Greenlight Reinsurance Ireland, Designated Activity Company

Financial Statements

For the financial years ended 31 December 2017 and 2016

Greenlight Reinsurance Ireland, dac

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Greenlight Reinsurance Ireland, dac

Directors and Other Information

Directors	Philip Harkin	(Independent Non-Executive Chairman)
	Bart Hedges	(Executive Director - Resigned 31 March 2017)
	Patrick O'Brien	(Executive Director)
	Tim Courtis	(Executive Director - Appointed 19 April 2017)
	Brendan Tuohy	(Independent Non-Executive Director)
	Frank Lackner	(Independent Non-Executive Director)

Secretary
Edward Brady
La Touche House, Ground Floor
IFSC, Dublin 1

Company number
475022

Registered office
La Touche House, Ground Floor
IFSC, Dublin 1

Principal place of business
La Touche House, Ground Floor
IFSC, Dublin 1

Auditors
BDO
Statutory Audit Firm
Beaux Lane House
Mercer Street Lower
Dublin 2

Bankers
HSBC
Grand Canal Square
Dublin 2

Solicitors
A&L Goodbody
IFSC
North Wall Quay
Dublin 1

Greenlight Reinsurance Ireland, dac

Directors' report

The directors present their report and the audited financial statements of the Company for the financial years ended 31 December 2017 and 2016.

Principal activity and review of the business
The principal activity of the Company is that of a reinsurance business. The directors plan to develop further the activities of the Company.

Results and dividends
The results for the period were as follows:

	2017	2016
	US$	US$
(Loss) / profit before taxation	(4,188,598)	3,681,142
Corporation tax benefit / (expense)	462,121	(501,893)
(Loss) / profit brought to reserves	(3,726,477)	3,179,249

The directors do not recommend the payment of a dividend.

Directors, secretary and their interests
The names of the persons who were directors and secretary at any time during the financial year ended 31 December 2017 are set out on page 1. The directors and secretary, who held office at 31 December 2017, had no beneficial interest in the share capital of the Company or any other group Company at any time during the financial year except that certain directors had beneficial ownership in the parent company, Greenlight Capital Re, Ltd (the "Parent"), a NASDAQ listed publicly held company. Mr. Lackner's beneficial interest in the Parent included 5,160 restricted shares subject to forfeiture and 102,708 ordinary shares held directly. Mr. Courtis' beneficial interest in the Parent included 62,751 restricted shares subject to forfeiture and 263,104 ordinary shares held directly. Mr. O'Brien's and Mr. Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Accounting records

The measures taken by the directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the Company are located at La Touche House, Ground Floor, IFSC, Dublin 1.

Director's compliance statement

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in that legislation). The directors have drawn up a compliance policy statement, and have put in place arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. These arrangements and structures were reviewed by the directors during the financial year.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the Company are:

- market risk on financial instruments, including equity price risk, foreign currency risk, interest rate risk and credit risk;
- uncollectibility of loss reserves recoverable;
- risk of a downgrade or withdrawal of the Company's A- (Excellent) rating by A.M. Best rating agency;
- risk of final settlement of losses varying significantly from the reserves estimated by the Company; and
- risk of adverse loss development on the insurance risks assumed.

Auditors

The Board appointed BDO as statutory auditor to the company on 9 November 2010, for the 2010 financial year end. BDO has expressed its willingness to continue in office in accordance with the provisions of Section 383 (2) of the Companies Act, 2014.

Director - Frank D. Lackner

Director - Patrick O'Brien

21 March 2018.

Date

Audit - Tax - Advisory
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Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company ('the Company') for the financial year ended 31 December 2017 on pages 9 to 39 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its loss for the financial year then ended and;
- have been properly prepared in accordance with the relevant financial reporting framework and in particular with the requirements of the Companies Act, 2014, and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY - CONTINUED

Key audit matters - continued

1. Measurement of outstanding claims liabilities and related assets arising from reinsurance contracts

Key Audit Matter

The gross provision for claims outstanding is the company's largest liability, totaling US$57,287,756 as detailed in note 13, and its valuation involves considerable judgment. The valuation of reinsurance assets of US$31,898,972 requires a significant level of judgment, given its inherent dependence on underlying estimates of gross outstanding claims.

The actuarial best estimate of the provision for claims outstanding is determined using complex actuarial calculations and requires consideration of detailed methodologies, multiple assumptions and significant judgment. The judgments which are made by management in determining the valuation of incurred but not reported ("IBNR") claims reserves are by far the most significant, in terms of their impact on the Company's financial position. Setting these claims reserves is an inherently subjective exercise and small changes in underlying assumptions may have a material impact on the overall year end result reported.

The key assumptions underlying the calculations are past development patterns, loss ratios and assumptions regarding frequency, severity and duration of claims. The valuation is also dependent on the completeness and accuracy of the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in prior years.

Related Disclosures

Refer to note 2.4 and 2.6 of the accompanying financial statements.

Audit Response

We tested the design and implementation and operating effectiveness of the key controls over the claims recording process. We also tested the completeness and accuracy of the underlying claims and exposure data used in the actuarial calculations by performing reconciliations of the relevant data back to audited financial information. Using our own actuarial specialists to support us, we considered the findings of the Company's internal actuaries and management's external actuarial expert. Through critical assessment of the actuarial findings and supporting documentation, we analysed the differences in reserving methodology applied by both actuaries and we challenged the key assumptions being used. We assessed these assumptions for reasonableness through use of analytical procedures and an assessment of claims development trends. We assessed the margin held in excess of the actuarial best estimate reserves against the reserving methodology and any potential uncertainties that have been reserved for within the margin. We also considered the adequacy of the Company's disclosures about the degree of estimation uncertainty and the sensitivity of recognised amounts to changes in assumptions, and assessed whether the disclosures comply with relevant accounting standards.

2. The valuation of investments and their accounting treatment in accordance with IAS 39, IFRS 7 and IFRS 13

Key Audit Matter

The Company's financial investments represent a significant asset on the balance sheet, totaling US$51,820,242 as detailed in note 8. The valuation of financial investments held at fair value is based on a range of inputs. The inputs required can be obtained from readily available liquid market prices and rates.

Related Disclosures

Refer to note 2.7 of the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY - CONTINUED

Audit Response

We reviewed the Company's valuation of individual investment holdings. Readily observable data was available, we sourced this data independently, and compared it to the Company's valuation on a sample basis. We have reviewed the classification and accounting treatment of the Company's investment portfolio in line with the accounting polices set out in the financial statements. We have also checked that the Company's disclosures satisfied the requirements of IAS 39, IFRS 7 and IFRS 13.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

- For the purpose of our audit we used overall materiality of US$1million, which represents approximately 2% of the Company's net assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Statements as a whole.
- We chose net assets as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Company and is not as volatile as other measures. We selected 2% based on our professional judgment, noting that it is also within the range of commonly accepted asset-related benchmarks.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's financial statements which were most likely to give rise to a material misstatement. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY - CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company statement of financial position is in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY - CONTINUED

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Other matters which we are required to address

We were appointed by the Board of Directors on 9 November 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is therefore eight years, covering the years ending 2010 to 2017.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remained independent of the Company in conducting our audit. Other than those disclosed in note 3 to the Company financial statements, we have not provided any non-audit services to the Company in the financial year ended 31 December 2017.

