income tax positions that are subject to significant uncertainty that is reasonably likely to have a material impact on the Company.

Segment Information

The Company has one operating segment, Property and Casualty Reinsurance.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Adopted

As discussed above, the Company adopted ASU 2016-13 during the first quarter of 2020 using a modified retrospective transition method. The adoption resulted in a cumulative-effect adjustment to reduce retained earnings by $0.9 million as of January 1, 2020.

Recently Issued Accounting Standards Not Yet Adopted

In January 2020, the FASB issued ASU No. 2020-01, Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force) ("ASU 2020-01"). The amendments in ASU 2020-01 clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. ASU 2020-01 is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The adoption of ASU 2020-01 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). ASU 2020-06 is designed to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The amendments remove the separation models in Subtopic 470-20 for certain contracts. As a result, embedded conversion features would not be presented separately in equity; rather, the contract would be accounted for as a single liability measured at its amortized cost. Subtopic 815-40 simplifies the analysis of whether an embedded conversion feature meets the derivative scope exception for contracts that are indexed to, and classified in, stockholders equity, as well as addresses the computation of earnings per share for convertible debt instruments. ASU 2020-06 requires the application of the if-converted method when calculating diluted earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021 using either a modified retrospective method of transition or a fully retrospective method of transition. Early adoption is permitted no earlier than for fiscal years beginning after December 15, 2020. The Company is currently evaluating the effect that the new standard will have on its consolidated financial statements.

3. INVESTMENT IN RELATED PARTY INVESTMENT FUND

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. DME, DME II (as defined below) 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 (as amended by that certain letter agreement dated as of August 5, 2020, the "SILP LPA") of Solasglas Investments, LP ("SILP"), with DME Advisors II, LLC ("DME II"), as General Partner, Greenlight Re and GRIL, (together the "GLRE Limited Partners"), 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. On September 1, 2018, SILP also entered into a SILP investment advisory agreement ("IAA") with DME Advisors pursuant to which DME Advisors is the investment manager for SILP.

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."

During 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 significant proportion of the Company's investment assets in SILP was held in cash and short-term treasuries as of December 31, 2019. On August 5, 2020, the Company entered into an amended and restated letter agreement with DME Advisors and DME II whereby the deployed Investment Portfolio can not exceed an amount equal to 50% of the Company's shareholders' equity, as reported in the Company's then most recent quarterly U.S. GAAP financial statements, adjusted monthly for investment gains and losses as reported by SILP during any intervening period.

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, 2020, the net asset value of the GLRE Limited Partners’ investment in SILP was $166.7 million (2019: $240.1 million), representing 75.7% (2019: 81.0%) of SILP’s total net assets. The remaining 24.3% (2019: 19.0%) 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, 2020, the majority of SILP’s long investments are composed of cash and publicly-traded equity securities, which can be readily liquidated to meet the GLRE Limited Partners’ redemption requests.

The Company’s share of the change in the net asset value of SILP for the years ended December 31, 2020, and 2019 and the period from September 1, 2018 (commencement of operations) to December 31, 2018 was $4.4 million, $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. The change in the net asset value of SILP for the year ended December 31, 2020 was primarily driven by withdrawals made by the GLRE Limited Partners for paying claims and posting collateral to reinsurance clients.

As of December 31, 2020, the Company’s investments in SILP was in excess of 10% of the Company’s total shareholders’ equity, with fair value of $166.7 million (2019: $240.1 million), representing 35.9% (2019: 50.3%), of total shareholders’ equity.

The Company has determined that for its fiscal year ended December 31, 2020, 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, 2020	December 31, 2019
	($ in thousands)	
Assets		
Investments, at fair value	$ 272,398	$ 162,928
Derivative contracts, at fair value	1,450	6,324
Due from brokers	92,053	68,060
Cash and cash equivalents	—	111,046
Interest and dividends receivable	59	47
Total assets	365,960	348,405
Liabilities and partners’ capital		
Liabilities		
Investments sold short, at fair value	(131,902)	(47,834)
Derivative contracts, at fair value	(4,156)	(2,054)
Due to brokers	(9,179)	(1,180)
Interest and dividends payable	(429)	(828)
Other liabilities	(175)	(101)
Total liabilities	(145,841)	(51,997)
Net Assets	**$ 220,119**	**$ 296,408**
GLRE Limited Partners’ share of Net Assets	**$ 166,735**	**$ 240,056**

Summarized Statement of Operations of Solasglas Investments, LP

	Year ended December 31 2020	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)	$ 1,365	$ 3,179	$ 2,160
Interest income	654	3,884	1,868
Total Investment income	2,019	7,063	4,028
Expenses			
Management fee	(2,808)	(4,893)	(3,100)
Interest	(798)	(2,408)	(2,627)
Dividends	(861)	(1,670)	(1,608)
Professional fees and other	(949)	(1,141)	(483)
Total expenses	(5,416)	(10,112)	(7,818)
Net investment income (loss)	(3,397)	(3,049)	(3,790)
Realized and change in unrealized gains (losses)			
Net realized gain (loss)	(61,616)	34,539	(80,996)
Net change in unrealized appreciation (depreciation)	71,948	28,515	14,789
Net gain (loss) on investment transactions	10,332	63,054	(66,207)
Net income (loss)	$ 6,935	$ 60,005	$ (69,997)
GLRE Limited Partners' share of net income (loss) (1)	$ 4,431	$ 46,056	$ (60,573)

[1] Net income (loss) is net of management fees and performance allocation presented below:

	Year ended December 31 2020	Year ended December 31 2019	From September 1, 2018 (commencement of operations) to December 31, 2018
		($ in thousands)	
Management fees	$ 2,808	$ 4,893	$ 3,100
Performance allocation	$ 443	$ 4,981	$ —
Total	$ 3,251	$ 9,874	$ 3,100

See Note 14 for further details on management fees and performance allocation.

4. FINANCIAL INSTRUMENTS

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, 2020, 2019 and 2018:

	Year ended December 31		
	2020	2019	2018
	($ in thousands)		
Gross realized gains	$ 5,766	$ —	$ 303,674
Gross realized losses	(15,000)	(14,150)	(540,561)
Net realized gains (losses)	$ (9,234)	$ (14,150)	$ (236,887)
Change in unrealized gains and losses	$ 25,909	$ 8,380	$ (32,597)

Investments

Other Investments

The Company's "Other investments" are composed of the following:

- Private investments and unlisted equities, which consist primarily of investments related to Innovations to support technology innovators in the (re)insurance space by providing capital, risk capacity, and access to a broad insurance network,
- Derivative financial instruments associated with the Company's Innovations investments, and
- An investment accounted for under the equity method.

