Consolidated Financial Statements of

GREENLIGHT REINSURANCE, LTD.

December 31, 2018 and 2017

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Tel: +1 (345) 943-8800
Fax: +1 (345) 943-8801
Email: mail@bdo.ky
www.bdo.ky

PO Box 31118
2nd Floor - Building 3
Governors Square
23 Lime Tree Bay Avenue
Grand Cayman KY1-1205
Cayman Islands

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder
Greenlight Reinsurance, Ltd.
Grand Cayman, Cayman Islands

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Greenlight Reinsurance, Ltd., a wholly owned subsidiary of Greenlight Capital Re, Ltd., as of December 31, 2018 and 2017, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Solasglas Investments, LP, an equity method investment of the Company, which statements reflect total assets of $277.4 million at December 31, 2018, and total income (loss) of $(70.0) million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Solasglas Investments, LP is based solely on the report of the other auditors.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB 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 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.

We have served as the Company's auditor since 2009.

BDO

Grand Cayman, Cayman Islands
February 27, 2019

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED BALANCE SHEETS

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

	2018	2017
Assets		
Investments		
Investment in related party investment fund, at fair value	$ 215,068	$ —
Debt instruments, trading, at fair value	—	7,180
Equity securities, trading, at fair value	36,908	1,203,672
Other investments	4,105	148,882
Total investments	256,081	1,359,734
Cash and cash equivalents	17,470	24,108
Restricted cash and cash equivalents	658,162	1,483,487
Financial contracts receivable, at fair value	—	12,893
Reinsurance balances receivable	256,785	259,835
Loss and loss adjustment expenses recoverable	51,065	33,961
Deferred acquisition costs, net	45,482	58,332
Unearned premiums ceded	31,591	33,235
Notes receivable, net	9,831	14,390
Due from parent company	7,619	—
Due from affiliate	6,037	1,063
Other assets	947	1,272
Total assets	$ 1,341,070	$ 3,282,310
Liabilities and equity		
Liabilities		
Due to related party investment fund	$ 9,263	$ —
Securities sold, not yet purchased, at fair value	—	912,797
Financial contracts payable, at fair value	—	22,222
Due to prime brokers and other financial institutions	—	652,374
Loss and loss adjustment expense reserves	450,534	436,328
Unearned premium reserves	196,788	242,095
Reinsurance balances payable	127,245	138,022
Funds withheld	33,584	23,095
Other liabilities	4,167	8,828
Due to parent company	—	875
Total liabilities	821,581	2,436,636
Equity		
Ordinary share capital (par value $0.10; authorized, 10,000; issued and outstanding, 1,001 (2017: 1,000)	—	—
Additional paid-in capital	555,129	472,379
Retained earnings (deficit)	(39,666)	290,661
Shareholder's equity attributable to Greenlight Reinsurance, Ltd.	515,463	763,040
Non-controlling interest in related party joint venture	4,026	82,634
Total equity	519,489	845,674
Total liabilities and equity	$ 1,341,070	$ 3,282,310

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2018, 2017 and 2016
(expressed in thousands of U.S. dollars)

	2018	2017	2016
Revenues			
Gross premiums written	$ 510,681	$ 636,071	$ 470,600
Gross premiums ceded	(126,076)	(71,798)	(8,152)
Net premiums written	384,605	564,273	462,448
Change in net unearned premium reserves	43,439	(7,118)	(20,839)
Net premiums earned	428,044	557,155	441,609
Income (loss) from investment in related party investment fund [net of related party expenses of $2,952, $0 and $0, respectively]	(58,581)	—	—
Net investment income (loss) [net of related party expenses of $11,221, $19,863 and $24,543, respectively]	(263,961)	18,751	75,239
Other income (expense), net	(858)	(50)	(900)
Total revenues	104,644	575,856	515,948
Expenses			
Loss and loss adjustment expenses incurred, net	306,176	447,491	326,358
Acquisition costs, net	126,648	149,641	120,365
General and administrative expenses	17,668	16,272	18,832
Total expenses	450,492	613,404	465,555
Net income (loss)	(345,848)	(37,548)	50,393
Loss (income) attributable to non-controlling interest in related party joint venture	15,521	(692)	(5,594)
Net income (loss) attributable to Greenlight Reinsurance, Ltd.	$ (330,327)	$ (38,240)	$ 44,799

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Years ended December 31, 2018, 2017 and 2016
(expressed in thousands of U.S. dollars)

	Ordinary share capital	Additional paid-in capital	Retained earnings (deficit)	Shareholder's equity attributable to Greenlight Reinsurance, Ltd.	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2015	$ —	$ 472,379	$ 317,102	$ 789,481	$ 99,524	$ 889,005
Change in non-controlling interest in related party joint venture	—	—	—	—	(16,255)	(16,255)
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	5,594	5,594
Net income (loss) attributable to Greenlight Reinsurance, Ltd.	—	—	44,799	44,799	—	44,799
Balance at December 31, 2016	$ —	$ 472,379	$ 361,901	$ 834,280	$ 88,863	$ 923,143
Change in non-controlling interest in related party joint venture	—	—	—	—	(6,921)	(6,921)
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	692	692
Dividend paid	—	—	(33,000)	(33,000)	—	(33,000)
Net income (loss) attributable to Greenlight Reinsurance, Ltd.	—	—	(38,240)	(38,240)	—	(38,240)
Balance at December 31, 2017	$ —	$ 472,379	$ 290,661	$ 763,040	$ 82,634	$ 845,674
Additional paid in capital received	—	82,750	—	82,750	—	82,750
Change in non-controlling interest in related party joint venture	—	—	—	—	(63,087)	(63,087)
Income (loss) attributable to non-controlling interest in joint venture	—	—	—	—	(15,521)	(15,521)
Net income (loss) attributable to Greenlight Reinsurance, Ltd.	—	—	(330,327)	(330,327)	—	(330,327)
Balance at December 31, 2018	$ —	$ 555,129	$ (39,666)	$ 515,463	$ 4,026	$ 519,489

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2018, 2017 and 2016
(expressed in thousands of U.S. dollars)

	2018	2017	2016
Cash provided by (used in) operating activities			
Net income (loss)	$ (345,848)	$ (37,548)	$ 50,393
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	58,581	—	—
Net change in unrealized gains and losses on investments and financial contracts	32,597	41,444	(209,993)
Net realized (gains) losses on investments and financial contracts	236,887	(87,618)	113,836
Foreign exchange (gains) losses on investments	186	5,292	3,094
Depreciation expense	233	341	342
Net change in			
Reinsurance balances receivable	3,050	(61,453)	(37,678)
Loss and loss adjustment expenses recoverable	(17,104)	(31,291)	663
Deferred acquisition costs, net	12,850	(788)	(3,357)
Unearned premiums ceded	1,644	(31,370)	762
Due from parent company	(7,619)	29,023	(12,037)
Due from affiliate	(4,974)	(138)	(41)
Other assets	92	953	918
Loss and loss adjustment expense reserves	14,206	156,718	5,924
Unearned premium reserves	(45,307)	38,892	18,670
Reinsurance balances payable	(10,777)	97,804	23,116
Funds withheld	10,489	17,886	(1,222)
Other liabilities	(4,661)	(4,437)	2,851
Due to parent company	(875)	875	—
Net cash provided by (used in) operating activities	(66,350)	134,585	(43,759)
Investing activities			
Proceeds from redemptions from related party investment fund	94,606	—	—
Contributions to related party investment fund	(251,631)	—	—
Purchases of investments	(390,444)	(1,118,799)	(1,310,837)
Sales of investments, trading	1,002,374	1,038,165	1,470,118
Payments for financial contracts	(129,907)	(24,714)	(60,414)
Proceeds from financial contracts	44,596	82,789	20,426
Securities sold, not yet purchased	340,693	1,120,506	699,237
Dispositions of securities sold, not yet purchased	(844,379)	(1,253,176)	(792,970)
Change in due to prime brokers and other financial institutions	(652,374)	339,938	(84,017)
Change in notes receivable, net	4,559	4,181	4,400
Non-controlling interest contribution into (withdrawal from) related party joint venture, net	(63,087)	(6,921)	(16,255)
Net cash provided by (used in) investing activities	(844,994)	181,969	(70,312)
Financing activities			
Additional paid-in capital received	82,750	—	—
Dividend paid	—	(33,000)	—
Net cash provided by (used in) financing activities	82,750	(33,000)	—
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(3,369)	(4,718)	(3,048)
Net increase (decrease) in cash, cash equivalents and restricted cash	(831,963)	278,836	(117,119)
Cash, cash equivalents and restricted cash at beginning of the period (see Note 2)	1,507,595	1,228,759	1,345,878
Cash, cash equivalents and restricted cash at end of the period (see Note 2)	$ 675,632	$1,507,595	$1,228,759
Supplementary information			
Interest paid in cash	$ 11,088	$ 10,062	$ —
Non-cash transfer of investments (Note 3)	125,008	—	—

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Reinsurance, Ltd. (the "Company") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004 and has a Class "D" insurer license issued in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto (the "Law"), and is subject to regulation by the Cayman Islands Monetary Authority ("CIMA") in terms of the Law. The Company provides global specialty property and casualty reinsurance.

The Company is a wholly-owned subsidiary of Greenlight Capital Re, Ltd. (the "Parent"). The Parent's Class A ordinary shares are listed on the Nasdaq Global Select Market under the symbol "GLRE".