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISA (Ireland) 260.

21 March 2018

Brian Hughes
For and on behalf of BDO
Dublin
Statutory Audit Firm
AI223876

21 March 2018

Greenlight Reinsurance Ireland, dac

Statements of Comprehensive Income: Technical Accounts - general business for the financial years ended 31 December 2017 and 2016

CONTINUING OPERATIONS:	**Notes**	**2017**	**2016**
		US$	**US$**
Gross premiums written		71,094,163	86,217,263
Ceded premiums		(25,493,014)	(22,608,187)
Net premiums written		45,601,149	63,609,076
Movement in unearned premium reserves, net	**13**	10,152,334	7,900,311
Earned premiums, net of reinsurance		55,753,483	71,509,387
Allocated investment return transferred from the non-technical account		46,800	1,894,792
Total technical income		55,800,283	73,404,179
Claims Paid			
Gross claims paid		(54,484,361)	(61,825,967)
Claims paid recoverable		7,576,339	2,205,942
Change in the provision for claims			
Known claims reserve	**13**	(789,507)	226,279
Other technical reserves	**13**	(15,176,659)	(560,820)
Unallocated loss adjustor expense	**13**	35,407	(5,115)
Losses recoverable	**13**	17,630,415	5,502,578
Claims incurred net of reinsurance		(45,208,366)	(54,457,103)
Operating expenses		(14,840,983)	(17,140,147)
Total technical expenses		(60,049,349)	(71,597,250)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(4,249,066)	1,806,929

Greenlight Reinsurance Ireland, dac

Statements of Comprehensive Income: Non-technical Accounts for the financial years ended 31 December 2017 and 2016

CONTINUING OPERATIONS:	**Notes**	**2017**	**2016**
		US$	**US$**
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(4,249,066)	1,806,929
Investment income		1,538,381	1,793,232
Investment expense		(2,763,174)	(3,323,683)
Market value adjustment		(3,347,989)	12,925,335
Gain / (loss) on sale of investments		5,157,202	(7,804,155)
Foreign exchange (loss) / gain on investments		(477,152)	178,276
Allocated investment return transferred to the technical account		(46,800)	(1,894,792)
(Loss) / profit on ordinary activities before taxation	**3**	(4,188,598)	3,681,142
Income tax benefit / (expense)	**5**	462,121	(501,893)
Retained (loss) / profit for the financial year		(3,726,477)	3,179,249

The Company had no recognised gains or losses other than the (loss) / profit for the above financial period.

The notes on pages 14 to 39 form part of these financial statements.

On behalf of the board

Director - Frank D. Lackner

Director - Patrick O'Brien

Greenlight Reinsurance Ireland, dac

Statements of financial position at 31 December 2017 and 2016

	Notes	2017	2016
Assets:		**US$**	**US$**
Financial Investments			
Debt securities, trading, at fair value through profit or loss	8	347,182	1,388,238
Equity securities, trading, at fair value through profit or loss	8	46,378,951	43,114,023
Other investments, at fair value through profit or loss	8	5,094,109	6,494,662
Total investments		51,820,242	50,996,923
Reinsurers' share of technical provisions			
Unearned premiums ceded	13	11,697,284	8,353,812
Loss reserves recoverable	13	31,898,972	13,899,709
Debtors			
Reinsurance balances receivable		30,706,826	38,467,820
Other assets			
Cash and cash equivalents	9	13,629,448	20,875,422
Restricted cash and cash equivalents	10	66,363,615	61,875,368
Derivative contracts receivable, at fair value through profit or loss	8	623,393	4,641,474
Prepayments, general receivables and accrued income		122,220	170,113
Deferred acquisition cost		1,388,837	3,478,205
Fixed assets	11	96,623	123,587
Deferred tax asset	5	1,735,091	1,272,152
Total Assets		**210,082,551**	**204,154,585**
Equity and liabilities:			
Capital and reserves			
Called up share capital	6	10,000,000	10,000,000
Capital contribution reserve	7	50,548,094	50,385,990
Retained earnings		(10,686,317)	(6,959,840)
Total equity		49,861,777	53,426,150
Creditors: amounts falling due within one year			
Accruals and other payables		1,674,795	1,449,495
Due to prime brokers		21,535,359	7,393,694
Reinsurance balances payable		12,675,973	18,920,723
Due to related party	16	913,218	925,171
Total current liabilities		36,799,345	28,689,083
Non-current liabilities			
Securities sold, not yet purchased, at fair value through profit or loss	8	44,135,043	53,119,486
Derivative contracts payable, at fair value through profit or loss	8	1,074,450	138,183
Technical reserves			
Known claims reserves	13	19,913,464	18,900,344
Loss reserves	13	37,253,756	21,839,894
Unearned premium reserve	13	20,440,839	27,166,523
Funds withheld		483,341	718,979
Unallocated loss adjustor provision	13	120,536	155,943
Total non-current liabilities		123,421,429	122,039,352
Total liabilities		160,220,774	150,728,435
Total equity and liabilities		**210,082,551**	**204,154,585**

The notes on pages 14 to 39 form part of these financial statements.
The financial statements were approved and issued for signing on behalf of the board on 21 March 2018.

Director - Frank D. Lackner | **Director - Patrick O'Brien**

Greenlight Reinsurance Ireland, dac

Statements of changes in equity for the financial years ended 31 December 2017 and 2016

	Share capital	Capital contribution reserve	Retained earnings	Total
	US$	US$	US$	US$
Balance at December 31, 2015	10,000,000	50,456,971	(10,139,089)	50,317,882
Contributed capital	—	(70,981)	—	(70,981)
Profit for the financial period	—	—	3,179,249	3,179,249
Balance at December 31, 2016	10,000,000	50,385,990	(6,959,840)	53,426,150
Contributed capital adjustment for stock compensation	—	162,104	—	162,104
Loss for the financial period	—	—	(3,726,477)	(3,726,477)
Balance at December 31, 2017	10,000,000	50,548,094	(10,686,317)	49,861,777

The notes on pages 14 to 39 form part of these financial statements.