At December 31, 2020, 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	$ 12,414	$ 10,679	$ (1,300)	$ 21,793
Derivative financial instruments (not designated as hedging instruments)	—	1,080	—	1,080
Investment accounted for under the equity method	—	—	—	6,545
Total other investments				$ 29,418

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

Private investments and unlisted equities include securities that do not have readily determinable fair values. The carrying values of these holdings are determined based on their original cost minus impairment, if any, plus or minus changes resulting from observable price changes. At December 31, 2020, the carrying value of private investments and unlisted equities was $21.8 million (2019: $10.7 million), and incorporated upward adjustments of $9.1 million and $0.2 million during the years ended December 31, 2020, and 2019, respectively, excluding any unrealized gains or losses related to changes in foreign currency exchange rates. The net upward adjustments since the acquisition of these private investments was $9.3 million and $0.2 million, as of December 31, 2020 and 2019, respectively.

The Company's investment accounted for under the equity method represents its investment in AccuRisk Holdings LLC ("AccuRisk"), a Chicago, Illinois-based managing general underwriter focused on employee and health insurance benefits. At December 31, 2020, the Company held a 58% (2019: 58%) economic interest in AccuRisk and had provided a $6.0 million credit facility. In addition to providing capital and funding in support of AccuRisk's expansion plans, the Company also provides reinsurance capacity for business produced by AccuRisk. The Company has determined that AccuRisk is a VIE, of which the Company is not the primary beneficiary. The Company's carrying value represents its ownership share of AccuRisk's net assets. The Company's maximum exposure to loss relating to AccuRisk is limited to the carrying amount of its investment, plus the credit facility extended. For the year ended December 31, 2020, the Company's share of AccuRisk's net income (loss) was $0.8 million (2019: $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.

Derivative instruments include warrants issued by certain entities granting the Company the right, but not the obligation, to purchase shares at a specified price on or before the maturity date. During the year ended December 31, 2020, warrants were issued to the Company in connection with certain Innovations-related investments and were not designated as hedging instruments. The Company's maximum exposure to loss relating to these warrants is limited to their carrying amount. The carrying amount represents the fair value which is determined based on the Black-Scholes option pricing model. At December 31, 2020, the carrying value of the derivative instruments was $1.1 million. The Company had no derivative instruments during the year ended December 31, 2019.

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.

The Company's derivative instruments are valued on the basis of Level 3 inputs involving the Black-Scholes option pricing model.The Company used the carrying value of the underlying stock as an input in the option pricing model. The underlying stock does not have readily determinable fair value and is determined based on its original cost minus impairment, if any, plus or minus changes resulting from observable price changes. The other assumptions applied to the option pricing model included risk free rate of 0.50% and estimated volatility of 50%.

For the derivative instruments valued on the basis of Level 3 inputs, the change in unrealized gain for the year ended December 31, 2020 of $1.1 million was included in the caption "Net investment income (loss) in the Company's consolidated statements of operations.

As of December 31, 2020 and 2019, the Company did not carry any other investments at fair value that were assigned a Level within the fair value hierarchy. The Company's investment in the 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 on the related party investment fund).

Financial Instruments Disclosed, But Not Carried, at Fair Value

The captions "Notes receivable (net of allowance for expected credit loss)" and "Convertible senior notes payable" represent financial instruments that are carried at amortized cost. The carrying values of the notes receivable (net of allowance for expected credit loss) approximate their fair values, which the Company has determined on the basis of Level 3 inputs. The fair value of the convertible senior notes payable is estimated based on the bid price observed in an inactive market for the identical instrument (Level 2 input) (see Note 9).

5. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents as of December 31, 2020 and 2019 were composed of cash at banks.

Due to the short term nature of cash and cash equivalents, the carrying values of cash at banks 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, 2020 and 2019, the restricted cash and cash equivalents were composed of the following:

	December 31, 2020		December 31, 2019	
	($ in thousands)			
Cash held as collateral in trust accounts	$	607,751	$	528,686
Cash collateral relating to letters of credit issued		137,620		213,407
Total restricted cash and cash equivalents	$	745,371	$	742,093

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

At December 31, 2020, the loss and loss adjustment expense reserves included estimated amounts for several catastrophe events. For significant catastrophe events including, but not limited to, hurricanes, typhoons, floods, wildfires and pandemics, loss reserves are generally established based on loss payments and case reserves reported by clients when, and if, received. To establish IBNR loss estimates, the Company makes use of, among other things, the following:

- estimates communicated by ceding companies;
- information received from clients, brokers and loss adjusters;
- an understanding of the underlying business written and its exposures to catastrophe event related losses;
- industry data;
- catastrophe scenario modelling software; and
- management’s judgement.

The COVID-19 pandemic is unprecedented. Therefore, the Company does not have previous loss experience on which to base its estimates for loss and loss adjustment expenses related to the COVID-19 pandemic. The determination of the Company's estimate was based on:

- a review of in-force treaties that may provide coverage and incur losses;
- catastrophe and scenario modeling analyses and results shared by cedents;
- preliminary loss estimates received from clients and their analysts and loss adjusters;
- reviews of industry insured loss estimates and market share analyses; and
- management’s judgement.

Significant assumptions on which the Company's estimates of reserves for the COVID-19 pandemic losses and loss adjustment expenses are based include:

- the scope of coverage provided by the underlying policies, particularly those that provide for business interruption coverage;
- the regulatory, legislative or judicial actions and social impact that could influence contract interpretations across the insurance industry;
- the extent of economic contraction caused by the COVID-19 pandemic, particularly in the United States; and
- the ability of the cedents and insured to mitigate some or all of their losses.

While the Company believes its estimate of loss and loss adjustment expense reserves for the COVID-19 pandemic is adequate as of December 31, 2020 based on available information, actual losses may ultimately differ materially from the Company's current estimates. The Company will continue to monitor the appropriateness of its assumptions as new information becomes available and will adjust its estimates accordingly. Such adjustments may be material to the Company's results of operations and financial condition.

There were no significant changes in the actuarial methodology or reserving process related to the Company's loss and loss adjustment expense reserves for the year ended December 31, 2020.

At December 31, 2020 and 2019, loss and loss adjustment expense reserves were composed of the following:

	2020	2019
	($ in thousands)	
Case reserves	$ 176,805	$ 217,834
IBNR	317,374	252,754
Total	$ 494,179	$ 470,588

A summary of changes in outstanding loss and loss adjustment expense reserves for all lines of business consolidated for the years ended December 31, 2020, 2019, and 2018 is as follows:

Consolidated	2020	2019	2018
		($ in thousands)	
Gross balance at January 1	$ 470,588	$ 482,662	$ 464,380
Less: Losses recoverable	(27,531)	(43,705)	(29,459)
Net balance at January 1	443,057	438,957	434,921
Incurred losses related to:			
Current year	333,096	357,237	363,871
Prior years	4,737	31,250	2
Total incurred	337,833	388,487	363,873
Paid losses related to:			
Current year	(109,509)	(167,508)	(160,975)
Prior years	(195,726)	(217,998)	(197,097)
Total paid	(305,235)	(385,506)	(358,072)
Foreign currency revaluation	1,673	1,119	(1,765)
Net balance at December 31	477,328	443,057	438,957
Add: Losses recoverable	16,851	27,531	43,705
Gross balance at December 31	$ 494,179	$ 470,588	$ 482,662