The Company along with its affiliate, Greenlight Reinsurance Ireland, dac ("GRIL"), is a party to a joint venture agreement (the "venture agreement") with DME Advisors, LP ("DME Advisors") and DME Advisors LLC ("DME") under which the Company, GRIL and DME are participants in a joint venture (the "Joint Venture") for the purpose of managing certain jointly held assets. The Joint Venture created through the venture agreement has been consolidated in accordance with ASC 810, Consolidation (ASC 810). The Company has recorded DME's minority interests as non-controlling interests in related party in the consolidated balance sheets. DME and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company's Board of Directors.

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

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 the Company and the joint venture between DME Advisors, LLC. ("DME"), Greenlight Reinsurance Ireland, Designated Activity Company ("GRIL") and the Company. All significant intercompany transactions and balances have been eliminated on consolidation.

Management has evaluated subsequent events through February 27, 2019, the date these consolidated financial statements were available to be issued.

Reclassifications and changes in description

Changes in the consolidated statements of operations and statements of cash flows

The Company's consolidated statements of operations previously used the caption "Net income (loss) including non-controlling interest" to represent the net income (loss) before deducting non-controlling interest. Similarly, the caption "Net income (loss)" was used to represent the net income (loss) available to the Company after deducting non-controlling interest. For the year ended December 31, 2018, the Company amended the captions as follows:

- The caption "Net income (loss) including non-controlling interest" was renamed "Net income (loss)".
- The caption "Net income (loss)" was renamed "Net income (loss) attributable to Greenlight Reinsurance, Ltd."

In addition, the Company's consolidated statements of cash flows previously started with net income (loss) excluding income (loss) from non-controlling interest. The net income (loss) from non-controlling interest was presented as a reconciling item to the net cash flow from operating activities. For the year ended December 31, 2018, the Company amended the presentation to start with "Net income (loss)" which includes income from non-controlling interest. The prior period comparative has been reclassified to conform to the current period presentation. The reclassification had no impact on the Company's results of operations, financial position, earnings (loss) per share or net cash provided by (used in) operating activities.

The Company adopted ASU 2016-18, “Statements of Cash Flows - Restricted Cash (Topic 230)” during 2018 which resulted in reclassification of comparative periods presented in the Company’s consolidated statements of cash flows. Please refer to “*Recently Issued Accounting Standards Adopted”* in Note 2 for further details.

Other reclassification

Effective from the second quarter of 2018, contracts that cover more than one line of business are grouped as “multi-line”. The prior period comparative information in Note 15 has been reclassified to conform to the current period presentation. There was no material impact on the presentation of the Company’s results of operations or financial condition as a result of this reclassification.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

The Company maintains cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liabilities created from securities sold, not yet purchased and derivatives.

Restricted cash and cash equivalent balances are held to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 5, **7** and 14). The amount of cash encumbered varies depending on the collateral required by those cedents.

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, 2018	**December 31, 2017**
	($ in thousands)	
Cash and cash equivalents	$ 17,470	$ 24,108
Restricted cash and cash equivalents	658,162	1,483,487
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	$ 675,632	$ 1,507,595

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.

Certain contracts may provide for a penalty to be paid if the contract is terminated and canceled prior to its expiration. Cancellation penalties are recognized in the period the notice of cancellation is received and are recorded in the Company's consolidated statements of operations under the caption "Other income (expense), net".

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

Reinsurance Premiums Ceded

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

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

Acquisition Costs

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

Policy acquisition costs also include profit commissions, which are recognized on a basis consistent with our estimate of losses and loss expenses. As of December 31, 2018, $8.1 million (2017: $11.6 million) of profit commission reserves were included in reinsurance balances payable on the consolidated balance sheets. For the year ended December 31, 2018, $18.0 million (2017: $2.9 million and 2016: $5.8 million) of net profit commission expense was included in the caption "Acquisition costs" in the Company's consolidated statements of operations.

Funds Withheld

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

Loss and Loss Adjustment Expense Reserves and Recoverable

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

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

These estimated ultimate reserves 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 losses incurred but not reported are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may ultimately be unable to recover the loss and loss adjustment expense recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

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

For all non-natural peril business, initial reserves for each individual contract are determined on the basis of a combination of: (i) the pricing analysis of the expected loss and loss expense 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 and loss expense ratio. There may be a time lag from when claims are reported by the underlying insured to the Company's cedent and subsequently when the cedent reports the claims to the Company. This time lag may impact the Company's loss reserve estimates from period to period. Client reports have pre-determined due dates (for example, fifteen days after each month end). As a result, the time lag in the client's reporting depends 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 recommendation as to what the booked loss reserves should be for the Company for approval to the Audit Committee.

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

We do not typically experience significant claims processing backlogs, although such backlogs may occur following a major catastrophic event. At December 31, 2018 and 2017, we did not have a significant backlog in our claims processing.

There were no significant changes in the actuarial methodology or assumptions relating to the Company's loss and loss adjustment expense reserves during the year ended December 31, 2018.

Notes Receivable

Notes receivable represent promissory notes receivable from third parties. These notes are recorded at cost plus accrued interest, if any, which approximates the fair value. Interest income and realized gains or losses on sale of notes receivable are included in the caption "Net investment income (loss)" in the consolidated statements of operations.

The Company regularly reviews all notes receivable individually for impairment and records valuation allowance provisions for uncollectible and non-performing notes. The Company places notes on non-accrual status when the recorded value of the note is not considered impaired but there is uncertainty as to the collection of interest in accordance with the terms of the note. 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 treated on a cash basis and recorded as interest income when collected, provided that the recorded value of the note is deemed to be fully collectible. Where doubt exists as to the collectability of the remaining recorded value of the notes placed on non-accrual status, any payments received are applied to reduce the recorded value of the notes.

At December 31, 2018, $9.8 million of notes receivable (net of any valuation allowance) were on non-accrual status (2017: $14.4 million) and payments received were applied to reduce the recorded value of the notes.

At December 31, 2018 and 2017, there was no accrued interest included in the caption "Notes receivable" in the Company's consolidated balance sheets. Based on management's assessment, the recorded values of the notes receivable, net of valuation allowance, at December 31, 2018 and 2017, were assessed to be fully collectible.

Deposit Assets and Liabilities

The Company applies deposit accounting to reinsurance contracts that do not transfer sufficient insurance risk to merit reinsurance accounting. Under deposit accounting, an asset or liability is recognized based on the consideration paid or received. The deposit asset or liability balance is subsequently adjusted using the interest method with a corresponding income or expense recorded in the consolidated statements of income as other income or expense. The Company's deposit assets and liabilities are recorded in the consolidated balance sheets in the caption "Reinsurance balances receivable" and "Reinsurance balances payable", respectively. At December 31, 2018, deposit assets and deposit liabilities were $0.7 million and $51.5 million, respectively (2017: $0.7 million and $27.4 million, respectively). For the year ended December 31, 2018, interest income and expense on deposit accounted contracts was nil and $1.1 million, respectively (2017: interest income and expense of nil and $0.2 million, respectively).

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.

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

Variable Interest Entities

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

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

Financial Instruments

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

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

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

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

Derivative Financial Instruments

The Company enters into financial contracts with counterparties as part of its investment strategy. Financial contracts, which include total return swaps, credit default swaps (“CDS”), futures, options, currency forwards and other derivative instruments, are recorded 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 caption “Financial contracts receivable” in the Company’s consolidated balance sheets represents derivative contracts whereby, based upon the contract’s current fair value, the Company will be entitled to receive payments upon settlement of the contract. The caption “Financial contracts payable” represents derivative contracts whereby, based upon each contract’s current fair value, the Company will be obligated to make payments upon settlement of the contract.

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. Pursuant to International Swaps and Derivatives Association (“ISDA”) master agreements, securities lending agreements and other agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off outstanding balances due from the defaulting party against payments owed to the defaulting party or collateral held by the non-defaulting party.

Additionally. the Company may, from time to time, enter into underwriting-related derivatives including industry loss warranty (“ILW”) contracts.

Transfer of Financial Assets

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

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

Foreign Exchange

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

Other Assets

Other assets consist primarily of prepaid expenses, fixed assets, other receivables and deferred tax assets.

Other Liabilities

Other liabilities consist primarily of employee bonus accruals. At December 31, 2018, other liabilities included estimated accrued bonus of $2.9 million (2017: $5.6 million). Under the Company's bonus program, the majority of employees' target bonus consists of two components: a discretionary component based on a qualitative assessment of such employee's performance and a quantitative component based on the return on deployed equity ("RODE") for each underwriting year relating to reinsurance operations. The qualitative portion of an employee's annual bonus is accrued at each employee's target amount, which may differ significantly from the actual amount approved and awarded annually by the Compensation Committee. The quantitative portion of each employee's annual bonus is accrued based on the expected RODE for each underwriting year and adjusted for changes in the expected RODE and actual investment return each quarter until all losses are settled and the underwriting year is declared closed. The actual quantitative bonus, which requires the approval of the Compensation Committee, is paid in annual installments of three to five years from the end of the year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation utilizes proprietary models which require significant estimation and judgment. Actual RODE may vary significantly from the RODE initially calculated and any adjustments to the quantitative bonus estimates, which may be material, are recorded in the period in which they are determined.