Greenlight Reinsurance Ireland, dac
Statements of cash flows for the financial years ended 31 December 2017 and 2016

	2017	2016
Operating activities	**US$**	**US$**
(Loss)/profit for the period	(3,726,477)	3,179,249
Adjustments for:		
Movement in deferred income tax recognised in profit or loss	(462,939)	458,230
Change in income tax asset / liability	—	525,976
Movement in unearned premium reserves ceded	(3,343,472)	(404,064)
Movement in unearned premium reserves	(6,725,684)	(7,580,486)
Change in loss reserves recoverable	(17,999,264)	(5,032,538)
Change in known claims reserves	1,013,120	(572,650)
Change in loss reserves	15,413,862	319,974
Change in unallocated loss adjustor provision	(35,407)	5,115
Realised gain from financial investments and derivatives, net	(5,157,202)	7,804,155
Market value adjustment in value of investments and derivatives	3,347,989	(12,925,335)
Foreign exchange gain/(loss) on investments	477,152	(178,276)
Stock compensation expenses/(benefit)	162,104	(70,981)
Depreciation	26,964	49,116
Operating cash (outflow) before movements in working capital	(17,009,254)	(14,422,515)
Decrease in prepayments, general receivables and accrued income	47,894	188,693
Decrease/(increase) in reinsurance balances receivable	7,760,994	(587,879)
Decrease in deferred acquisition cost	2,089,368	2,157,295
Increase/(decrease) in accruals and other payables	225,301	(1,021,453)
(Decrease)/increase in amounts due to related parties	(11,953)	41,640
(Decrease)/increase in reinsurance balances payable	(6,244,750)	7,053,363
(Decrease)/increase in funds withheld	(235,638)	6,958
Net cash (outflow) from operating activities	(13,378,038)	(6,583,898)
Investing activities		
Purchase of financial investments and derivatives	(88,499,621)	(101,595,282)
Proceeds from disposal of financial investments and derivatives	85,455,419	114,936,897
(Increase)/decrease in restricted cash and cash equivalents	(4,965,399)	2,348,086
Increase in due to prime brokers	14,141,665	4,263,371
Net cash inflow from investing activities	6,132,064	19,953,072
Financing activities		
Capital Contribution from parent	—	—
Net cash inflow from financing activities	—	—
Net (decrease)/increase in cash and cash equivalents	(7,245,974)	13,369,174
Cash and cash equivalents at the start of the period	20,875,422	7,506,248
Cash and cash equivalents at the end of the period	13,629,448	20,875,422
Supplementary information		
Taxes paid in cash	3,960	3,363
Taxes recovered in cash	—	551,187

The notes on pages 14 to 39 form part of these financial statements.

1. REPORTING ENTITY

Greenlight Reinsurance Ireland, dac., (the "Company") was incorporated as a Private Limited Company under the Irish Companies Acts on September 7, 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The registered office of the Company is La Touche House, Ground Floor, IFSC, Dublin 1. The Company provides multi-line property and casualty reinsurance.

The Company is a wholly owned subsidiary of Greenlight Capital Re, Ltd., a company resident in the Cayman Islands. The largest and smallest group in which the financial statements of Greenlight Reinsurance Ireland, dac are consolidated is that headed by Greenlight Capital Re, Ltd. The consolidated financial statements of Greenlight Capital Re, Ltd. are publicly available on the website www.greenlightre.ky.

2. ACCOUNTING POLICIES

2.1. Basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements also comply with the European Communities (Insurance Undertakings; Financial Statements) Regulations, 2015. The financial statements are expressed in United States Dollars (US$) which is the Company's functional currency and have been prepared on the historical cost basis. The carrying value of all assets and liabilities recorded in the statements of financial position approximates their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Certain critical accounting judgements in applying the Company's policies are detailed below.

Estimation of employee bonus

Under the Company's bonus program, each employee's target bonus consists of two components: a discretionary component based on a qualitative assessment of each 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. 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 quantitative bonus is calculated and paid in annual instalments between three to five years from the end of the fiscal year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation utilises proprietary models which require significant estimation and judgment. Actual RODE may vary significantly from the expected RODE and any adjustments to the quantitative bonus estimates, which may be material, are recorded in the period in which they are determined.

Loss reserves

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR") that are dependent on actuarial judgement and assumptions. These are discussed in more detail in note 2.6.

2.2. New accounting policies

a) New standards, interpretations and amendments effective from 1 January 2017
A number of amendments are effective for the first time for periods beginning on (or after) 1 January 2017, and have been adopted in these financial statements. Note: the amendments effective for the first time for periods beginning on (or after) 1 January 2017 affect the Company's annual financial statements.

b) New standards, interpretations and amendments not yet effective
The new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2017, where applicable, and expected to have a material impact on the financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

IFRS 17 Insurance contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date together with IFRS 9 (see below). The Company has started a high-level business impact assessment of IFRS 17, and expects that this new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on presentation and disclosure requirements.

IFRS 9 Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date for the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

2.3. Revenue recognition

The Company estimates the ultimate premiums for the entire contract period. These estimates are based on information received from the ceding companies and estimates from 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 based on cession statements from cedents which typically are received monthly or quarterly depending on 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.

Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

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

Investment income is included in the statements of comprehensive income on an accrual basis.

2.4 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 are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

2.5 Deferred Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to and vary with the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortised over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognised. At 31 December 2017 and 2016, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

2.6. Insurance losses and reserves and recoverables - technical provisions

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported (“IBNR”). 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 periodically 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. Changes in estimates are reflected in the results of operations in the period in which the estimates are changed. The Company does not discount its loss reserves.

Loss reserves recoverable include 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 not be able to ultimately recover the losses recoverable amounts due to the retrocessionaires’ inability to pay. Unallocated loss adjustor provision is established to cover the expected cost incurred in order to fully settle reserves for claims outstanding. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

2.7. Financial Assets

The Company’s financial instruments are carried at fair value, and all unrealised gains or losses are included in investment income in the statements of comprehensive income in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, (“IAS 39”) and International Financial Reporting Standard 7, Financial Instruments; Disclosures, (“IFRS 7”).

Investments and Investments in Securities Sold, Not Yet Purchased

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (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 debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on 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 cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships, and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximises the use of observable direct or indirect inputs (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 unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments.

For securities classified as "trading securities", and "other investments", any realised and unrealised gains or losses are determined on the basis of the specific identification method (by reference to cost or amortised cost, as appropriate) and included in investment income in the statements of comprehensive income.

Dividend income and expense are recorded on the ex-dividend date. The ex-dividend date is the date as of when the underlying security must have been traded to be eligible for the dividend declared. Interest income and interest expense are recorded on an accrual basis.

Derivatives

IFRS requires that an entity recognise all derivatives in the statements of financial position at fair value. It also requires that unrealised gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivatives do not qualify as hedges for financial reporting purposes.

Derivative Contracts

The Company enters into derivative contracts with counterparties as part of its investment strategy. Derivative contracts which may include total return swaps, credit default swaps ("CDS") purchased, futures, options, currency forwards and other derivative instruments are recorded at their fair value with any unrealised gains and losses included in investment income in the statements of comprehensive income. Derivative contracts receivable 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. Derivative 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.

Total return swap agreements, included on the statements of financial position as derivative contracts receivable and derivative contracts payable, are derivative financial instruments whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company may not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on interest rates, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair value movements of the underlying security together with any other payments due. These contracts are carried at fair value, based on observable inputs (Level 2 inputs) with the resultant unrealised gains and losses reflected in investment income in the statements of comprehensive income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in investment income in the statements of comprehensive income.