The changes in the outstanding loss and loss adjustment expense reserves for health claims for the years ended December 31, 2020, 2019, and 2018 are as follows:

Health	2020	2019	2018
		($ in thousands)	
Gross balance at January 1	$ 18,063	$ 24,502	$ 22,181
Less: Losses recoverable	—	—	—
Net balance at January 1	18,063	24,502	22,181
Incurred losses related to:			
Current year	35,911	33,736	56,868
Prior years	1,321	3,569	1,508
Total incurred	37,232	37,305	58,376
Paid losses related to:			
Current year	(20,988)	(17,410)	(34,696)
Prior years	(16,822)	(26,334)	(21,359)
Total paid	(37,810)	(43,744)	(56,055)
Foreign currency revaluation	—	—	—
Net balance at December 31	17,485	18,063	24,502
Add: Losses recoverable	—	—	—
Gross balance at December 31	$ 17,485	$ 18,063	$ 24,502

Loss development

Year ended December 31, 2020

During the year ended December 31, 2020, the Company experienced $4.7 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

Adverse developments:

- $7.6 million of adverse loss development on a multi-line contract for treaty years 2015 to 2018, resulting from deterioration in reported claims.
- $1.9 million of adverse loss development on general liability contracts, primarily relating to a 2017 treaty year contract resulting from deterioration in reported claims.
- $1.9 million of adverse loss development on specialty health contracts primarily arising from a few large medical claims reported on the 2019 treaty year.
- $1.5 million of adverse loss development on motor contracts relating to the 2018 and 2019 treaty years, partially offset by favorable loss development on treaty years 2015 to 2017.

Favorable developments:

- $4.5 million of favorable development on prior year property contracts primarily resulting from lower than anticipated losses relating to the 2017 and 2018 catastrophe events, partially offset by adverse loss development on 2019 contracts.
- $2.2 million of favorable loss development on solicitors' professional indemnity contracts resulting primarily from lower than expected claims on prior accident years.
- $1.9 million of favorable loss development on a professional liability contract relating to treaty year 2008 where the reported claims have been lower than those previously anticipated.

The remaining development on prior year loss and LAE reserves recognized in 2020 related to several smaller adjustments made across various lines of business.

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 deterioration 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.

Disclosures about Short Duration Contracts

The Company has 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, 2011 to 2020.

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, crop, cyber, 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, 2020, 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, 2011 to 2019, is presented as unaudited supplementary information. Totals may not sum due to rounding.

Health

	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2020
	For the years ended December 31,										Total IBNR plus expected development on reported claims
Accident year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$36,140	$36,212	$35,821	$35,800	$35,595	$35,595	$35,595	$35,566	$35,566	$ 35,566	$ —
2012		24,712	23,088	22,780	22,681	22,671	22,671	22,658	22,658	22,658	—
2013			30,544	33,841	34,203	33,960	33,945	33,945	33,944	33,935	11
2014				32,875	30,191	29,514	29,072	29,031	28,969	28,964	4
2015					34,097	33,530	34,116	33,894	33,885	33,881	6
2016						37,747	40,889	41,255	41,355	41,305	164
2017							45,007	46,455	46,687	46,535	15
2018								56,868	60,176	59,782	141
2019									33,736	35,673	2,223
2020										35,911	14,922
									Total	$374,209	17,485

Health

	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
Accident year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 26,979	$ 35,542	$ 35,814	$ 35,800	$ 35,595	$ 35,595	$ 35,595	$ 35,566	$ 35,566	$ 35,566
2012		14,896	22,691	22,780	22,679	22,671	22,671	22,658	22,658	22,658
2013			21,459	33,841	34,024	33,957	33,944	33,944	33,944	33,924
2014				19,056	28,515	29,117	29,038	29,032	28,970	28,960
2015					14,529	31,802	34,044	33,894	33,876	33,875
2016						21,881	39,988	41,255	41,162	41,141
2017							23,834	44,125	46,615	46,520
2018								34,696	58,713	59,640
2019									17,410	33,450
2020										20,988
									Total	356,724
					All outstanding liabilities before 2011, net of reinsurance					—
				Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)						$ 17,485

Multiline

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	December 31, 2020 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2012		—	—	—	—	—	—	—	—	—	—
2013			—	—	—	—	—	—	—	—	—
2014				2,390	2,390	2,390	2,609	2,625	2,586	2,653	658
2015					28,005	28,158	30,601	32,108	31,012	32,413	7,574
2016						55,865	60,182	60,904	59,957	62,417	19,549
2017							82,031	79,652	83,421	85,251	31,017
2018								59,091	51,147	54,038	21,623
2019									46,442	45,414	21,877
2020										59,121	46,562
									Total	$ 341,307	$ 148,861

Multiline

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2012		—	—	—	—	—	—	—	—	—
2013			—	—	—	—	—	—	—	—
2014				—	—	145	566	1,092	1,413	1,995
2015					33	2,843	10,098	16,177	19,127	24,839
2016						5,872	16,652	27,243	33,154	42,867
2017							9,586	27,459	39,804	54,234
2018								8,159	20,822	32,415
2019									11,067	23,538
2020										12,559
									Total	192,446
	All outstanding liabilities before 2011, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Multiline)									$ 148,861

General Liability

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2020
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$20,925	$30,693	$40,756	$44,897	$61,446	$77,105	$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	30,924	—
2013			3,018	2,689	4,666	4,511	4,510	4,916	4,770	4,648	—
2014				1,238	1,229	1,174	1,033	1,355	1,000	1,043	570
2015					1,699	1,690	1,756	1,979	2,152	2,190	1,245
2016						6,203	6,519	7,124	7,867	8,095	1,987
2017							5,442	6,536	7,390	8,460	4,070
2018								2,953	3,490	4,000	1,680
2019									1,006	1,133	904
2020										1,673	1,602
									Total	$139,271	$ 12,057

General Liability

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 2,873	$ 11,751	$ 20,030	$ 25,018	$ 32,954	$ 77,105	$ 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	30,924
2013			1,371	1,917	2,298	4,191	4,274	4,652	4,770	4,648
2014				18	146	413	548	492	762	473
2015					69	293	532	547	925	945
2016						122	1,589	3,277	4,670	6,109
2017							136	1,412	2,824	4,390
2018								165	1,286	2,320
2019									26	229
2020										71
									Total	127,214
	All outstanding liabilities before 2011, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (General Liability)									$ 12,057

Motor Casualty

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	December 31, 2020 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$53,035	$57,498	$57,342	$62,921	$70,880	$70,435	$70,495	$70,495	$70,478	$ 70,478	$ —
2012		132,284	131,196	131,896	131,202	131,305	131,302	131,302	131,302	131,302	—
2013			182,833	179,930	174,744	174,782	174,848	174,925	174,931	174,931	—
2014				93,718	92,844	94,688	94,385	94,147	94,192	94,192	—
2015					128,199	130,410	129,991	132,853	134,951	133,640	1,300
2016						166,389	169,294	174,037	179,801	175,915	882
2017							187,109	188,754	195,258	193,077	6,972
2018								150,700	170,016	174,467	32,874
2019									168,154	171,803	1,471
2020										96,901	54,124
									Total	$1,416,706	$ 97,623