Also included in the caption "Other liabilities" are accruals for professional fees and other general expenses.

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.

Segment Information

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

Recent Accounting Pronouncements

Recently Issued Accounting Standards Adopted

In February 2018, the FASB issued ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2018-03"). This guidance made targeted improvements to address certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The Company adopted ASU 2018-03 during 2018. There was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

In November 2016, the FASB issued ASU 2016-18, "Statements of Cash Flows - Restricted Cash (Topic 230)" ("ASU 2016-18") to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 during 2018 and consequently the Company's restricted cash and restricted cash equivalents are now included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. For comparative purposes, amounts in the prior years have been reclassified to conform to current year presentations. There was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

In January 2016, the FASB issued ASU 2016-01 "Financial Instruments - Overall (Subtopic 825-10). Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") in order to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Company adopted ASU 2016-01 during 2018. There was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

The FASB has issued ASU No. 2014-09, "Revenue from Contracts with Customers", and related amendments, ASU 2015-14, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-05 and ASU 2017-13, (collectively, "Topic 606"). Topic 606 creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of non-financial assets, unless those contracts are within the scope of other standards, such as insurance contracts. Topic 606 became effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted Topic 606 during 2018, and as the Company's revenues generally relate to reinsurance contracts and investment income, there was no material impact on the Company's results of operations or financial condition upon adoption of the new standard.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB issued ASU 2018-11, to add a transition option allowing entities to not apply the new leases standard, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. ASU 2018-11 and ASU 2016-02 are effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted for any organization in any interim or annual period. The Company currently has operating leases for its office spaces as disclosed in Note 16 of the consolidated financial statements which will be recognized as right-of-use asset upon adoption of ASU 2016-02. The Company is in the process of evaluating the impact of adopting ASU 2016-02 on the Company's consolidated financial statements and anticipates the adoption of ASU 2018-11 and ASU 2016-02 to have no material impact on the Company's results of operations or financial condition.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the guidance on reporting credits losses and affects loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have the contractual right to receive cash. The amendment is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization for annual periods beginning after December 15, 2018 and interim periods within those annual periods. The Company is in the process of evaluating the impact of the requirements of ASU 2016-13 on the Company's consolidated financial statements and anticipates implementing ASU 2016-13 during 2020.

3. INVESTMENT IN RELATED PARTY INVESTMENT FUND

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

As a result of the changes described above, the Company's investment in SILP has been presented on the consolidated balance sheets in the caption "Investment in related party investment fund". In assessing the Company's interest in SILP in accordance with the Company's accounting policy for variable interest entities, the Company determined whether the GLRE Limited Partners met the power and benefits criterion. The Company determined that 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. The Company concluded that since GLRE Limited Partners did not have substantive participating rights or kick-out rights, it did not meet the power criterion. The Company determined that DME II meets the power criterion and further considered whether DME II meets the benefits criterion. 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 determined that DME II meets the benefits criterion as well as the power criterion and is therefore SILP's primary beneficiary.

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

At December 31, 2018, certain assets that were subject to the Participation Agreement for which the GLRE Limited Partners received an interest in SILP had not transferred legal title to SILP. While the rights and privileges relating to those assets had been transferred to SILP, those assets are reported on the consolidated balance sheets until legal title has transferred to SILP. The Company has accounted for those assets as collateralized borrowing and recorded a liability in the caption, "Due to related party investment fund", relating to the Company's obligation to transfer those assets to SILP.

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, 2018, the net asset value of the GLRE Limited Partners' investment in SILP was $215.1 million, representing 77.5% of SILP's total net assets. The remaining 22.5% of SILP's total net assets was held by GRIL and 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, which approximates fair value. The GLRE Limited Partners can redeem their assets from SILP for operational purposes by providing three business days' notice to DME II. The majority of SILP's long investments are composed of publicly-traded equity securities and other holdings, which can be readily liquidated to meet any GLRE Limited Partners' redemption requests. The Company's share of change in the net asset value of SILP for the year ended December 31, 2018 was a loss of 58.6 million, and included in the caption "Income (loss) from investment in related party investment fund" in the Company's consolidated statements of operations.

During the year ended December 31, 2018, the rights to $366.3 million of net investments were transferred from Greenlight RE and GRIL's Joint Venture investment accounts to SILP in exchange for limited partnership interests of the same amount, resulting in no net gain or loss. The transfer of assets included non-cash items as follows:

Non-cash transactions	($ in thousands)	
Net investments transferred to related party investment fund (excluding cash and restricted cash)	$	124,344
Participating interest transferred to related party investment fund		664
Total non-cash transfer of assets	$	125,008

Summarized Statement of Operations of Solasglas Investments, LP

	From September 1, 2018 (commencement of operations) to December 31, 2018
	($ in thousands)
Investment income	
Dividend income (net of withholding taxes)	$ 2,160
Interest income	1,868
Total Investment income	4,028
Expenses	
Management fee	(3,100)
Interest	(2,627)
Dividends	(1,608)
Professional fees and other	(483)
Total expenses	(7,818)
Net investment income (loss)	(3,790)
Realized and change in unrealized gains (losses) on investments	
Net realized gain (loss) on investments	(80,996)
Net change in unrealized appreciation on investments	14,789
Net gain (loss) on investments	(66,207)
Net income (loss)	$ (69,997)
GLRE Limited Partners' share of net income (loss)	$ (60,573)

Summarized Statement of Assets and Liabilities of Solasglas Investments, LP

	December 31, 2018
	($ in thousands)
Assets	
Investments, at fair value	$ 464,461
Due from brokers	77,821
Cash and cash equivalents	13,200
Interest and dividends receivable	2,358
Total assets	557,840
Liabilities and partners' capital	
Liabilities	
Investments sold, not yet purchased, at fair value	(225,072)
Notes Payable	(30,000)
Due to brokers	(23,951)
Interest and dividends payable	(1,238)
Other liabilities	(169)
Total liabilities	(280,430)
Net Assets	$ 277,410
GLRE Limited Partners' share of Net Assets	$ 235,612

4. FINANCIAL INSTRUMENTS

In the normal course of its business, the Company purchases and sells various financial instruments, which may include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased.

The Company is exposed to credit risk in relation to counterparties that may default on their obligations to the Company. The amount of counterparty credit risk predominantly relates to the value of financial contracts receivable and assets held at counterparties. The Company mitigates its counterparty credit risk by (i) using several counterparties, which decreases the likelihood of any significant concentration of credit risk with any one counterparty and (ii) obtaining collateral from its counterparties based on the value of the financial contracts receivable. In addition, the Company is exposed to credit risk on corporate and sovereign debt instruments to the extent that the debtors may default on their debt obligations.

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be significant and difficult to predict. This volatility may affect the gains or losses ultimately realized by the Company upon the sale of its holdings, as well as the amount of net investment income (loss) reported in the consolidated statements of operations. Management utilizes the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of loss due to changes in market values. The investment advisor may be limited in its ability to trade certain investments on behalf of the Company.

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, 2018, 2017 and 2016:

	Year ended December 31		
	2018	2017	2016
	($ in thousands)		
Gross realized gains	$ 303,674	$ 267,904	$ 188,700
Gross realized losses	(540,561)	(180,286)	(302,536)
Net realized gains (losses)	$ (236,887)	$ 87,618	$ (113,836)
Change in unrealized gains and losses	$ (32,597)	$ (41,444)	$ 209,993

As of December 31, 2018, cash and investments with a fair value of $221.7 million (2017: $200.4 million) have been pledged as security against letters of credit issued, and $436.5 million (2017: $357.6 million) have been pledged as security relating to regulatory trusts.

As of December 31, 2018, the Company's investments in SILP was in excess of 10% of the Company's total shareholder's equity, with fair value of $215.1 million, representing 41.4%, of total shareholder's equity.

As of December 31, 2017, the Company's investments in General Motors, Brighthouse Financial Inc, gold and gold derivatives, Bayer AG and Mylan NV were in excess of 10% of the Company's total shareholder's equity, with fair values of $205.5 million, or 24.3%, $132.4 million or 15.7%, $121.5 million, or 14.4%, $103.6 million or 12.2% and $84.8 million or 10.0%, respectively, of total shareholder's equity.

Investments

Debt instruments, trading

At December 31, 2018, the Company held no debt instruments as a result of the LP Transaction discussed in Note 3 above.

At December 31, 2017, the Company held the following debt instruments:

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 8,508	$ —	$ (7,186)	$ 1,322
Corporate debt – Non U.S.	2,109	—	(2,057)	52
Municipal debt – U.S.	5,831	—	(25)	5,806
Total debt instruments	$ 16,448	$ —	$ (9,268)	$ 7,180

The maturity distribution for debt instruments held at December 31, 2017, was as follows:

	2017	
	Cost/ amortized cost	Fair value
	($ in thousands)	
Within one year	$ 7,557	$ 441
From one to five years	—	—
From five to ten years	2,109	52
More than ten years	6,782	6,687
	$ 16,448	$ 7,180

Equity securities, trading

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

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

At December 31, 2017, the following long positions were included in the caption “Equity securities, trading”:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ 1,014,426	$ 208,350	$ (19,104)	$ 1,203,672
Total equity securities	$ 1,014,426	$ 208,350	$ (19,104)	$ 1,203,672

Other Investments

“Other investments” include commodities and private securities and unlisted funds and investments accounted for under the equity method which are not significant to present separately on the balance sheet. As of December 31, 2017, all commodities were composed of gold bullion.