Derivative contracts may also include exchange traded futures or options contracts that 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 recorded at fair value measured based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on actual transactions (Level 2). 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 recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company may purchase CDS for efficient portfolio management and strategic investment purposes. Effective July 27, 2016 the Company's investment guidelines prohibit the sale of CDS. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. 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 (Level 2) or based on the current credit spreads on identical contracts (Level 2).

2.8. Fixed Assets

Fixed assets are included in the statements of financial position and are recorded at cost when acquired, less accumulated depreciation. Fixed assets are comprised of furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for furniture and fixtures. Leasehold improvements are amortised over the lesser of the estimated useful lives of the assets or remaining lease term.

2.9. Taxation

The income tax benefit represents the sum of the tax currently receivable and deferred tax. Any tax currently payable is provided on taxable profits at current attributable rates.

Deferred tax is calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statements of financial position date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statements of financial position date. Deferred tax is not discounted.

2.10. Currency

The reporting and functional currency of the Company is the U.S. dollar (US$). 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 statements of financial position date are translated at the exchange rate in effect at the statements of financial position date and translation exchange gains and losses, if any, are included in the statements of comprehensive income.

2.11. Provisions and Contingencies

No general provisions or contingencies are included in the financial statements in accordance with IAS 37 ("Provisions, contingent liabilities and contingent assets").

2.12. Interest in investment advisory agreement

Effective January 1, 2017, the Company, its parent and an affiliate were party to an investment advisory agreement (the ''Investment Agreement'') with DME Advisors, LP ("DME Advisors") under which the participants and DME Advisors, LLC ("DME") are participants of a joint venture for the purpose of managing certain jointly held assets in accordance with the Company's investment guidelines The agreement, which replaces the previous agreement dated January 1, 2014, expires on December 31, 2019 and will renew automatically for successive three-year periods, unless at least 90 days prior to the end of the then current term, DME notifies the other participants of its desire to terminate the venture agreement or any other participant notifies DME of its desire to withdraw from the venture agreement. Simultaneously with the venture agreement, the Company entered into an amended and restated investment advisory agreement (the "advisory agreement") with DME Advisors to provide discretionary advisory services relating to the assets and liabilities of the venture. The advisory agreement term period mirrors that of the venture agreement.

DME Advisors' principal place of business is New York, USA. The Company has stated its interest in this agreement based on the percentage of its interests under the terms of the agreement. The Company's share of the assets, liabilities, income and expenses under the agreement (4.84% and 6.18% at 31 December 2017 and 2016, respectively) are reported in the Company's financial statements.

2.13. Share-based compensation

The Company's employees are part of a group stock incentive plan, whereby the Company receives services from the employees but has no obligation to settle the share-based compensation transactions. In accordance with IFRS 2, the Company accounts for the group share-based payment transactions as equity-settled share-based payment transactions and recognises the increase in equity as a capital contribution from the parent. The Company measures the stock-based compensation expense for restricted stock awards based on the market price of the parent's common shares at the grant date and the expense is recognised on a straight line basis over the vesting period which is currently three years.

2.14. Operating lease

The Company has leased office space which has been classified as an operating lease. Operating leases are not recognised in the Company's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

2.15. Segments

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance. Therefore no separate segment disclosures are considered necessary.

The Company manages the concentration risk and counterparty risk of its cedents by being highly selective in the contracts it chooses to underwrite and spending a significant amount of time with the cedents and brokers to understand the risks and appropriately structure the contracts. Through profit commissions, self-insured retentions, co-participation, reinstatement premiums or other terms within the contract, the Company's clients are provided with an incentive to manage the Company's interests. While brokers do not have the authority to bind any reinsurance contract on behalf of the Company, brokerage firms are monitored for their quality and financial strength on a regular basis.

3. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017	2016
This is stated after charging/(crediting):	US$	US$
Loss on foreign currencies	79,650	117,021
Operating lease expense	194,474	129,168
Depreciation expense	26,965	49,115
Auditors' remuneration - audit	22,326	22,154
Auditors' remuneration - tax	4,616	4,405
Market value adjustment in value of investments	(3,347,989)	12,925,335
Directors' remuneration	665,377	869,712

The directors' remuneration disclosed represents the total compensation paid to the Board of Directors.

During the year ended 31 December 2017, 4,976 (2016: nil) restricted shares units ("RSU") of the parent were granted to the Company's executive directors under the group stock incentive plan. These RSUs contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these RSUs cliff vest after three years from the date of grant, subject to the employee's continued service with the Company. On the vesting date, the RSUs convert into one Class A ordinary share of the parent. The RSUs granted had a weighted average grant date fair value of US$21.65 per share. The Company recorded US$25,047 (2016: US$(204,982) recovery) of share-based compensation expense net of forfeitures, relating to the restricted share units for the year ended 31 December 2017. The recovery for the year ended 31 December 2016 was due to reversal of share-based compensation expense previously recorded on RSUs that were forfeited during 2016.

4. EMPLOYEE COSTS AND NUMBERS

At 31 December 2017, the Company's salary and benefit expenses of US$2,372,184 (2016: US$824,915) related to employee compensation based on salary, termination payments, health benefits, pension benefits, PRSI and group stock compensation in the form of restricted share units of the parent.

	2017	2016
	US$	US$
Wages and salaries	1,902,982	522,034
Social insurance costs	255,796	110,018
Health benefits	18,127	17,799
Pension benefits	51,734	36,394
Group stock incentive	137,057	134,001
Life and disability benefit	6,488	4,669
	2,372,184	824,915

During the year ended 31 December 2017, 6,583 (2016: 7,444) restricted shares units ("RSU") of the parent were granted to the Company's personnel under the group stock incentive plan. These RSUs contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these RSUs cliff vest after three years from the date of grant, subject to the employee's continued service with the Company. On the vesting date, the RSUs convert into one Class A ordinary share of the parent. The RSUs granted had a weighted average grant date fair value of US$21.65 per share. The Company recorded US$137,057 (2016: US$134,001) of share-based compensation expense net of forfeitures, relating to the restricted share units for the year ended 31 December 2017 and 2016.

The average number of employees for the financial year 2017 was eight (2016: five).

These costs include US$914,474 (2016: nil) of non-recurring wages and salaries.

5. INCOME TAX EXPENSE

(a) Analysis of tax charge

	2017	2016
	US$	US$
Current tax benefit/(expense)	464,890	(491,612)
Deferred tax expense	(2,769)	(10,281)
Income tax benefit/(expense)	462,121	(501,893)

(b) Reconciliation of effective tax rate

	2017	2016
	US$	US$
(Loss) profit for financial year after tax	(3,726,477)	3,179,249
Tax (benefit) charge for the year	(462,121)	501,893
(Loss) profit excluding tax	(4,188,598)	3,681,142
Tax using the standard rate of corporation tax in Ireland of 12.5%	(523,575)	460,143
Tax effect on deductible temporary differences	(1,481)	1,288
Tax effect on non-deductible expenses	62,565	31,384
Change in deferred taxes	2,611	1,978
Under provided in prior years	(2,241)	7,100
Tax charge/(benefit) for year	(462,121)	501,893

(c) Deferred tax balances

	2017	2016
	US$	US$
Deferred tax balance, opening	1,272,152	1,730,382
Accelerated capital allowances and other fixed asset differences	(1,481)	1,288
Tax losses (utilised) carried forward in current year	462,121	(501,893)
Other temporary differences	2,299	42,375
Deferred tax balance, closing	1,735,091	1,272,152

The deferred tax asset of US$1,735,091 (2016: US$1,272,152) relates to timing differences arising on retained losses carried forward to be recoverable against future taxable profits. There were no unrecognised deferred tax liabilities at year end 31 December 2017 and 2016.