Motor Casualty

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 19,082	$ 36,462	$ 49,569	$ 58,244	$ 65,018	$ 70,433	$ 70,433	$ 70,433	$ 70,478	$ 70,478
2012		58,585	118,142	126,622	128,913	131,302	131,302	131,302	131,302	131,302
2013			86,558	159,200	171,855	174,658	174,848	174,925	174,931	174,931
2014				49,994	86,297	89,687	94,385	94,147	94,192	94,192
2015					81,093	125,645	129,174	129,571	133,673	132,340
2016						97,325	157,948	170,658	178,800	175,033
2017							115,204	170,157	188,225	186,105
2018								83,652	143,267	141,593
2019									99,043	170,332
2020										42,777
									Total	1,319,083
							All outstanding liabilities before 2011, net of reinsurance			(33)
					Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Casualty)					$ 97,590

Motor Property

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	December 31, 2020 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$ 3,276	$ 3,271	$ 3,343	$ 3,285	$ 3,285	$ 3,306	$ 3,306	$ 3,306	$ 3,303	$ 3,303	$ —
2012		36,985	36,129	36,008	35,998	35,922	35,922	35,922	35,922	35,922	—
2013			46,189	45,629	44,728	44,656	44,695	44,719	44,478	44,478	—
2014				18,870	18,797	19,056	19,000	19,006	19,021	19,021	—
2015					22,035	22,516	22,505	23,263	23,939	23,715	—
2016						27,853	28,279	29,090	29,051	28,465	—
2017							39,986	39,621	40,394	39,448	477
2018								42,336	47,209	47,115	7,028
2019									43,103	45,795	2,124
2020										23,556	12,675
									Total	$310,818	$ 22,304

Motor Property

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 1,418	$ 2,944	$ 3,305	$ 3,285	$ 3,285	$ 3,303	$ 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	35,922
2013			21,112	41,066	44,363	44,431	44,476	44,476	44,478	44,478
2014				10,305	17,621	18,420	19,000	19,006	19,021	19,021
2015					13,859	22,013	22,505	22,595	23,839	23,715
2016						16,725	27,023	28,609	28,851	28,465
2017							23,091	37,058	39,711	38,971
2018								23,576	40,118	40,086
2019									25,103	43,672
2020										10,880
									Total	288,514
All outstanding liabilities before 2011, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Property)										$ 22,304

Other

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	December 31, 2020 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$ 7,377	$ 8,174	$ 7,525	$ 7,473	$ 7,470	$ 7,468	$ 7,468	$ 7,468	$ 7,468	$ 7,468	$ —
2012		3,952	3,591	3,756	3,773	3,759	3,755	3,782	3,777	3,736	—
2013			2,492	2,875	2,840	2,821	2,801	2,755	2,586	2,552	—
2014				4,768	3,525	1,776	1,701	1,084	2,125	2,329	—
2015					4,794	6,769	6,899	4,520	4,230	4,132	—
2016						8,367	10,410	9,151	9,139	8,115	616
2017							9,096	6,020	6,456	7,582	2,103
2018								6,169	7,523	7,283	1,688
2019									19,205	20,494	11,286
2020										50,779	44,961
									Total	$ 114,469	$ 60,654

Other

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 1,162	$ 7,550	$ 7,513	$ 7,468	$ 7,468	$ 7,468	$ 7,468	$ 7,468	$ 7,468	$ 7,468
2012		2,999	3,251	3,676	3,683	3,684	3,688	3,735	3,735	3,736
2013			213	1,828	2,426	2,339	2,323	2,578	2,540	2,552
2014				197	659	1,124	1,282	1,084	2,125	2,329
2015					472	1,387	2,010	3,399	3,930	4,132
2016						1,473	3,108	5,650	7,384	7,499
2017							484	3,086	4,538	5,479
2018								962	5,588	5,595
2019									5,473	9,208
2020										5,818
									Total	53,815
	All outstanding liabilities before 2011, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Other)									$ 60,654

Property

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2020
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$73,309	$83,261	$79,794	$80,402	$81,894	$83,012	$83,067	$83,006	$83,296	$ 83,308	$ —
2012		63,961	50,183	50,874	52,812	53,218	53,473	53,737	53,823	53,862	—
2013			60,957	59,006	61,790	62,508	62,495	62,435	62,778	62,801	485
2014				41,742	45,155	46,846	47,086	46,875	47,031	46,998	379
2015					27,889	30,369	31,772	30,974	30,636	30,574	433
2016						25,657	26,197	24,077	23,549	23,233	810
2017							84,835	78,498	69,111	65,885	141
2018								28,273	30,346	25,152	6,562
2019									22,951	27,226	20,105
2020										22,078	15,503
									Total	$441,117	$ 44,418

Property

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 49,441	$ 74,383	$ 77,182	$ 79,022	$ 81,214	$ 82,370	$ 82,655	$ 83,006	$ 83,296	$ 83,308
2012		32,085	45,887	50,242	52,657	53,211	53,259	53,737	53,823	53,862
2013			34,807	55,677	58,537	60,356	61,086	61,999	62,241	62,316
2014				20,230	40,173	43,641	45,212	46,302	46,522	46,619
2015					12,938	25,459	28,858	29,830	30,037	30,141
2016						9,949	18,228	21,083	22,072	22,423
2017							43,302	56,429	64,275	65,744
2018								5,361	15,740	18,590
2019									4,064	7,121
2020										6,575
									Total	396,699
All outstanding liabilities before 2011, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Property)										$ 44,418

Professional Liability

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2020
	For the years ended December 31,										Total IBNR plus expected development on reported claims
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$ 6,239	$ 7,135	$ 7,607	$ 8,326	$ 8,385	$ 8,208	$ 8,463	$ 8,463	$ 8,283	$ 8,154	$ —
2012		11,601	11,606	12,167	12,618	12,814	13,557	13,557	12,973	12,476	126
2013			12,839	13,752	15,326	17,030	17,877	18,057	17,851	17,489	764
2014				19,854	19,235	19,197	21,835	22,870	23,205	22,934	2,207
2015					18,917	18,919	21,513	23,000	23,240	22,490	4,449
2016						13,921	17,140	17,521	17,118	16,911	6,163
2017							10,294	9,982	9,804	10,035	5,153
2018								4,488	4,475	4,597	2,609
2019									586	611	344
2020										66	66
									Total	$ 115,763	$ 21,880