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

	Cost	Unrealized gains	Unrealized losses	Fair value / carrying value
	($ in thousands)			
Private investments and unlisted equity funds	$ 4,125	$ —	$ (20)	$ 4,105
Total Other Investments	$ 4,125	$ —	$ (20)	$ 4,105

At December 31, 2017, the following securities were included in the caption “Other investments”:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Commodities	$ 101,184	$ 20,318	$ —	$ 121,502
Private investments and unlisted equity funds	22,066	5,314	—	27,380
	$ 123,250	$ 25,632	$ —	$ 148,882

Private and unlisted equity funds include private equity securities that did not have readily determinable fair values and the Company applied the measurement alternative under ASU 2016-01 and ASU 2018-03. At December 31, 2018 the carrying value of the private equity securities without readily determinable fair value was $4.1 million (December 31, 2017: $3.9 million). The carrying values of the private equity securities are determined based on the original cost, reviewed for impairment and any subsequent changes in the valuation based on periodic third party valuations or recent observable transactions of those securities. There were no meaningful upward or downward adjustments to the carrying values of the private equity securities for the year ended December 31, 2018.

Investments in Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company's risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased may exceed the amount recorded in the consolidated balance sheet as the Company is obligated to purchase the securities in the market at prevailing prices to settle its obligations. To establish a position in a security sold, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked to market and an unrealized gain or loss is recorded. At the time the transaction is closed, the Company realizes a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

As a result of the LP Transaction described in Note 3, the Company held no investments in securities sold, not yet purchased at December 31, 2018.

At December 31, 2017, the following securities were included in the caption "Investments in securities sold, not yet purchased":

	Proceeds	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Equities – listed	$ (643,148)	$ 17,541	$ (187,045)	$ (812,652)
Sovereign debt – Non U.S.	(96,231)	—	(3,914)	(100,145)
	$ (739,379)	$ 17,541	$ (190,959)	$ (912,797)

Financial Contracts

Prior to the LP Transaction described in Note 3 above, the Company had entered into total return equity swaps, interest rate swaps, commodity swaps, options, warrants, rights, futures and forward contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these financial contracts, the Company was either entitled to receive or was obligated to make payments, which are based on the product of a formula contained within each contract that includes the change in the fair value of the underlying or reference security. As of December 31, 2018, the Company had no remaining financial contracts as a result of the LP Transaction.

At December 31, 2017, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency [(1)]	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts
		($ in thousands)	
Financial contracts receivable			
Call options	USD	2,656	$ 91
Commodity Swaps	USD	17,833	2,142
Forwards	KRW	41,379	801
Futures	USD	5,874	12
Interest rate swaps	JPY	21,269	479
Put options [(2)]	USD	155	1
Total return swaps – equities	EUR/GBP/USD	34,965	9,357
Warrants and rights on listed equities	EUR/USD	29	10
Total financial contracts receivable, at fair value			$ 12,893
Financial contracts payable			
Commodity Swaps	USD	26,795	$ (353)
Put options	USD	130	(14)
Total return swaps – equities	EUR/GBP/KRW/ RON/USD	60,663	(21,855)
Total financial contracts payable, at fair value			$ (22,222)

(1) USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.

(2) Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

The Company includes gains and losses on derivatives in the caption “Net investment income (loss)” in the Company’s consolidated statements of operations. During the years ended December 31, 2018, 2017 and 2016, the Company reported gains and losses on derivatives as follows:

Derivatives not designated as hedging instruments	Location of gains and losses on derivatives recognized in income	Gain (loss) on derivatives recognized in income		
		Year ended December 31		
		2018	2017	2016
		($ in thousands)		
Commodity swaps	Net investment income (loss)	$ 4,402	$ (9,293)	$ 10,474
Forwards	Net investment income (loss)	(2,983)	2,507	(302)
Futures	Net investment income (loss)	(13,339)	(399)	376
Interest rate options	Net investment income (loss)	(1,771)	—	—
Interest rate swaps	Net investment income (loss)	(255)	136	218
Options, warrants, and rights	Net investment income (loss)	(14,627)	(18,455)	10,261
Total return swaps – equities	Net investment income (loss)	(10,981)	2,281	28,612
Total		$ (39,554)	$ (23,223)	$ 49,639

The Company generally does not enter into derivatives for risk management or hedging purposes. The volume of derivative activities varies from period to period depending on potential investment opportunities.

For the year ended December 31, 2018, the Company's volume of derivative activities (based on notional amounts) was as follows:

	Year ended December 31, 2018	
Derivatives not designated as hedging instruments (notional amounts)	**Entered**	**Exited**
	($ in thousands)	
Commodity swaps	$ 34,792	$ 85,669
Forwards	65,819	105,017
Futures	423,374	440,594
Interest rate options [1]	1,783,000	1,783,000
Interest rate swaps	—	28,758
Options, warrants and rights [1]	298,830	225,142
Total return swaps	25,480	157,533
Total	$ 2,631,295	$ 2,825,713

[1] Exited amount excludes derivatives which expired or were exercised during the period.

For the year ended December 31, 2017, the Company's volume of derivative activities (based on notional amounts) was as follows:

	Year ended December 31, 2017	
Derivatives not designated as hedging instruments (notional amounts)	**Entered**	**Exited**
	($ in thousands)	
Commodity swaps	$ 2,025	$ 41,830
Forwards	34,652	1,739
Futures	38,207	32,537
Options, warrants and rights [1]	950,811	133,407
Total return swaps	258,874	355,446
Total	$ 1,284,569	$ 564,959

[1] Exited amount excludes derivatives which expired or were exercised during the period.

The Company does not offset its derivative instruments and presents all amounts in the consolidated balance sheets on a gross basis. The Company has pledged cash collateral to derivative counterparties to support the current value of amounts due to the counterparties on its derivative instruments.

As of December 31, 2018, the Company did not hold any gross or net derivative instruments.

As of December 31, 2017, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2017	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the balance sheet	Net amounts of assets (liabilities) presented in the balance sheet	Financial instruments available for offset	Cash collateral (received) pledged	Net amount of asset (liability)
			($ in thousands)			
Financial contracts receivable	$ 12,893	$ —	$ 12,893	$ (5,128)	$ (1,336)	$ 6,429
Financial contracts payable	(22,222)	—	(22,222)	5,128	17,094	—

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 fair values of the Company’s listed equity investments are derived based on Level 1 inputs. The fair values of listed equities that have restrictions on sale or transfer which expire within one year, are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs.

The fair values of most debt instruments are derived based on Level 2 inputs, generally the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using Level 3 inputs including cash flow models using assumptions and estimates that may be subjective and non-observable.

The fair values of commodities are determined based on Level 1 inputs.

The Company maximizes the use of Level 2 inputs when deriving the fair values for “other investments”. For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on Level 3 inputs, such as management’s assumptions developed from available information using the services of the investment advisor.

For certain private equity fund investments, the Company has elected to measure the fair value using the net asset value practical expedient, and accordingly these investments are not assigned a Level within the fair value hierarchy.

Exchange-traded futures or options contracts are based on the movement of a particular index, equity security, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company’s obligations or rights on these contracts are valued based on Level 1 or Level 2 inputs. The total return swaps are valued based on Level 2 inputs.

Amounts invested in exchange-traded options and over the counter (“OTC”) options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are valued based on Level 1 inputs. For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon Level 2 inputs such as multiple quotes from brokers and market makers, which are considered to be binding.

A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market or on the current credit spreads on identical contracts, both Level 2 inputs.

The Company's financial instruments are carried at fair value, and the net unrealized gains or losses are included in the caption "Net investment income (loss)" in the Company's consolidated statements of operations.

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

	Fair value measurements as of December 31, 2018			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	($ in thousands)			
Assets:				
Listed equity securities	36,908	—	—	36,908
Private and unlisted equity securities	—	—	664	664
	$ 36,908	$ —	$ 664	$ 37,572
Investment in related party investment fund measured at net asset value [1] [2]				215,068
Equities without readily determinable fair values for which measurement alternative is applied				3,441
Total investments				$ 256,081

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

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2017:

	Fair value measurements as of December 31, 2017			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	($ in thousands)			
Assets:				
Debt instruments	$ —	$ 6,300	$ 880	$ 7,180
Listed equity securities	1,181,150	22,522	—	1,203,672
Commodities	121,502	—	—	121,502
Private and unlisted equity securities	—	—	2,858	2,858
	$ 1,302,652	$ 28,822	$ 3,738	$ 1,335,212
Unlisted equity funds measured at net asset value [1]				24,522
Total investments				$ 1,359,734
Financial contracts receivable	$ 22	$ 12,871	$ —	$ 12,893
Liabilities:				
Listed equity securities, sold not yet purchased	$ (812,652)	$ —	$ —	$ (812,652)
Debt instruments, sold not yet purchased	—	(100,145)	—	(100,145)
Total securities sold, not yet purchased	$ (812,652)	$ (100,145)	$ —	$ (912,797)
Financial contracts payable	$ —	$ (22,222)	$ —	$ (22,222)

[1] Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the consolidated balance sheets.