At 31 December 2017, the Company had a net operating loss carry-forward of US$13,846,390 (2016: US$10,146,463) which can be carried forward indefinitely under Irish tax law. Based on the likelihood of the Company generating sufficient taxable income to realise the future tax benefit, management believes it is more likely than not that the deferred tax asset and taxes recoverable will be fully realised in the future and therefore no valuation allowance has been recorded. At 31 December 2017, the Company did not have any tax receivable (2016: nil).

In evaluating the Company's ability to recover the deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of future and recent operations. In projecting future taxable income, the Company uses the financial projections, plans and estimates used by the Company to manage the underlying business. The Company considers a five year time horizon to evaluate the recoverability of the deferred tax assets, and the Company is satisfied that losses carried forward will be fully utilised within this time period.

6. CALLED UP SHARE CAPITAL

	2017	2016
Authorised	US$	US$
1,000,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000

One Ordinary share was issued at US$0.10 on 7 September 2009 (the date of incorporation) and an additional 99,999,999 Ordinary shares were subsequently issued on 31 August 2010, also at US$0.10.

7. CAPITAL AND RESERVES

Capital management

The Company's policy is to maximise value for its shareholder by ensuring that the Company's financial resources are allocated efficiently. The Company's capital management tools may include, but are not limited to, capital contribution from parent, retrocession transactions, aggregate stop loss contracts, adverse loss development covers, quota share contracts, and re-allocation of invested assets between cash, fixed income and equity securities. The Company also manages its capital and surplus to satisfy statutory, regulatory and rating agency requirements.

Effective for fiscal year 2017, the Company is required to report its capital position under Solvency II, a new EU-wide insurance regulatory regime. Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry. It has established a revised set of EU-wide capital requirements and risk management standards that came into force on 1 January 2016.

At 31 December 2017, the Company reported an estimated Solvency II capital surplus of US$52,921,951 (2016: US$52,371,949) which gives coverage of 134% (2016: 132%) over the solvency capital requirement (SCR). The Company uses the standard formula model to calculate the SCR.

The SCR represents the Value-at-Risk of basic own funds subject to a confidence level of 99.5 % over a one-year period and covers existing business and all new business expected to be written over the next 24 months.

As of 31 December 2017, the Company has been in compliance with the capital requirements required under the Irish Insurance Acts and Regulations.

The Company's capital comprises total equity of US$49,861,777 (2016: US$53,426,150) analysis of which is detailed in the Statement of Changes in Equity.

Capital contribution

During the year ended 31 December 2017, US$162,104 (2016: US$(70,981) recovery) of the group share based benefit expense was recognised in the Company's equity as capital contribution from the parent.

Reserves

The following table describes the nature and purpose of each reserve within equity:

Reserve	Description and Purpose
Called up share capital	Amount subscribed for share capital at nominal value which remain fully or partially unpaid.
Capital contribution reserve	Non-refundable capital introduced by the shareholders of the Company, contributed with no beneficial interest in the debt or equity of the Company.
Retained earnings	All other net gains and losses and transactions attributable to the shareholders of the Company.

8. FINANCIAL INVESTMENTS

In the normal course of its business, the Company purchases and sells various financial instruments which 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.

Purchases and sales of investments are disclosed in the statements of cash flows. Net realised gains (losses) on the sale of investments, derivative contracts, and investments sold, not yet purchased during the period were US$5,157,202 (2016: US(7,804,155)). Gross realised gains were US$15,640,156 (2016: US$12,182,508) and gross realised losses were US$10,482,954 (2016: US$19,986,663). For the year ended 31 December 2017, included in investment income in the statements of comprehensive income was US$(3,347,989) of net unrealised losses (2016: US12,925,335 of net unrealised gains) relating to trading securities still held at the statements of financial position dates.

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

	Fair Value Measurements as of 31 December 2017			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
	US$	**US$**	**US$**	**US$**
Assets:				
Debt instruments	—	304,615	42,567	347,182
Listed equity securities	45,289,991	1,088,960	—	46,378,951
Commodities	3,770,228	—	—	3,770,228
Private and unlisted equity securities	—	—	1,323,881	1,323,881
Total investments	49,060,219	1,393,575	1,366,448	51,820,242
Derivative contracts receivable	1,050	622,343		623,393
Liabilities:				
Listed equity securities, sold not yet purchased	39,292,909	—	—	39,292,909
Debt instruments, sold not yet purchased	—	4,842,134	—	4,842,134
Total securities sold, not yet purchased	39,292,909	4,842,134	—	44,135,043
Derivative contracts payable		1,074,450		1,074,450

The following table presents the Company's investments, categorised by the level of the fair value hierarchy as of 31 December 2016:

	Fair Value Measurements as of 31 December 2016			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
	US$	**US$**	**US$**	**US$**
Assets:				
Debt instruments	—	1,347,847	40,391	1,388,238
Listed equity securities	41,842,698	1,271,325	—	43,114,023
Commodities	5,427,978	—	—	5,427,978
Private and unlisted equity securities	—	—	1,066,684	1,066,684
Total investments	47,270,676	2,619,172	1,107,075	50,996,923
Derivative contracts receivable	1,217	4,640,257	—	4,641,474
Liabilities:				
Listed equity securities, sold not yet purchased	(47,582,389)	—	—	(47,582,389)
Debt instruments, sold not yet purchased	—	(5,537,097)	—	(5,537,097)
Total securities sold, not yet purchased	(47,582,389)	(5,537,097)	—	(53,119,486)
Derivative contracts payable	—	(138,183)	—	(138,183)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2017		
	Assets		
	Debt instruments	**Private and unlisted equity securities**	**Total**
	US$	**US$**	**US$**
Beginning balance	40,391	1,066,684	1,107,075
Purchases	—	731,484	731,484
Sales	—	(193,692)	(193,692)
Total realised and unrealised gains (losses) included in earnings, net	2,176	(173,519)	(171,343)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(107,076)	(107,076)
Ending balance	42,567	1,323,881	1,366,448

During the year ended 31 December 2017, US$107,076 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.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) as of 31 December 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2016		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	US$	US$	US$
Beginning balance	34,594	1,338,033	1,372,627
Purchases	—	168,650	168,650
Sales	—	(520,519)	(520,519)
Total realised and unrealised gains (losses) included in earnings, net	5,797	80,520	86,317
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	40,391	1,066,684	1,107,075

There were no transfers between Level 1, Level 2 or Level 3 during the year ended 31 December 2016.