Professional Liability

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 113	$ 1,375	$ 3,799	$ 5,414	$ 6,794	$ 7,521	$ 8,033	$ 8,085	$ 8,013	$ 8,154
2012		550	3,787	6,600	9,123	10,601	12,163	12,335	12,059	12,351
2013			733	3,595	8,023	11,538	14,549	15,346	15,153	16,725
2014				1,414	5,617	10,031	14,633	16,982	16,993	20,728
2015					1,225	3,455	9,263	12,268	13,118	18,041
2016						348	2,229	5,004	8,030	10,748
2017							230	1,449	3,104	4,883
2018								242	1,142	1,988
2019									145	266
2020										—
									Total	93,883
	All outstanding liabilities before 2011, net of reinsurance									736
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Professional Liability)									$ 22,615

Workers' Compensation

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	December 31, 2020 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2011	$14,915	$15,233	$16,861	$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	12,213	—
2013			4,751	4,751	4,751	4,751	4,751	4,751	4,751	4,751	—
2014				—	—	—	3	—	—	—	—
2015					1,014	1,010	948	950	951	919	87
2016						4,342	4,275	4,266	3,975	3,778	319
2017							10,888	10,352	9,609	9,069	1,061
2018								13,638	13,527	13,082	2,285
2019									22,929	23,482	9,880
2020										44,677	33,388
									Total	$128,831	$ 47,021

Workers' Compensation

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2011	$ 5,004	$ 11,175	$ 16,861	$ 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	12,213
2013			4,751	4,751	4,751	4,751	4,751	4,751	4,751	4,751
2014				—	—	—	—	—	—	—
2015					28	251	564	688	777	832
2016						613	1,920	2,782	3,274	3,459
2017							2,028	5,356	7,399	8,008
2018								4,213	8,321	10,796
2019									5,473	13,602
2020										11,288
									Total	81,811
							All outstanding liabilities before 2011, net of reinsurance			—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Workers' Compensation)									$ 47,021

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, 2020. 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, 2018 (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 2018, 2019 and 2020 based on the proportion of the premiums earned during each accident year. For illustration of this contract, any claims reported during 2018 would be allocated to the 2018 accident year. For losses reported during 2019, the claims would be allocated between 2018 and 2019 based on the percentage of premiums earned during 2018 and 2019. Similarly, for losses reported during 2020 and thereafter, the losses would be allocated to the 2020, 2021 and 2022 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, 2020
	($ in thousands)
Net outstanding liabilities	
Health	$ 17,485
Multiline	148,861
General Liability	12,057
Motor Casualty	97,590
Motor Property	22,304
Other	60,654
Property	44,418
Professional Liability	22,615
Workers' Compensation	47,021
Liabilities for claims and claims adjustment expenses, net of reinsurance	473,005
Add: Reinsurance recoverable on unpaid claims	16,851
Add: Unallocated claims adjustment expenses	4,276
Add: Allowance for credit losses	47
Total gross liabilities for unpaid claims and claim adjustment expense	$ 494,179

The average historical annual percentage payout of net incurred claims (excluding health) as of December 31, 2020 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	4.5 %	12.0 %	11.1 %	10.8 %	17.3 %	27.8 %	6.9 %	8.0 %	1.6 %	— %
Motor Casualty	41.2 %	32.6 %	8.9 %	6.1 %	4.1 %	3.0 %	2.8 %	1.2 %	0.1 %	— %
Motor Property	51.9 %	41.7 %	4.9 %	0.7 %	0.4 %	0.2 %	0.2 %	— %	— %	— %
Other	33.5 %	44.6 %	15.5 %	3.0 %	2.0 %	1.0 %	0.4 %	— %	— %	— %
Property	49.7 %	34.8 %	5.9 %	3.0 %	2.8 %	2.5 %	1.0 %	0.3 %	— %	— %
Professional Liability	3.5 %	12.5 %	18.4 %	16.3 %	13.3 %	9.0 %	7.0 %	6.0 %	5.0 %	9.0 %
Workers' Compensation	27.2 %	43.4 %	22.6 %	5.5 %	0.8 %	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, 2020, the Company's earned ceded premiums were $3.2 million (2019: $72.8 million and 2018: $102.9 million). For the year ended December 31, 2020, loss and loss adjustment expenses incurred of $337.8 million (2019: $388.5 million and 2018: $363.9 million) reported on the Company's consolidated statements of operations are net of loss and loss expenses recovered and recoverable of $5.9 million (2019: $60.7 million and 2018: $71.0 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, 2020, the Company's loss reserves recoverable of $16.9 million (2019: $27.5 million) consisted of (i) $12.6 million (2019: $21.1 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) $4.3 million (2019: $6.4 million) from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates its net credit exposure to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2020, the Company had recorded an allowance for expected credit losses of $0.1 million (December 31, 2019: nil).

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 redeemed 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.

At December 31, 2020, the Company's share price was 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, 2020 and December 31, 2019, the unamortized debt discount was $4.2 million and $5.9 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, 2020, the unamortized portion of these costs attributed to the debt component was $1.6 million (December 31, 2019: $2.3 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, 2020, including accrued interest of $1.7 million was $95.8 million (December 31, 2019: $93.5 million). As of December 31, 2020, the fair value of the Notes was estimated to be $83.6 million (December 31, 2019: $94.9 million) (see Note 4 Financial Instruments).

For the year ended December 31, 2020, the Company recognized interest expense of $6.3 million (December 31, 2019: $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, 2020 and December 31, 2019.

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, 2020, 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, 2020, 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.

On October 29, 2020, 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 3.0 million shares from 5.0 million to 8.0 million. As of

December 31, 2020, 3,474,888 (2019: 555,805) 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. 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. On March 26, 2020, the Board of Directors extended the share repurchase plan to June 30, 2021 and increased the number of shares authorized to be repurchased to 5.0 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. In addition, the Board of Directors also authorized the Company to repurchase up to $25.0 million aggregate face amount of the Company's 4.00% Convertible Senior Notes due 2023 (the "Notes") in privately negotiated transactions, in open market repurchases or pursuant to one more tender offers. The Company is not required to repurchase any of the Class A ordinary shares or the Notes and the repurchase plans may be modified, suspended or terminated at the election of our Board of Directors at any time without prior notice.

During the year ended December 31, 2020, 2,547,097 Class A ordinary shares were repurchased by the Company (2019: nil). As of December 31, 2020, 2.5 million Class A ordinary shares and $25.0 million of the Notes, remained available for repurchase under the repurchase plans. All Class A ordinary shares repurchased are canceled immediately upon repurchase.

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

	2020		2019		2018	
	Class A	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**
Balance – beginning of year	30,739,395	6,254,715	30,130,214	6,254,715	31,104,830	6,254,715
Issue of ordinary shares, net of forfeitures	67,777	—	609,181	—	205,384	—
Repurchase of ordinary shares	(2,547,097)	—	—	—	(1,180,000)	—
Balance – end of year	28,260,075	6,254,715	30,739,395	6,254,715	30,130,214	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 the earned portion of the grant-date fair value of share-based awards that have not yet vested.