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

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

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

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2017		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$ 654	$ 6,109	$ 6,763
Sales	—	(1,500)	(1,500)
Total realized and unrealized gains (losses) and amortization included in earnings, net	226	17	243
Transfers out of Level 3	—	(1,768)	(1,768)
Ending balance	$ 880	$ 2,858	$ 3,738

During the year ended December 31, 2017, $1.8 million of the private equity securities were transferred from Level 3 to Level 1 as these securities commenced trading on a listed exchange during the year and the fair value was determined based on the last traded price on an active market. There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2017.

For the year ended December 31, 2018, there were $0.1 million net realized losses relating to Level 3 securities (2017: nil).

For Level 3 securities still held as of the reporting date, the change in net unrealized gains (losses) for the year ended December 31, 2018 of $(0.3) million (2017: net unrealized gains $0.2 million), were included in the caption “Net investment income (loss)” in the Company’s consolidated statements of operations.

5. DUE TO PRIME BROKERS AND OTHER FINANCIAL INSTITUTIONS

Amounts due to prime brokers represent margin-borrowing from prime brokers and custodians relating to investments purchased on margin. In addition under term margin agreements with prime brokers and revolving credit facilities with custodians and a letter of credit facility agreement, the Company pledged certain investment securities to borrow cash. The cash borrowed under a letter of credit facility agreement was placed in a custodial account in the name of the Company and this custodial account provided collateral for any letters of credit issued. Similarly for the trust accounts, the Company borrowed cash from prime brokers or custodians which was placed in a trust account for the benefit of the cedent. As there was no legal right of offset, the Company’s liability for the cash borrowed from the prime brokers and custodians was included on the consolidated balance sheets as due to prime brokers and other financial institutions while the cash held in the custodial account and trust accounts were included on the consolidated balance sheets as restricted cash and cash equivalents.

As of December 31, 2018, as a result of the LP Transaction (see Note 3), there were no amounts borrowed from prime brokers or custodians and no investments were pledged to prime brokers or custodians to fund the letters of credit and trust accounts. As of December 31, 2017, the Company had amounts due to prime brokers and amounts due to other financial institutions of $627.4 million and $25.0 million, respectively.

6. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents as of December 31, 2018 and 2017 were composed of the following:

	December 31, 2018	December 31, 2017
	($ in thousands)	
Cash at banks	$ 6,550	$ 24,062
Cash held with brokers	10,920	46
Total cash and cash equivalents	$ 17,470	$ 24,108

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

7. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents include amounts held by the Company to provide collateral required by the cedents in the form of trust accounts and letters of credit (see Notes 5 and 14). As of December 31, 2018 and 2017, the restricted cash and cash equivalents were composed of the following:

	December 31, 2018	December 31, 2017
	($ in thousands)	
Cash held as collateral in trust accounts	$ 436,507	$ 357,606
Cash collateral relating to letters of credit issued	221,655	173,748
Cash held by prime brokers relating to securities sold, not yet purchased	—	912,796
Cash and cash equivalents held by swap counterparties	—	39,337
Total restricted cash and cash equivalents	$ 658,162	$ 1,483,487

As of December 31, 2018, as a result of the LP Transaction (see Note 3), there were no restricted cash and cash equivalents held by prime brokers or swap counterparties. As of December 31, 2017, the amount of restricted cash held by prime brokers was primarily used to support the liability created from securities sold, not yet purchased. Cash held by swap counterparties was used to support the current value of amounts that were due to the swap counterparty based on the value of the underlying security.

8. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

At December 31, 2018 and 2017, loss and loss adjustment expense reserves were composed of the following:

	2018	2017
	($ in thousands)	
Case reserves	$ 202,700	$ 168,950
IBNR	247,834	267,378
Total	$ 450,534	$ 436,328

A summary of changes in outstanding loss and loss adjustment expense reserves is presented in the table below.

Consolidated	2018	2017	2016
		($ in thousands)	
Gross balance at January 1	$ 436,328	$ 279,610	$ 273,686
Less: Losses recoverable	(33,961)	(2,670)	(3,333)
Net balance at January 1	402,367	276,940	270,353
Incurred losses related to:			
Current year	306,006	414,556	290,600
Prior years	170	32,935	35,758
Total incurred	306,176	447,491	326,358
Paid losses related to:			
Current year	(125,281)	(190,761)	(122,686)
Prior years	(181,701)	(134,273)	(190,364)
Total paid	(306,982)	(325,034)	(313,050)
Foreign currency revaluation	(2,092)	2,970	(6,721)
Net balance at December 31	399,469	402,367	276,940
Add: Losses recoverable	51,065	33,961	2,670
Gross balance at December 31	$ 450,534	$ 436,328	$ 279,610

The rollforward of outstanding loss and loss adjustment expense reserves for health claims is as follows:

Health	2018	2017	2016
		($ in thousands)	
Gross balance at January 1	$ 21,891	$ 17,386	$ 5,725
Less: Losses recoverable	—	—	—
Net balance at January 1	21,891	17,386	5,725
Incurred losses related to:			
Current year	56,804	44,539	31,546
Prior years	1,871	4,515	—
Total incurred	58,675	49,054	31,546
Paid losses related to:			
Current year	(34,696)	(23,814)	(15,894)
Prior years	(21,529)	(20,735)	(3,991)
Total paid	(56,225)	(44,549)	(19,885)
Foreign currency revaluation	—	—	—
Net balance at December 31	24,341	21,891	17,386
Add: Losses recoverable	—	—	—
Gross balance at December 31	$ 24,341	$ 21,891	$ 17,386

Loss development

Year ended December 31, 2018

During the year ended December 31, 2018, the Company experienced a modest $0.2 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

Adverse developments:

- $9.7 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 prevalence of several large claims being reported on prior accident years;
- $2.0 million of adverse loss development on general liability contracts, spread over treaty years 2012-2017, resulting from deteriorations in claims experience; and
- $1.8 million of adverse loss development on surety contracts, net of retrocession recoveries, due to deterioration on several previously reported claims for one legacy contract.

Favorable developments:

- $3.8 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;
- $6.0 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 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.

During the year ended December 31, 2017, the Company experienced $32.9 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

$10.7 million of adverse loss development associated with various classes of professional liability exposure, driven by additional reporting on individual claims, as well as the Company's assessment of industry wide loss ratio performance;

- $3.3 million of adverse loss development associated with motor contracts based on re-projection of ultimate losses using client reporting patterns;
- $4.1 million of adverse loss development relating to Florida homeowners' insurance contracts, largely driven by "assignment of benefits" issues whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters;
- $4.6 million of adverse loss development associated with specialty health contracts arising from frequency of medical claims reported; and
- $2.2 million of adverse loss development due to large claims reported on a surety contract.

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

During the year ended December 31, 2016, the Company experienced $35.8 million in net adverse development on prior year loss and LAE reserves. This net adverse development resulted primarily from the following:

- $19.0 million of losses resulting from the loss portfolio transfer and subsequent novation of the legacy construction defect liabilities;

- $7.0 million of adverse loss development relating to our Florida homeowners' insurance contracts as a result of deterioration of sinkhole claims and an increase in the practice of "assignment of benefits" whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters;

- $5.0 million of adverse loss development relating to our private passenger motor contracts. While the loss indications are close to our expectations, the volume and frequency of unmerited suits served to the cedent by attorneys and medical clinics has resulted in an increase in loss adjustment expenses to defend such claims; and

- $4.5 million of adverse loss development on an excess of loss contract relating to losses resulting from the U.S. sub-prime crisis.

The remaining net favorable development on prior year loss and LAE reserves recognized in 2016 related to several smaller adjustments made across various lines of business.

Disclosures about Short Duration Contracts

The Company manages its business on the basis of one operating segment, property & casualty reinsurance. Prior to 2018, management analyzed the underwriting operations using two categories: frequency business and severity business. The Company had previously disclosed the incurred and paid claims development tables in its financial statements for the year ended December 31, 2017, whereby the tables were categorized as Frequency - Health; Frequency - Non-Health; and Severity. Effective from 2018, the Company no longer categorizes its business as frequency and severity but instead categorizes its business as Property, Casualty and Other. The loss development tables presented below have been disaggregated by lines of business for the years ended from December 31, 2009 to 2018.

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

For each of the categories, the following tables present the incurred and paid claims development as of December 31, 2018, 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, 2009 to 2017, is presented as unaudited supplementary information.