Investments

Debt instruments, trading

At 31 December 2017, the following investments were included in debt instruments:

2017	Cost/ amortised cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Corporate debt	513,368	—	(446,932)	66,436
Sovereign debt	281,948	—	(1,202)	280,746
Total debt	795,316	—	(448,134)	347,182

At 31 December 2016, the following investments were included in debt instruments:

2016	Cost/ amortised cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Corporate debt	1,445,702	402,123	(459,587)	1,388,238
Sovereign debt	—	—	—	—
Total debt	1,445,702	402,123	(459,587)	1,388,238

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

	Cost/ amortised cost	Fair value
	US$	US$
Within one year	365,416	21,340
From one to five years	—	—
From five to ten years	101,990	2,529
More than ten years	327,910	323,313
	795,316	347,182

The maturity distribution for debt instruments held at 31 December 2016 is as follows:

	Cost/ amortised cost	Fair value
	US$	US$
Within one year	—	—
From one to five years	1,099,784	1,204,084
From five to ten years	287,196	143,763
More than ten years	58,722	40,391
	1,445,702	1,388,238

Investment in Equity Securities, Trading

At 31 December 2017, the following long positions were included in investment securities, trading:

2017	Cost	Unrealised gains	Unrealised losses	Fair value
	US$	US$	US$	US$
Equities - listed	38,417,555	8,615,284	(653,888)	46,378,951
Exchange traded funds	—	—	—	—
	38,417,555	8,615,284	(653,888)	46,378,951

At 31 December 2016, the following long positions were included in investment securities, trading:

2016	Cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Equities - listed	38,063,801	5,977,259	(1,885,478)	42,155,582
Exchange traded funds	930,069	28,372	—	958,441
	38,993,870	6,005,631	(1,885,478)	43,114,023

Other Investments

"Other investments" include commodities and private and unlisted equity securities. As of 31 December 2017 and 2016, commodities were comprised of gold bullion.

At 31 December 2017, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Commodities	3,217,490	552,739	—	3,770,229
Private and unlisted equity securities	1,066,946	256,934	—	1,323,880
	4,284,436	809,673	—	5,094,109

At 31 December 2017, the Company had outstanding commitments to invest an additional US$315,360 in private equity securities.

At 31 December 2016, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Commodities	5,140,997	286,981	—	5,427,978
Private and unlisted equity securities	798,003	270,285	(1,604)	1,066,684
	5,939,000	557,266	(1,604)	6,494,662

At 31 December 2016, the Company had outstanding commitments to invest an additional US$568,926 in private equity securities.

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 statements of financial position as the Company is obligated to purchase the securities sold, not yet purchased in the market at prevailing prices to settle its obligations. To sell a security, 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 unrealised gain or loss is recorded. At the time the transaction is closed, the Company realises 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.

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

2017	**Proceeds**	**Unrealised gains**	**Unrealised losses**	**Fair Value**
	US$	**US$**	**US$**	**US$**
Equities - listed	(31,097,146)	848,114	(9,043,878)	(39,292,910)
Debt instruments	(4,652,874)	—	(189,259)	(4,842,133)
	(35,750,020)	848,114	(9,233,137)	(44,135,043)

At 31 December 2016, the following securities were included in investments in securities sold, not yet purchased:

2016	**Proceeds**	**Unrealised gains**	**Unrealised losses**	**Fair Value**
	US$	**US$**	**US$**	**US$**
Equities - listed	(42,640,695)	1,900,665	(6,842,359)	(47,582,389)
Debt instruments	(5,944,521)	407,424	—	(5,537,097)
	(48,585,216)	2,308,089	(6,842,359)	(53,119,486)

Derivative Contracts

As of 31 December 2017 and 2016, 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 derivative contracts, the Company is either entitled to receive or is 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.

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

Derivative Contracts	**Listing Currency (1)**	**Notional amount of underlying instruments**	**Fair value of net assets (obligations) on derivative contracts**
		US$	**US$**
Put options (2)	USD	7,480	19
Futures	USD	284,031	587
Call options	USD	128,408	4,400
Interest rate swaps	JPY	1,028,375	23,175
Forwards	KRW	2,000,725	38,739
Total return swaps - Commodities	USD	862,264	103,581
Warrants and rights on listed equities	EUR/USD	1,423	464
Total return swaps - Equities	EUR/GBP/USD	1,690,623	452,428
Total derivative contracts receivable, at fair value			623,393
Derivative contracts payable			
Put options	USD	6,280	(684)
Total return swaps - Commodities	USD	1,295,567	(17,068)
Total return swaps - Equities	EUR/GBP/USD/KRW/ RON	2,933,157	(1,056,698)
Total derivative contracts payable, at fair value			(1,074,450)

(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.

At 31 December 2016, the fair values of derivative contracts outstanding were as follows:

2016 Derivative Contracts	Listing Currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on derivative contracts
		US$	US$
Derivative contracts receivable			
Call Options (2)	USD	8,308,276	1,637,511
Total return swaps - commodities	USD	4,517,516	757,440
Interest rate swaps	JPY	1,265,741	13,472
Put options (2)	USD	7,133,731	414,094
Total return swaps - equities	EUR/GBP/USD	6,189,713	1,816,924
Warrants and rights on listed equities	EUR/USD	4,161	2,033
Total derivative contracts receivable, at fair value			4,641,474
Derivative contracts payable			
Forwards	KRW	424,974	(7,294)
Put options	USD	50,367	(10,594)
Total return swaps - equities	EUR/GBP/KRW/ RON/USD	1,930,868	(120,295)
Total derivative contracts receivable, at fair value			(138,183)

(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 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 derivative contracts receivable and assets held at counterparties. The Company mitigates its counterparty credit risk by using several counterparties which decreases the likelihood of any significant concentration of credit risk with any one counterparty. 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 instruments.

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 volatile and difficult to predict. This may affect the ultimate gains or losses realised upon the sale of its holdings, as well as the amount of net investment income reported in the statements of comprehensive income. Management utilises the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of potential loss due to changes in market values.

Equity Price Risk

As of 31 December 2017, the Company's investment portfolio consisted primarily of long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2017, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$1,955,360 or 3.1%, decline in the fair value of the total investment portfolio.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Commodity Price Risk

Generally, market prices of commodities are subject to fluctuation. The Company's investment portfolio periodically includes long or short investments in commodities or in derivatives directly impacted by fluctuations in the prices of commodities. As of 31 December 2017, the investment portfolio included unhedged exposure to changes in gold prices, through ownership of physical gold and derivative instruments with underlying exposure to changes in gold prices. Additionally, as of 31 December 2017 and 2016, the investment portfolio included derivative instruments with underlying exposure to changes in natural gas and oil prices.