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 $204.8 million as of December 31, 2020 (2019: $200.9 million). As of December 31, 2020, Greenlight Re's statutory capital and surplus of $491.4 million exceeded the MCR as well as the PCR. For the years ended December 31, 2020, 2019, and 2018, Greenlight Re's net income (loss) was $12.6 million, $9.2 million, and $(330.3) 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, 2020 and 2019.

As of December 31, 2020, 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, 2020, $39.5 million in dividends (2019: $3.9 million, 2018: $0.0 million) were declared or paid by Greenlight Re to the Company, of which $15.0 million was used for the Company's share repurchases, $20.5 million was used for capital contribution to GRIL and $4.0 million was used for payment of interest on the Company's senior convertible notes. As of December 31, 2020 and 2019, $286.6 million and $319.0 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, 2020 and 2019, GRIL met such requirements. As of December 31, 2020 and 2019, GRIL's statutory capital was $57.1 million and $35.6 million, respectively.

As of December 31, 2020, GRIL's statutory minimum capital required under Solvency II was approximately $6.9 million (2019: $5.4 million). GRIL's statutory net income (loss) was $(2.6) million, $0.8 million and $(15.4) million for the years ended December 31, 2020, 2019, and 2018, 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, 2020 and 2019, 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, 2020, 306,264 (2019: 235,701, 2018: 160,595) Class A ordinary shares were issued to employees pursuant to the Company's stock incentive plan. 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.The weighted average grant date fair value of the restricted shares subject to only service condition was $6.72 (2019: $10.65, 2018: $15.90) per share.

For the year ended December 31, 2020, 145,089 (2019: 326,240, 2018: 30,660) 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. Certain restricted shares granted to the CEO during the year ended December 31, 2019, contained vesting conditions whereby they would only vest upon occurrence of a specified performance condition being met prior to December 15, 2020. The performance condition was not met and 236,295 restricted shares were forfeited during the year ended December 31, 2020. The remaining 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. The weighted average grant date fair value of the restricted shares subject to performance conditions was $6.72 (2019: $10.65, 2018: $15.90) per share.

On July 30, 2020, the Company accelerated the vesting on half of the CEO's restricted shares granted during the year ended December 31, 2020, resulting in 72,545 shares vesting immediately. The modification resulted in $0.5 million of incremental compensation cost. The remaining restricted shares are still subject to performance and service conditions. As the performance conditions associated with these restricted shares have not been met, no compensation cost was recognized relating to the unvested shares for the year ended December 31, 2020.

For the year ended December 31, 2020, the Company also issued to non-employee directors an aggregate of 71,330 (2019: 77,556, 2018: 54,720) 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, 2020, 462,388 (2019: 37,502, 2018: 44,644) restricted shares were forfeited by grantees due to vesting conditions not being met. For the year ended December 31, 2020, $0.7 million stock compensation expense (2019: $0.2 million, 2018: $0.3 million) relating to the forfeited restricted shares was reversed.

The Company recorded $1.5 million of share-based compensation expense, net of forfeiture reversals, relating to restricted shares for the year ended December 31, 2020 (2019: $2.8 million, 2018: $2.9 million). As of December 31, 2020, there was $1.9 million (2019: $2.7 million, 2018: $2.6 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 1.5 years (2019: 1.6 years, 2018: 1.6 years). For the year ended December 31, 2020, the total fair value of restricted shares vested was $3.3 million (2019: $3.1 million, 2018: $2.8 million).

The following table summarizes the activity for unvested outstanding restricted share awards during the years ended December 31, 2020, and 2019:

	Number of non-vested restricted shares	Weighted average grant date fair value
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
Granted	522,683	6.81
Vested	(235,833)	13.83
Forfeited	(462,388)	10.71
Balance at December 31, 2020	697,549	$ 9.38

Employee and Director Stock Options

For the years ended December 31, 2020, 2019, and 2018, no Class A ordinary share purchase options were granted or exercised by directors or employees, resulting in no Class A ordinary shares being issued. 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.

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, 2020 was $0.6 million (2019: $0.9 million, 2018: $1.5 million). At December 31, 2020, the total compensation cost related to non-vested options not yet recognized was $0.7 million (2019: $1.3 million) to be recognized over a weighted average period of 1.8 years (2019: 2.4 years) assuming the grantee completes the service period for vesting of the options.

Employee and director stock option activity during the years ended December 31, 2020, 2019, and 2018 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, 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
Expired	(40,000)	32.42	10.39		
Balance at December 31, 2020	835,627	$ 22.22	$ 10.25	$ —	5.1 years

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

	December 31, 2020	December 31, 2019	December 31, 2018
Number of options exercisable	595,627	555,627	535,627
Weighted average exercise price	$ 22.63	$ 23.54	$ 24.43
Weighted average remaining contractual term	4.5	4.9	4.9
Intrinsic value ($ in millions)	$ —	$ —	$ —

During the year ended December 31, 2020, 80,000 (2019: 80,000, 2018: 80,000) options vested which had a weighted average grant date fair value of $9.60 (2019: $9.60, 2018: $9.60).

Employee Restricted Stock Units

The Company issues 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, 2020, 60,622 (2019: 48,535, 2018: 28,301) RSUs were issued to employees pursuant to the Company's stock incentive plan. For the year ended December 31, 2020, 0 (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 $0.4 million of share-based compensation expense, net of forfeitures, relating to RSUs for the year ended December 31, 2020 (2019: $0.2 million, 2018: $0.2 million). At December 31, 2020, the total compensation cost related to non-vested RSUs not yet recognized was $0.4 million (2019: $0.4 million) to be recognized over a weighted average period of 1.8 years (2019: 1.8 years) assuming the grantee completes the service period for vesting of the options.

Employee RSU activity during the years ended December 31, 2020, and 2019 was as follows:

	Number of non-vested RSUs	Weighted average grant date fair value
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
Granted	60,622	6.72
Vested	(7,482)	21.65
Forfeited	—	—
Balance at December 31, 2020	116,722	$ 9.60

For the years ended December 31, 2020, 2019, and 2018, 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 $2.5 million, $3.9 million and $4.6 million, respectively.

12. NET INVESTMENT INCOME (LOSS)

A summary of net investment income (loss) for the years ended December 31, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
		($ in thousands)	
Realized gains (losses)	$ (9,234)	$ (14,150)	$ (236,887)
Change in unrealized gains and losses	25,909	8,380	(32,597)
Investment related foreign exchange gains (losses)	39	20	938
Interest and dividend income, net of withholding taxes	5,419	16,059	35,468
Interest, dividend and other expenses	(1,875)	(4,798)	(17,987)
Income (loss) from equity method investment	843	700	(247)
Investment advisor compensation on joint venture	—	—	(11,221)
Net investment related income (loss)	21,101	6,211	(262,533)
Income (loss) from investments in related party investment fund	4,431	46,056	(60,573)
Total investment income (loss)	$ 25,532	$ 52,267	$ (323,106)

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

The realized gains (losses) for the year ended December 31, 2020, includes $15.0 million of valuation allowance charged off on a note receivable, partially offset by a gain of $5.8 million on another note receivable that was settled in excess of its carrying value.