Health

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	December 31, 2018 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information) ($ in thousands)										
2009	$ 24,939	$ 23,889	$ 23,327	$ 23,355	$ 23,356	$ 23,356	$ 23,355	$ 23,355	$ 23,355	$ 23,355	$ —
2010		36,017	35,861	36,165	36,100	36,100	36,087	36,087	36,087	36,087	—
2011			21,962	22,786	22,697	22,697	22,507	22,507	22,507	22,507	—
2012				2,400	2,331	2,340	2,294	2,285	2,285	2,285	—
2013					—	84	—	—	—	—	—
2014						454	547	547	579	547	—
2015							6,929	6,937	7,953	7,793	—
2016								30,546	33,544	34,160	—
2017									45,007	46,455	2,233
2018										56,804	22,108
									Total	$ 229,993	$ 24,341

Health

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(Unaudited - Supplementary Information) ($ in thousands)									
2009	$ 8,626	$ 23,030	$ 23,327	$ 23,355	$ 23,356	$ 23,356	$ 23,355	$ 23,355	$ 23,355	$ 23,355
2010		17,826	35,755	36,165	36,100	36,100	36,087	36,087	36,087	36,087
2011			18,223	22,516	22,697	22,697	22,507	22,507	22,507	22,507
2012				2,244	2,331	2,340	2,294	2,285	2,285	2,285
2013					—	—	—	—	—	—
2014						(29)	547	513	513	547
2015							1,212	5,793	7,953	7,793
2016								15,339	32,893	34,160
2017									23,834	44,222
2018										34,696
									Total	205,652
									All outstanding liabilities before 2009, net of reinsurance	—
									Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)	$ 24,341

Multiline

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	December 31, 2018 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2010		—	—	—	—	—	—	—	—	—	—
2011			—	—	—	—	—	—	—	—	—
2012				—	—	—	—	—	—	—	—
2013					—	—	—	—	—	—	—
2014						2,251	2,251	2,251	2,369	2,369	1,447
2015							23,268	23,224	24,270	24,004	13,658
2016								48,135	49,681	48,352	28,193
2017									62,270	62,595	41,554
2018										45,229	38,834
									Total	$ 182,549	$ 123,687

Multiline

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2010		—	—	—	—	—	—	—	—	—
2011			—	—	—	—	—	—	—	—
2012				—	—	—	—	—	—	—
2013					—	—	—	—	—	—
2014						—	—	125	474	922
2015							—	2,268	6,071	10,346
2016								5,205	12,808	20,159
2017									8,893	21,041
2018										6,394
									Total	58,862
							All outstanding liabilities before 2009, net of reinsurance			—
					Liabilities for claims and claims adjustment expenses, net of reinsurance (Multiline)					$ 123,687

General Liability

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	December 31, 2018 Total IBNR plus expected development on reported claims
	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31,										
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 4,424	$ 4,121	$ 5,024	$ 5,652	$ 6,147	$ 6,664	$ 9,952	$ 10,113	$ 10,124	$ 10,124	$ —
2010		12,110	14,327	17,484	19,649	21,664	25,946	28,251	28,251	28,251	—
2011			20,925	30,693	40,756	44,897	61,446	77,105	77,105	77,105	—
2012				12,626	18,133	16,921	29,554	31,145	31,161	31,274	384
2013					3,018	2,689	4,666	4,511	4,510	4,916	265
2014						1,241	1,233	1,179	1,042	1,364	866
2015							1,980	2,028	2,226	2,482	1,513
2016								6,653	7,185	7,826	4,046
2017									6,317	7,432	5,598
2018										4,331	4,080
									Total	$ 175,105	$ 16,751

General Liability

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31,									
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ 400	$ 1,284	$ 2,255	$ 3,715	$ 4,529	$ 5,519	$ 5,957	$ 10,105	$ 10,124	$ 10,124
2010		2,107	5,096	9,356	14,051	17,471	19,228	28,251	28,251	28,251
2011			2,873	11,751	20,030	25,018	32,954	77,105	77,105	77,105
2012				1,750	9,926	13,142	15,836	30,667	30,687	30,891
2013					1,371	1,917	2,298	4,191	4,274	4,652
2014						18	146	413	573	497
2015							77	359	802	969
2016								176	1,796	3,780
2017									210	1,834
2018										251
									Total	158,354
	All outstanding liabilities before 2009, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (General Liability)									$ 16,751

Motor Casualty

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2018
	For the years ended December 31,										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 56,960	$ 68,194	$ 77,373	$ 85,241	$ 80,756	$ 81,537	$ 83,270	$ 82,569	$ 82,609	$ 82,615	$ —
2010		64,264	74,260	86,881	83,496	84,742	88,377	88,022	88,008	88,012	—
2011			53,035	57,498	57,342	62,921	70,880	70,435	70,495	70,495	62
2012				131,071	129,686	130,434	129,821	129,923	129,922	129,923	—
2013					161,076	158,852	154,840	154,811	154,900	154,977	—
2014						77,813	77,175	78,578	78,407	78,169	—
2015							99,681	101,424	101,135	103,404	3,173
2016								127,326	129,619	132,997	1,948
2017									144,946	146,562	9,056
2018										108,274	52,085
									Total	$1,095,428	$ 66,325

Motor Casualty

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ 20,779	$ 47,225	$ 61,955	$ 72,168	$ 76,020	$ 79,058	$ 80,235	$ 82,569	$ 82,609	$ 82,615
2010		23,413	44,889	60,630	70,356	79,089	82,266	88,008	88,008	88,012
2011			19,082	36,462	49,569	58,244	65,018	70,433	70,433	70,433
2012				58,411	117,143	125,242	127,533	129,922	129,922	129,922
2013					75,168	140,816	152,408	154,794	154,900	154,977
2014						42,042	71,668	74,785	78,407	78,169
2015							63,113	97,136	99,866	100,231
2016								74,973	121,205	131,049
2017									91,036	137,506
2018										56,189
									Total	1,029,103
All outstanding liabilities before 2009, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Casualty)										$ 66,325

Motor Property

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, (Unaudited - Supplementary Information) ($ in thousands) 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	December 31, 2018 — Total IBNR plus expected development on reported claims
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2010		560	656	671	684	662	662	667	667	667	—
2011			3,276	3,271	3,343	3,285	3,285	3,306	3,306	3,306	3
2012				36,985	36,129	36,008	35,998	35,922	35,922	35,922	—
2013					43,603	43,117	42,356	42,276	42,318	42,342	244
2014						16,203	16,145	16,343	16,302	16,308	—
2015							17,448	17,840	17,821	18,460	622
2016								21,081	21,397	22,037	305
2017									32,113	31,792	549
2018										31,620	15,003
									Total	$ 202,454	$ 16,726

Motor Property

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, (Unaudited - Supplementary Information) ($ in thousands) 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2010		560	620	620	620	620	644	667	667	667
2011			1,418	2,944	3,305	3,285	3,285	3,303	3,303	3,303
2012				16,883	34,569	35,835	35,884	35,922	35,922	35,922
2013					19,755	38,887	42,065	42,087	42,099	42,099
2014						8,931	15,068	15,817	16,302	16,308
2015							11,019	17,376	17,762	17,838
2016								12,761	20,485	21,731
2017									18,933	31,243
2018										16,617
									Total	185,728
					All outstanding liabilities before 2009, net of reinsurance					—
					Liabilities for claims and claims adjustment expenses, net of reinsurance (Motor Property)					$ 16,726

Other

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2018
	For the years ended December 31,										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 429	$ 611	$ 547	$ 589	$ 580	$ 580	$ 580	$ 580	$ 580	$ 580	$ —
2010		4,008	3,858	4,291	4,130	4,130	4,130	3,955	4,130	3,955	—
2011			7,341	8,014	7,525	7,473	7,470	7,468	7,468	7,468	—
2012				6,300	3,640	3,756	3,773	3,759	3,755	3,782	47
2013					2,202	2,583	2,534	2,518	2,498	2,452	177
2014						4,168	3,233	2,887	3,778	3,318	877
2015							6,712	7,182	9,638	8,826	2,777
2016								12,053	15,930	16,151	7,273
2017									16,242	12,219	6,539
2018										11,388	10,122
									Total	$ 70,139	$ 27,814

Other

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ 151	$ 249	$ 547	$ 589	$ 580	$ 580	$ 580	$ 580	$ 580	$ 580
2010		864	1,593	3,123	3,130	3,406	3,477	3,955	3,955	3,955
2011			1,162	7,544	7,513	7,468	7,468	7,468	7,468	7,468
2012				3,092	3,299	3,676	3,683	3,684	3,688	3,735
2013					215	1,652	2,123	2,036	2,020	2,275
2014						177	624	956	2,288	2,440
2015							498	1,797	3,953	6,048
2016								1,758	3,982	8,878
2017									746	5,680
2018										1,266
									Total	42,325
	All outstanding liabilities before 2009, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Other)									$ 27,814

Property

	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2018
	For the years ended December 31,										
Accident year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total IBNR plus expected development on reported claims**
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 18,501	$ 17,340	$ 16,565	$ 15,924	$ 15,449	$ 15,275	$ 11,875	$ 11,852	$ 11,829	$ 11,757	$ —
2010		39,106	41,983	51,698	51,483	52,263	52,507	53,723	53,574	53,495	—
2011			73,309	83,261	79,794	80,402	81,894	83,012	83,067	83,006	—
2012				63,961	50,183	50,874	52,812	53,218	53,473	53,737	—
2013					60,940	58,983	61,767	62,486	62,473	62,412	435
2014						41,728	45,156	46,857	47,115	46,907	589
2015							28,099	30,638	32,147	31,378	1,194
2016								26,064	26,725	24,637	3,090
2017									84,932	78,794	22,270
2018										28,738	23,422
									Total	$ 474,861	$ 51,001

Property

	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
Accident year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ 4,421	$ 10,602	$ 11,378	$ 11,674	$ 11,780	$ 11,840	$ 11,805	$ 11,826	$ 11,810	$ 11,757
2010		20,611	40,858	42,697	43,406	47,914	48,438	53,408	53,542	53,495
2011			49,441	74,383	77,182	79,022	81,214	82,370	82,655	83,006
2012				32,085	45,887	50,242	52,657	53,211	53,259	53,737
2013					34,807	55,663	58,516	60,334	61,065	61,978
2014						20,229	40,170	43,629	45,226	46,318
2015							12,949	25,516	29,071	30,184
2016								9,993	18,348	21,547
2017									43,305	56,523
2018										5,315
									Total	423,860
All outstanding liabilities before 2009, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Property)										$ 51,001

Professional Liability

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	December 31, 2018 — Total IBNR plus expected development on reported claims
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 8,484	$ 6,310	$ 6,293	$ 6,293	$ 6,592	$ 6,592	$ 6,771	$ 6,771	$ 6,831	$ 6,831	$ 1,905
2010		3,828	3,296	3,526	3,663	3,850	3,878	3,864	3,864	3,864	424
2011			5,194	5,922	8,826	9,362	9,526	9,298	9,535	9,535	487
2012				8,413	8,071	8,779	9,050	9,356	10,050	10,050	946
2013					12,048	12,911	14,379	15,959	16,749	16,917	2,531
2014						18,529	17,951	17,927	20,415	21,385	5,516
2015							18,941	19,164	22,348	23,823	11,006
2016								14,616	18,642	19,090	13,476
2017									12,779	12,786	10,211
2018										6,232	5,892
									Total	$ 130,513	$ 52,394

Professional Liability

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ —	$ —	$ —	$ 92	$ 128	$ 128	$ 383	$ 383	$ 649	$ 4,926
2010		—	33	388	805	1,073	1,429	1,566	1,684	3,440
2011			106	1,253	4,234	5,912	7,563	8,422	8,990	9,048
2012				433	2,563	4,874	6,644	7,669	8,965	9,104
2013					687	3,374	7,522	10,825	13,642	14,386
2014						1,316	5,232	9,346	13,807	15,869
2015							1,149	3,322	9,561	12,818
2016								428	2,421	5,614
2017									287	2,575
2018										339
									Total	78,119
							All outstanding liabilities before 2009, net of reinsurance			558
				Liabilities for claims and claims adjustment expenses, net of reinsurance (Professional Liability)						$ 52,952

Workers' Compensation

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR plus expected development on reported claims
	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2018
	For the years ended December 31,										
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2009	$ 10,063	$ 10,292	$ 9,938	$ 10,076	$ 10,217	$ 10,217	$ 10,217	$ 10,217	$ 10,217	$ 10,217	$ —
2010		11,181	11,736	12,426	13,108	13,108	13,108	13,108	13,108	13,108	—
2011			14,915	15,233	16,861	16,861	16,861	16,861	16,861	16,861	—
2012				11,763	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	—
2014						1	1	1	4	2	1
2015							1,031	1,032	988	992	278
2016								4,358	4,311	4,305	1,513
2017									10,917	10,390	5,014
2018										13,552	9,339
									Total	$ 86,391	$ 16,145

Workers' Compensation

Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2009	$ 1,043	$ 4,995	$ 7,833	$ 9,893	$ 10,217	$ 10,217	$ 10,217	$ 10,217	$ 10,217	$ 10,217
2010		3,184	8,170	12,270	13,108	13,108	13,108	13,108	13,108	13,108
2011			5,004	11,175	16,861	16,861	16,861	16,861	16,861	16,861
2012				2,359	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
2014						—	—	—	4	1
2015							28	252	582	714
2016								615	1,922	2,792
2017									2,027	5,376
2018										4,213
									Total	70,246
	All outstanding liabilities before 2009, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Workers' Compensation)									$ 16,145

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, 2018. 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, the incurred and paid claims have been allocated to the accident years based on the proportion of premiums earned for each contract during such accident year.

For example, a one-year treaty incepting on October 1, 2010 (with underlying policies each having a one-year duration), would have a 24-month period over which the premiums would be earned. Therefore, claims would be allocated to accident years 2010, 2011 and 2012 based on the proportion of the premiums earned during each accident year. For illustration of this contract, any claims reported during 2010 would be allocated to the 2010 accident year. For losses reported during 2011, the claims would be allocated between 2010 and 2011 based on the percentage of premiums earned during 2010 and 2011. Similarly, for losses reported during 2012 and thereafter, the losses would be allocated to the 2010, 2011 and 2012 accident years based on the proportion of premiums earned during each of those years. However, natural catastrophe losses are treated separately and losses arising from such events are allocated to the specific 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, 2018 ($ in thousands)
Net outstanding liabilities	
Health	$ 24,341
Multiline	123,687
General Liability	16,751
Motor Casualty	66,325
Motor Property	16,726
Other	27,814
Property	51,001
Professional Liability	52,952
Workers' Compensation	16,145
Liabilities for claims and claims adjustment expenses, net of reinsurance	395,742
Add: Reinsurance recoverable on unpaid claims	51,065
Add: Unallocated claims adjustment expenses	3,727
Total gross liabilities for unpaid claims and claim adjustment expense	$ 450,534

The average historical annual percentage payout of net incurred claims (excluding health) as of the year ended December 31, 2018 is as follows:

Years	1	2	3	4	5	6	7	8	9	10
					(Unaudited - Supplementary Information)					
Multiline	6.6%	10.4%	12.8%	22.2%	20.8%	18.2%	9.1%	—%	—%	—%
General Liability	4.7%	13.1%	12.4%	11.8%	18.8%	29.3%	6.0%	3.2%	0.7%	—%
Motor Casualty	43.6%	32.8%	9.3%	5.5%	3.7%	2.2%	1.9%	0.9%	—%	—%
Motor Property	52.7%	41.4%	5.2%	0.5%	0.1%	0.1%	0.1%	—%	—%	—%
Other	20.4%	35.0%	23.2%	10.5%	4.5%	3.7%	2.7%	—%	—%	—%
Property	51.7%	32.5%	6.4%	2.7%	2.8%	1.0%	2.6%	0.3%	—%	—%
Professional Liability	4.0%	14.7%	24.3%	19.0%	14.3%	8.4%	4.3%	2.1%	2.1%	2.2%
Workers' Compensation	27.0%	43.2%	22.9%	5.7%	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 does not consistently 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.

9. 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. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and therefore can be used as a tool to align the Company’s interests with those of its counterparties. The Company currently has coverage that provides for recovery of a portion of loss and loss expenses incurred on certain contracts. Loss and loss adjustment expenses recoverable from the retrocessionaires are recorded as assets.

For the year ended December 31, 2018, the Company’s earned ceded premiums were $127.8 million (2017: $40.4 million and 2016: $8.9 million).

For the year ended December 31, 2018, loss and loss adjustment expenses incurred of $306.2 million (2017: $447.5 million and 2016: $326.4 million) reported on the Company’s consolidated statements of operations are net of loss and loss expenses recovered and recoverable of $88.9 million (2017: $37.9 million and 2016: $0.8 million).

Retrocession contracts do not relieve the Company of its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2018, the Company’s loss reserves recoverable consisted of (i) $50.6 million (2017: $33.5 million) from unrated retrocessionaires which were secured by cash and collateral held in trust accounts for the benefit of the Company and (ii) $0.4 million (2017: $0.5 million) from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2018 and 2017, no provision for uncollectible losses recoverable was considered appropriate.

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.

The Amended and Restated Memorandum and Articles of Association (the “Articles”) provides that the holders of ordinary shares generally are entitled to one vote per share. The Company is subject to the Cayman Islands’ Insurance (Capital and Solvency) (Classes B, C, and D Insurers) Regulations, 2012 (the “Insurance Regulations”). The Insurance Regulations impose a Minimum Capital Requirement (“MCR”) of US$50 million and a Prescribed Capital Requirement (“PCR”) on the Company of $191.9 million as of December 31, 2018. The Company’s statutory capital and surplus of $514.8 million exceeded the MCR as well as the PCR.

Any dividends declared and paid from the Company to its shareholder would require approval of CIMA. As of December 31, 2018 and 2017, $322.8 million and $432.5 million, respectively, of the Company’s capital and surplus was available for distribution as dividends. During the year ended December 31, 2018, no dividends were declared or paid by the Company to its parent (2017: $33.0 million, 2016: nil). Subsequent to the year ended December 31, 2018 the Company returned $1.9 million in additional paid in capital to Greenlight Capital Re, Ltd. to allow it to settle it’s interest obligation on the convertible debt.

Additional paid-in capital includes the premium per share paid by the subscribing shareholder for ordinary shares which have a par value of $0.10 each. During the year ended December 31, 2018, the Company received an additional $82.75 million in additional paid-in capital from it’s parent upon issuance of one additional share.

11. NET INVESTMENT INCOME (LOSS)

A summary of net investment income (loss) for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
		($ in thousands)	
Realized gains (losses)	(236,887)	87,618	(113,836)
Change in unrealized gains and losses	(32,597)	(41,444)	209,993
Investment related foreign exchange gains (losses)	938	(7,653)	2,988
Interest and dividend income, net of withholding taxes	33,783	24,022	22,964
Interest, dividend and other expenses	(17,977)	(23,929)	(22,327)
Investment advisor compensation on joint venture	(11,221)	(19,863)	(24,543)
Net investment income (loss)	$ (263,961)	$ 18,751	$ 75,239
Income (loss) from investments in related party investment fund	$ (58,581)	$ —	$ —
Total investment related income (loss)	$ (322,542)	$ 18,751	$ 75,239

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

Investment returns are calculated monthly based on cash flows into or out of the investment accounts and compounded to calculate the annual returns generated by the Company’s investments managed by DME Advisors. Effective from September 1, 2018, the investment return is calculated by dividing the investment income or loss (net of fees and expenses) by the Investment Portfolio. For the year ended December 31, 2018, the total investment related loss includes a loss of 30.5% on the investments managed by DME Advisors. This return compares to a gain of 1.5% and a gain of 7.2% reported for the years ended December 31, 2017 and 2016, respectively.