The change in unrealized gains and losses for the year ended December 31, 2020, includes net unrealized gains of $10.2 million (2019: $0.2 million, 2018: nil) on Innovations related investments. In addition, the change in unrealized gains and losses for year ended December 31, 2020, included a net decrease in the valuation allowance of $15.0 million (2019: net increase of $6.0 million, 2018: 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, 2020, a gross deferred tax asset of $3.5 million (2019: $3.6 million) and a deferred tax asset valuation allowance of $3.0 million (2019: $2.6 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, 2020, GRIL had a net operating loss carry forward of $30.0 million (2019: $28.2 million) which can be carried forward indefinitely. At December 31, 2020 and 2019, no taxes recoverable were included in the Company’s consolidated balance sheets.

At December 31, 2020, Verdant had a net operating loss carry forward totaling $2.4 million (2019: $4.6 million) available to offset future taxable income. Of the total $2.4 million, $1.4 million expire at various dates from 2033 to 2037 and the remaining $1.0 million has 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, 2020, 2019, and 2018:

	2020	2019	2018
	($ in thousands)		
Current tax (expense) benefit	$ (48)	$ (43)	$ 1,840
Tax recovered	—	—	—
Deferred tax (expense) benefit	5	(8)	(4)
Increase in deferred tax valuation allowance	(381)	(432)	(2,168)
Income tax (expense) benefit	$ (424)	$ (483)	$ (332)

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 2020, 2019 and 2018, the Company incurred approximately $3.6 million, $3.8 million and $3.6 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.

The Company has entered into the SILP LPA with DME II. 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. On February 26, 2019, effective as of September 1, 2018, the Company entered into Amendment No. 1 to the SILP LPA. The amendment was intended to revise the mechanics for calculating the Carryforward Account and Performance Allocation (as defined in the LPA) to take into account withdrawals from and subsequent recontributions of capital to SILP, consistent with the treatment under the Joint Venture.

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.

As of December 31, 2020, the Company had entered into a letter agreement with DME Advisors and DME II whereby during the period from June 1, 2019 to June 30, 2021, cash, cash equivalents and/or U.S government issued securities will not be subject to any management fee or performance allocation. For a detailed breakdown of management fees and performance compensation for the year ended December 31, 2020 and 2019, refer to Note 3 of the consolidated financial statements.

On January 7, 2021, the Company entered into an amended LPA agreement with DME Advisors and DME II which amends, restates, supersedes and incorporates all material terms of the SILP LPA. Refer to Note 18 "Subsequent Events" for further details.

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.

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, 2020, SILP, along with certain affiliates of DME Advisors, collectively owned 47.6% 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, 2020, 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:

	Maximum Facility Limit	Termination Date	Notice period required for termination
	($ in thousands)		
Citibank Europe plc	275,000	August 20, 2021	120 days prior to termination date

Effective August 26, 2020, the Company amended the credit facility to reduce the maximum facility limit from $400.0 million to $275.0 million. As of December 31, 2020, an aggregate amount of $135.3 million (December 31, 2019: $204.5 million) in letters of credit were issued under the credit facility. As of December 31, 2020, total cash and cash equivalents with a fair value in the aggregate of $137.6 million (December 31, 2019: $213.4 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 credit 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 credit facility as of December 31, 2020 and 2019.

The Company has also established regulatory trust arrangements for certain cedents. As of December 31, 2020, collateral of $607.8 million (December 31, 2019: $528.7 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 that expired on December 31, 2020. The Company and the landlord have agreed to extend the lease until December 31, 2021 while negotiating a new lease agreement. The Company has determined that the current arrangement qualifies as a short term lease. The short-term lease expense for the year ended December 31, 2020 was $0.5 million (2019: $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 agreement qualifies as an operating lease under GAAP. As of December 31, 2020 the Company has recorded a right-of-use asset and a corresponding lease liability of $0.1 million (December 31, 2019: $0.2 million). The operating lease expense for the years ended December 31, 2020, 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, 2020.

Schedule of Commitments and Contingencies

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

	2021	2022	2023	2024	2025	Thereafter	Total
				($ in thousands)			
Operating lease obligations	$ 581	$ —	$ —	$ —	$ —	$ —	$ 581
Interest and convertible note payable	4,000	4,000	4,000	100,000	—	—	112,000
	$ 4,581	$ 4,000	$ 4,000	$ 100,000	$ —	$ —	$ 112,581

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 owed 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 has 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					
	2020		2019		2018	
			($ in thousands)			
Guy Carpenter (Marsh)	$ 195,274	40.7 %	$ 297,150	56.7 %	$ 376,696	66.4 %
Trean Re	112,659	23.5	85,323	16.3	45,446	8.0
Willis Re	31,970	6.7	21,094	4.0	9,501	1.7
Aon Benfield	29,032	6.0	41,071	7.8	70,554	12.4
Total of largest brokers	$ 368,935	76.9 %	$ 444,638	84.8 %	$ 502,197	88.5 %
All other brokers and direct	110,856	23.1	79,339	15.2	65,334	11.5
Total	$ 479,791	100.0 %	$ 523,977	100.0 %	$ 567,531	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					
	2020		2019		2018	
	($ in thousands)					
Property						
Commercial	$ 11,190	2.3 %	$ 14,165	2.7 %	$ 10,487	1.8 %
Motor	33,054	6.9	59,402	11.3	76,425	13.5
Personal	14,219	3.0	12,390	2.4	14,118	2.5
Total Property	58,463	12.2	85,957	16.4	101,030	17.8
Casualty						
General Liability	4,228	0.9	2,401	0.5	1,429	0.3
Motor Liability	127,379	26.5	233,591	44.6	291,690	51.4
Professional Liability [1]	204	—	(448)	(0.1)	3,068	0.5
Workers' Compensation	82,189	17.1	50,369	9.6	24,101	4.3
Multi-line	88,237	18.4	76,461	14.6	57,497	10.1
Total Casualty	302,237	63.0	362,374	69.2	377,785	66.6
Other						
Accident & Health	56,284	11.7	39,175	7.5	69,605	12.2
Financial	23,231	4.8	23,087	4.4	16,611	2.9
Marine	770	0.2	160	—	394	0.1
Other Specialty	38,806	8.1	13,224	2.5	2,106	0.4
Total Other	119,091	24.8	75,646	14.4	88,716	15.6
	$ 479,791	100.0 %	$ 523,977	100.0 %	$ 567,531	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					
	2020		2019		2018	
	($ in thousands)					
U.S. and Caribbean	$390,000	81.3 %	$435,458	83.1 %	$507,705	89.5 %
Worldwide [1]	84,204	17.5	84,728	16.2	59,366	10.5
Asia [2]	5,587	1.2	3,804	0.7	(46)	—
Europe [2]	—	—	(13)	—	506	—
	$479,791	100.0 %	$523,977	100.0 %	$567,531	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 December 31, 2020:

	2020 Quarter ended			
	March 31	June 30	September 30	December 31
	($ in thousands, except per share amounts)			
Revenues				
Gross premiums written	109,787	116,689	135,596	117,719
Gross premiums ceded	(678)	(132)	(1,464)	6
Net premiums written	109,109	116,557	134,132	117,725
Change in net unearned premium reserves	1912	(8,143)	(18,613)	2,732
Net premiums earned	111,021	108,414	115,519	120,457
Income (loss) from investment in related party investment fund [net of related party expenses]	(42,126)	1,609	6,431	38,517
Net investment income (loss)	6,837	3,934	466	9,864
Other income (expense), net	213	788	1569	579
Total revenues	75945	114,745	123,985	169,417
Expenses				
Net loss and loss adjustment expenses incurred	75,697	89,194	88,053	84,889
Acquisition costs	31,739	17,903	27,018	32,628
General and administrative expenses	6,794	6,149	5,152	8,306
Interest expense	1561	1562	1579	1,578
Total expenses	115,791	114,808	121,802	127,401
Income (loss) before income tax	(39,846)	(63)	2,183	42,016
Income tax (expense) benefit	(424)	—	—	—
Net income (loss)	(40,270)	(63)	2,183	42,016
Earnings (loss) per share				
Basic	(1.11)	—	0.06	1.20
Diluted	(1.11)	—	0.06	1.20
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	36,138,245	35,776,736	35,677,554	35,019,037
Diluted	36,138,245	35,776,736	35,779,703	35,135,759

The following table presents the quarterly financial results for each of the quarters ended during December 31, 2019:

	2019 Quarter ended			
	March 31	**June 30**	**September 30**	**December 31**
	($ in thousands)			
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 [net of related party expenses]	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	5,979	15,220	4,961	(29,663)
Income tax (expense) benefit	(73)	94	179	(683)
Net income (loss)	$ 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

18. SUBSEQUENT EVENTS

On January 7, 2021, the Company and DME II, entered into the Second Amended and Restated Exempted Limited Partnership Agreement, effective as of January 1, 2021 (the “Restated SILP LPA”).

The Restated SILP LPA agreement amends, restates, supersedes and incorporates all material terms of the SILP LPA, as amended as of February 26, 2019, and the letter agreements dated as of June 18, 2019, December 27, 2019 and August 5, 2020 (collectively, the “Amendments”). The Restated SILP LPA agreement also amended the definition of “Additional Investment Ratio” and amended each of the defined terms “Greenlight Re Surplus” and the “GRIL Surplus” so as to clarify that the each of the respectively referenced “financial statements” are “U.S. GAAP financial statements.” In addition, the Restated SILP LPA agreement included the following: “The Investment Portfolio of each Partner will not exceed the product of (a) such Partner’s surplus (Greenlight Re Surplus or GRIL Surplus, as the case may be) multiplied by (b) the Investment Cap (50%), and the General Partner will designate any portion of a Partner’s Investment Portfolio as Designated Securities to effectuate such limit.”. The Restated SILP LPA also amended the investment guidelines to reflect the amended investment guidelines adopted by the board of directors of the Company effective as of January 1, 2021.

GREENLIGHT CAPITAL RE, LTD.
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2020

(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	$ 12,414	$ 21,793	$ 21,793
Investment accounted for under the equity method	NA	6,545	6,545
Derivative financial instruments (not designated as hedging instruments)	—	1,080	1,080
Total other investments	12,414	29,418	29,418
Total investments	$ 12,414	$ 29,418	$ 29,418

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	December 31, 2020	December 31, 2019
	($ in thousands)	
Assets		
Other investments	$ —	$ 1,000
Cash and cash equivalents	7	2
Investment in subsidiaries	551,790	557,835
Notes receivable (net of allowance for expected credit losses)	10,706	10,469
Due from subsidiaries	—	8,200
Total assets	$ 562,503	$ 577,506
Liabilities and equity		
Liabilities		
Convertible senior notes payable	$ 95,794	$ 93,514
Other liabilities	—	1,611
Due to subsidiaries	1,852	5,198
Total liabilities	97,646	100,323
Shareholders' equity		
Share capital	3,452	3,699
Additional paid-in capital	488,488	503,547
Retained earnings (deficit)	(27,083)	(30,063)
Total shareholders' equity	464,857	477,183
Total liabilities and equity	$ 562,503	$ 577,506

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		
	2020	2019	2018
	($ in thousands)		
Revenue			
Net investment income	$ 141	$ 522	$ 1,574
Total revenues	141	522	1,574
Expenses			
General and administrative expenses	3,485	6,496	4,445
Interest expense	6,280	6,263	2,505
Total expenses	9,765	12,759	6,950
Net income (loss) before equity in earnings of consolidated subsidiaries	(9,624)	(12,237)	(5,376)
Equity in earnings of consolidated subsidiaries	13,490	8,251	(344,678)
Consolidated net income (loss)	$ 3,866	$ (3,986)	$ (350,054)

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		
	2020	**2019**	**2018**
	($ in thousands)		
Cash provided by (used in) operating activities			
Net income (loss)	3,866	(3,986)	(350,054)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Equity in earnings of consolidated subsidiaries	(13,490)	(8,251)	344,678
Net change in unrealized gains and losses on investments	—	(200)	—
Share-based compensation expense	2,124	3,686	4,382
Amortization and interest expense, net of change in accruals	2,280	2,329	2,505
Net change in			
Due from subsidiaries	8,200	(8,200)	876
Other liabilities	(1,611)	1,611	—
Due to subsidiaries	(3,346)	(2,421)	7,619
Net cash provided by (used in) operating activities	(1,977)	(15,432)	10,006
Investing activities			
Purchase of investments	—	—	(800)
Sale of investments	1,000	—	—
Change in note receivable	(237)	11,496	(6,610)
Contributed surplus to subsidiaries, net	19,000	3,935	(82,750)
Net cash provided by (used in) investing activities	19,763	15,431	(90,160)
Financing activities			
Net proceeds from issuance of convertible senior notes payable, net of costs	—	—	96,576
Repurchase of Class A ordinary shares	(17,781)	—	(16,503)
Net cash provided by (used in) financing activities	(17,781)	—	80,073
Net increase (decrease) in cash and cash equivalents	5	(1)	(81)
Cash and cash equivalents at beginning of the year	2	3	84
Cash and cash equivalents at end of the year	7	2	3
Supplementary information			
Non cash consideration from (to) subsidiaries, net	(351)	(196)	(242)

SCHEDULE III

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY INSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

(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
2020	Property & Casualty	$ 51,014	$ 494,179	$ 201,089	$ 455,411	$ 25,532	$ 337,833	$ 109,288	$ 26,401	$ 479,791
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

SCHEDULE IV

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY REINSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

(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
2020	Property & Casualty	$ —	$ 2,268	$ 479,791	$ 477,523	100 %
2019	Property & Casualty	$ —	$ 48,667	$ 523,977	$ 475,310	110 %
2018	Property & Casualty	$ —	$ 102,788	$ 567,531	$ 464,743	122 %