12. TAXATION

The Company is domiciled in the Cayman Islands and under current Cayman Islands law, no corporate entity, including the Company, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company 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 is engaged in a trade or business within the U.S.

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 2018, 2017 and 2016, the Company incurred approximately $3.1 million, $4.7 million and $3.9 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.

13. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

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

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

On September 1, 2018, the Company entered into the SILP LPA with DME II, as General Partner. DME II receives a performance allocation equal to (with capitalized terms having the meaning provided under the SILP LPA) (a) 10% of the portion of the Positive Performance Change for each limited partner’s capital account that is less than or equal to the positive balance in such limited partner’s Carryforward Account, plus (b) 20% of the portion of the Positive Performance Change for each limited partner’s capital account that exceeds the positive balance in such limited partner’s Carryforward Account. The Carryforward Account for the Company 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. No performance allocation was made for the year ended December 31, 2018 due to the investment losses during the period. The loss carry forward provision contained in the SILP LPA allows DME II to earn reduced performance allocation of 10% of profits in any year subsequent to any years 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 September 1, 2018, SILP entered into a SILP investment advisory agreement (“IAA”) with DME Advisors which entitles DME Advisors to a monthly management fee equal to 0.125% (1.5% on an annual basis) of each limited partner’s Investment Portfolio. The IAA has an initial term ending on August 31, 2023 subject to an automatic extension for successive three-year terms. For the year ended December 31, 2018, management fees paid by SILP to DME Advisors of $2.9 million were included in the caption “Loss from investment in related party” in the Company’s statement of operations.

Pursuant to the venture agreement, performance allocation equal to 20% of the net investment income of the Company’s share of the Joint Venture was allocated, subject to a loss carry forward provision, to DME’s account. The loss carry forward provision requires DME to earn a reduced performance allocation of 10% on net investment income in any year subsequent to the year in which the investment account incurred a loss, until all the losses were recouped and an additional amount equal to 150% of the aggregate investment loss was earned. DME was not entitled to earn a performance allocation in a year in which the investment portfolio under the Joint Venture incurred a loss. For the year ended December 31, 2018, no performance allocation was deducted due to the investment loss (2017: $2.1 million, 2016: $8.2 million).

Pursuant to the advisory agreement, a monthly management fee, equal to 0.125% (1.5% on an annual basis) of the Company’s investment account managed by DME Advisors, was paid to DME Advisors. Included in the caption “Net investment income (loss)” in the Company’s consolidated balance sheets for the year ended December 31, 2018 were management fees of $11.2 million (2017: $17.8 million, 2016: $16.3 million) relating to the Joint Venture. The management fees have been fully paid as of December 31, 2018.

Pursuant to the venture agreement, advisory agreement, 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, 2018, $25.1 million (2017: $39.2 million) of GRBK listed equities were included on the balance sheet as "equity securities, trading, at fair value". The Company along with certain affiliates of DME Advisors, collectively own 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 the Company.

Collateral Assets Investment Management Agreement

Effective January 1, 2019, the Company (and its affiliates) entered into a collateral assets investment management agreement (the "CMA") with DME Advisors, pursuant to which DME Advisors will manage 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.

Due to / from Parent

At December 31, 2018 and 2017, the amount due from / due to parent is non-interest bearing, unsecured and is repayable on demand.

Due to / from Affiliates

At December 31, 2018, the Company had $6.0 million (2017: $1.1 million) due from affiliates which is non-interest bearing, unsecured and is repayable on demand.

The Company has entered into a quota share retrocession agreement with GRIL whereby the Company assumes from GRIL a quota share portion of certain specified reinsurance contracts written by GRIL. For the year ended December 31, 2018, the Company assumed $14.8 million (2017: $12.4 million) of written premiums from GRIL.

The Company has entered into a retrocession agreement with GRIL whereby the Company provides an aggregate stop loss protection to GRIL in return for premiums ceded by GRIL to the company. For the year ended December 31, 2018, GRIL ceded $0.7 million (2017: $1.3 million) of written premiums to the Company. During the year ended December 31, 2018, the threshold for coverage was not breached which resulted in no losses paid by the Company to GRIL (2017: nil).

14. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Trusts

At December 31, 2018, the Company had the following letter of credit facilities, which automatically renew each year unless terminated by either party in accordance with the applicable required notice period:

	Facility ($ in thousands)	Termination Date	Notice period required for termination
Butterfield Bank (Cayman) Limited	14,900	June 30, 2019	90 days prior to termination date
Citibank Europe plc	400,000	October 11, 2019	120 days prior to termination date
	$ 414,900		

During 2018, the Butterfield Bank facility was decreased from $100.0 million to $14.9 million. As of December 31, 2018, an aggregate amount of $208.3 million (2017: $188.5 million) in letters of credit were issued under the above facilities. As of December 31, 2018, total cash and cash equivalents with a fair value in the aggregate of $221.7 million (2017: equity securities and cash and cash equivalents of $200.4 million) were pledged as collateral against the letters of credit issued and included as “restricted cash and cash equivalents” in the consolidated balance sheets (also see Note 7). Each of the facilities contain 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 facilities, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of each of these facilities as of December 31, 2018 and 2017.

The Company issues letters of credit on behalf of GRIL, from the above facilities, for the benefit of GRIL’s insureds. The collateral pledged as security relating to these letters of credit is also provided by the Company. In the event that GRIL’s insureds draw upon any letters of credit, GRIL shall be obligated to reimburse the Company the amount of the letters of credit drawn by the insured. As of December 31, 2018, $7.0 million of letters of credit were issued by the Company on behalf of GRIL (2017: $9.5 million) and no letters of credits were drawn by GRIL’s insureds for the years ended December 31, 2018 and 2017.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of December 31, 2018, collateral of $436.5 million (2017: $357.6 million) was provided to cedents in the form of regulatory trust accounts and included as “restricted cash and cash equivalents” in the consolidated balance sheets.

Operating Lease Obligations

The Company has entered into lease agreements for office space in the Cayman Islands. Under the terms of the lease agreements, The Company is committed to annual rent payments ranging from $0.3 million at inception to $0.5 million at lease termination. The leases expired on June 30, 2018. The Company is in negotiations with the lessor for renewal of the lease and meanwhile has agreed to a monthly lease until June 30, 2019.

The total rent expense related to leased office space for the year ended December 31, 2018 was $0.4 million (2017: $0.4 million, 2016: $0.4 million).

Schedule of Commitments and Contingencies

As of December 31, 2018 the Company had no commitments and contingencies.

Litigation

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

15. SEGMENT REPORTING

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

Substantially all of the business is sourced through reinsurance brokers. The following table sets forth the premiums sourced from brokers who each accounted for more than 10% of the Company’s gross written premiums:

	Year ended December 31					
	2018		2017		2016	
	($ in thousands)					
Guy Carpenter	$ 322,975	63.2%	$ 308,891	48.6%	$ 208,877	44.4%
Aon Benfield	—	—	118,492	18.6	94,198	20.0
	$ 322,975	63.2%	$ 427,383	67.2%	$ 303,075	64.4%

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
($ in thousands)

	2018		2017		2016	
Property						
Commercial	$ 11,240	2.2%	$ 12,400	2.0%	$ 10,515	2.2%
Motor	65,934	12.9	62,246	9.8	28,905	6.1
Personal	14,145	2.8	49,524	7.8	45,655	9.7
Total Property	91,319	17.9	124,170	19.5	85,075	18.1
Casualty						
General Liability	3,438	0.7	5,467	0.9	14,168	3.0
Motor	249,358	48.8	236,710	37.2	171,120	36.4
Professional	5,666	1.1	10,801	1.7	13,731	2.9
Workers' Compensation	24,028	4.7	24,770	3.9	8,795	1.9
Multiline *	40,965	8.0	111,428	17.5	78,414	16.7
Total Casualty	323,455	63.3	389,176	61.2	286,229	60.8
Specialty						
Accident & Health	69,071	13.5	66,805	10.5	51,814	11.0
Financial	16,612	3.3	48,380	7.6	32,939	7.0
Marine	3,318	0.7	3,874	0.6	6,378	1.4
Other	6,906	1.4	3,665	0.6	8,165	1.7
Total Specialty	95,907	18.8	122,725	19.3	99,296	21.1
	$ 510,681	100.0%	$ 636,071	100.0%	$ 470,600	100.0%

(*) See Note 1. ORGANIZATION AND BASIS OF PRESENTATION. The prior period comparative information has been reclassified to conform to the current period presentation.

Gross Premiums Written by Geographic Area of Risks Insured
Year ended December 31
($ in thousands)

	2018		2017		2016	
U.S. and Caribbean	$ 453,839	88.9%	$ 551,817	86.8%	$ 371,321	78.9%
Worldwide [(1)]	56,771	11.1	78,423	12.3	80,952	17.2
Europe	117	—	5,792	0.9	18,459	3.9
Asia [(2)]	(46)	—	39	—	(132)	—
	$ 510,681	100.0%	$ 636,071	100.0%	$ 470,600	100.0%

(1) "Worldwide" is composed of contracts that reinsure risks in more than one geographic area and do not specifically exclude the U.S.

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