The following table summarises the net impact that a 10% increase and decrease in commodity prices would have on the value of the Company's investment portfolio as of 31 December 2017:

	10% increase in commodity prices		10% decrease in commodity prices	
Commodity	**Change in fair value**	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	US$	**%**	**US$**	**%**
Gold	405,426	0.6	(405,426)	(0.6)
Natural Gas	127,850	0.2	(127,850)	(0.2)
Oil	96,584	0.2	(96,584)	(0.2)
Total	629,860	1.0	(629,860)	(1.0)

The Company along with its investment advisor, periodically monitor the Company's exposure to any other commodity price fluctuations and generally do not expect changes in other commodity prices to have a materially adverse impact on the Company's operations.

Foreign Currency Risk

Certain of the Company's reinsurance contracts provide that ultimate losses may be payable or calculated in foreign currencies depending on the country of original loss. Foreign currency exchange rate risk exists to the extent that there is an increase in the exchange rate of the foreign currency in which losses are ultimately owed. As of 31 December 2017, the Company had net loss reserves reported in foreign currencies of £1,339,503. As of 31 December 2017, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in additional estimated loss reserves of US$180,833 and a corresponding foreign exchange loss. Alternatively, a 10% increase in the U.S. dollar against the GBP would result in a reduction of US$180,833 in the Company's recorded loss reserves and a corresponding foreign exchange gain.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually monitor the exposure to potential foreign currency losses and would consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

The Company is exposed to foreign currency risk through cash, forwards, options and investments in securities denominated in currencies other than U.S. dollar. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short), speculative foreign currency options and cash positions due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of 31 December 2017, some of the Company's currency exposure resulting from foreign denominated securities (longs and shorts) was reduced by offsetting cash balances (shorts and longs) denominated in the corresponding foreign currencies.

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against select foreign currencies would have on the value of the Company's investment portfolio as of 31 December 2017:

	10% increase in U.S. dollar		**10% decrease in U.S. dollar**	
Foreign Currency	**Change in fair value**	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	US$	**%**	**US$**	**%**
Australian Dollar	16,882	—	(16,882)	—
Euros	(253,005)	(0.4)	253,005	0.4
South Korean Won	20,025	—	(20,025)	—
Japanese Yen	113,240	0.2	(113,240)	(0.2)
Other	(11,520)	—	15,038	—
Total	(114,378)	(0.2)	117,896	0.2

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

Interest Rate Risk

The Company's investment portfolio includes interest rate sensitive securities, such as corporate and sovereign debt instruments, futures and interest rate options. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the market value of the Company's long fixed-income portfolio falls, and the converse is also true as interest rates fall. The short fixed-income portfolio would benefit from rising interest rates and be negatively impacted from falling interest rates. Additionally, some of the Company's derivative investments may also be interest rate sensitive and their value may indirectly fluctuate with changes in interest rates.

The following table summarises the impact that a 100 basis point increase and decrease in interest rates would have on the value of the investment portfolio as of 31 December 2017:

	100 basis point increase in interest rates		**100 basis point decrease in interest rates**	
	Change in fair value	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	US$	**%**	**US$**	**%**
Debt instruments - long and short, net	860,755	1.4	(1,106,651)	(1.8)
Interest rate options	190,998	0.3	(190,998)	(0.3)
Net exposure to interest rate risk	1,051,753	1.7	(1,297,649)	(2.1)

Credit Risk

The Company is exposed to credit risk primarily from the possibility that counterparties may default on their obligations to it. The amount of the maximum exposure to credit risk is indicated by the carrying value of the Company's financial assets including reinsurance balances receivable which were all current as of 31 December 2017.

In addition, the securities, commodities, and cash in the Company's investment portfolio are held with several prime brokers, subjecting the Company to the related credit risk from the possibility that one or more of them may default on their obligations to the Company. The Company closely and regularly monitors its concentration of credit risk with each prime broker and if necessary, transfer cash or securities between prime brokers to diversify and mitigate its credit risk. Other than the Company's investment in derivative contracts and corporate and government debt, if any, and the fact that the investments and majority of cash balances are held by prime brokers on behalf of the Company, there are no other significant concentrations of credit risk.

Liquidity Risk

As of 31 December 2017, the majority of the Company's investments were valued based on quoted prices in active markets for identical assets (Level 1). Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's invested assets are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

Effects of Inflation

The Company does not believe that inflation has had or will have a material effect on its combined results of operations, except insofar as inflation may affect interest rates and the asset values in the Company's investment portfolio.

9. CASH AND CASH EQUIVALENTS

	2017	2016
	US$	US$
Cash at bank	3,067,254	6,236,068
Cash held with brokers	10,562,194	14,639,354
Total cash and cash equivalents	13,629,448	20,875,422

Cash and cash equivalents which are held by the Company comprise cash at a non-US bank and cash and cash equivalents held with prime brokers. All cash equivalents have an original maturity of three months or less. The Company has no significant concentration of credit risk as the cash held with brokers is spread over a number of financial institutions.

10. RESTRICTED CASH AND CASH EQUIVALENTS

The Company is required to maintain certain cash in segregated accounts with prime brokers and swap counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased. Additionally, restricted cash and cash equivalent balances are held to collateralise regulatory trusts and letters of credit issued to cedents. The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased. In addition, swap counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying security.

	2017	2016
	US$	US$
Cash held by prime brokers relating to securities sold, not yet purchased	44,135,043	53,119,486
Cash held as collateral in trust accounts	20,326,572	7,393,694
Cash and cash equivalents held by swap counterparties	1,902,000	1,362,188
Total restricted cash and cash equivalents	66,363,615	61,875,368

11. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the financial years ended 31 December 2017 and 2016.

	Furniture and fixtures	Leasehold improvements	Total
	US$	US$	US$
Cost			
Opening balance at 1 January 2016	189,865	269,645	459,510
Additions	—	—	—
Disposals	—	—	—
Ending balance at 31 December 2016	189,865	269,645	459,510
Opening balance at 1 January 2017	189,865	269,645	459,510
Additions	—	—	—
Disposals	—	—	—
Ending balance at 31 December 2017	189,865	269,645	459,510
Accumulated depreciation			
Opening balance at 1 January 2016	167,713	119,094	286,807
Depreciation for the year	22,152	26,964	49,116
Ending balance at 31 December 2016	189,865	146,058	335,923
Opening balance at 1 January 2017	189,865	146,058	335,923
Depreciation for the year	—	26,964	26,964
Ending balance at 31 December 2017	189,865	173,022	362,887
Carrying amounts			
At 31 December 2016	—	123,587	123,587
At 31 December 2017	—	96,623	96,623

The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows. For the financial years ended 31 December 2017 and 2016, there were no impairments in fixed assets.

12. INVESTMENT INCOME

A summary of net investment income for the financial years ended 31 December 2017 and 2016 is as follows:

	2017	2016
	US$	US$
Realised gains and change in unrealised gains and losses, net	1,332,060	5,299,456
Interest and dividend income	1,538,381	1,793,232
Interest, dividend and other expenses	(1,692,064)	(1,785,307)
Investment advisor compensation	(1,071,109)	(1,538,374)
Investment income	107,268	3,769,007

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2017, investment income, net of all fees and expenses, resulted in a gain of 0.2% on the investment portfolio. This compares to a gain of 5.4% for the year ended 31 December 2016.

13. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2017 US$	
At start of period	40,896,181	27,166,523
Gross change during the period	16,391,575	(6,725,684)
At end of period	57,287,756	20,440,839
Reinsurance recoverable	(31,898,972)	(11,697,284)
Net	25,388,784	8,743,555
	2016 US$	
At start of period	32,276,572	26,797,261
Gross change during the period	8,619,609	369,262
At end of period	40,896,181	27,166,523
Reinsurance recoverable	(13,899,709)	(8,353,812)
Net	26,996,472	18,812,711

	2017	2016
	US$	US$
Known claims reserves	19,913,464	18,900,344
IBNR reserves	37,374,292	21,995,837
Total loss reserves	57,287,756	40,896,181

Notes to the financial statements for the years ended 31 December 2017 and 2016 - continued

Claims developments on all of the coverages is shown below as at 31 December 2017:

	2010	2011	2012	2013	2014	2015	2016	2017	Total
					US$				
Estimate of cumulative gross claims									
At December 2010	58,048	—	—	—	—	—	—	—	58,048
At December 2011	14,055,137	1,056,998	—	—	—	—	—	—	15,112,135
At December 2012	20,185,379	19,196,040	1,899,163	—	—	—	—	—	41,280,582
At December 2013	19,835,136	26,529,048	48,981,320	2,796,345	—	—	—	—	98,141,849
At December 2014	19,813,699	25,994,707	64,443,873	30,047,741	14,592,233	—	—	—	154,892,253
At December 2015	19,799,220	26,111,766	63,684,366	33,799,872	57,205,953	16,603,630	—	—	217,204,807
At December 2016	19,799,220	25,800,112	63,136,393	33,639,956	63,287,572	48,696,652	24,423,309	—	278,783,214
At December 2017	19,799,220	25,831,489	63,088,528	32,927,801	65,909,391	53,461,198	70,043,350	18,598,173	349,659,150
Cumulative payments	(19,799,220)	(25,541,118)	(63,019,303)	(32,935,050)	(60,918,399)	(41,899,582)	(43,311,525)	(4,947,197)	(292,371,394)
Reserve at 31 December 2017	—	290,371	69,225	(7,249)	4,990,992	11,561,616	26,731,825	13,650,976	57,287,756
Estimate of cumulative reinsurance recoveries									
At December 2010	—	—	—	—	—	—	—	—	—
At December 2011	—	(615,804)	—	—	—	—	—	—	(615,804)
At December 2012	—	(2,817,183)	(381,246)	—	—	—	—	—	(3,198,429)
At December 2013	—	(3,348,548)	(1,542,363)	(1,205,027)	—	—	—	—	(6,095,938)
At December 2014	—	(2,920,029)	(1,464,851)	(1,340,960)	(3,271,846)	—	—	—	(8,997,686)
At December 2015	—	(3,072,119)	(1,422,594)	(1,404,828)	(4,885,631)	(3,056,003)	—	—	(13,841,175)
At December 2016	—	(2,876,850)	(1,199,382)	(1,389,761)	(4,405,726)	(7,869,727)	(3,338,209)	—	(21,079,655)
At December 2017	—	(2,903,601)	(1,200,321)	(1,389,831)	(7,023,679)	(11,195,737)	(14,046,240)	(8,895,849)	(46,655,258)
Cumulative payments received	—	2,673,369	1,145,487	1,389,761	3,751,696	3,263,854	1,426,408	1,105,711	14,756,286
Reserve at 31 December 2017	—	(230,232)	(54,834)	(70)	(3,271,983)	(7,931,883)	(12,619,832)	(7,790,138)	(31,898,972)
Estimate of cumulative net claims									
At December 2010	58,048	—	—	—	—	—	—	—	58,048
At December 2011	14,055,137	441,194	—	—	—	—	—	—	14,496,331
At December 2012	20,185,379	16,378,857	1,517,917	—	—	—	—	—	38,082,153
At December 2013	19,835,136	23,180,500	47,438,957	1,591,318	—	—	—	—	92,045,911
At December 2014	19,813,699	23,074,678	62,979,022	28,706,781	11,320,387	—	—	—	145,894,567
At December 2015	19,799,220	23,039,647	62,261,772	32,395,044	52,320,322	13,547,627	—	—	203,363,632
At December 2016	19,799,220	22,923,262	61,937,011	32,250,195	58,881,846	40,826,925	21,085,100	—	257,703,559
At December 2017	19,799,220	22,927,888	61,888,207	31,537,970	58,885,712	42,265,461	55,997,110	9,702,324	303,003,892
Cumulative net payments	(19,799,220)	(22,867,749)	(61,873,816)	(31,545,289)	(57,166,703)	(38,635,728)	(41,885,117)	(3,841,486)	(277,615,108)
Total per statement of financial position	—	60,139	14,391	(7,319)	1,719,009	3,629,733	14,111,993	5,860,838	25,388,784

Uncertainties and contingencies. The uncertainties arising under insurance contracts are characterised under item 2.3 *Revenue recognition* and 2.6 *Insurance losses and reserve and recoverables - technical provisions.*

Claims development. For the year ended 31 December 2017, unfavourable loss development on prior year contracts amounted to US$(1,681,530) (2016: US$(80,668) unfavourable) based on updated data received from the cedents and a reassessment in connection with the quarterly reserve analysis conducted by the Company.

Unallocated loss adjustor provision. For the year ended 31 December 2017, US$120,536 (2016: US$155,943) had been accrued for unallocated loss adjustment expense.

14. RETROCESSION

Loss reserves recoverable from the retrocessionaires are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honour their obligations could result in losses to the Company. The Company currently has two retrocession coverages that provide for recovery of a portion of loss and loss expenses incurred on certain contracts. At At 31 December 2017, the Company had loss reserves recoverable of US$29,245,540 (2016: US $13,899,709) with an affiliated retrocessionaire rated "A- (Excellent)" by A.M. Best. The Company also had loss reserves recoverable of US$2,653,432 with an non-affiliated retrocessionaire NGM Insurance Company rated "A (Excellent)" by A.M. Best. The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2017 and 2016, no provision for uncollectible losses recoverable was considered necessary.

15. INVESTMENT ADVISORY AGREEMENT - RELATED PARTY TRANSACTION

At 31 December 2017, the Company, its parent, an affiliate and DME were party to an Investment Agreement with DME Advisors, under which the participants and DME Advisors created a joint venture for the purpose of managing certain jointly held assets. DME Advisors is a related party and an affiliate of David Einhorn, Chairman of the parent Company's Board of Directors.

Pursuant to the Investment Agreement, performance allocation equal to 20% of the net income of the participants' share of account managed by DME Advisors is allocated, subject to a loss carry forward provision, to DME's account. The loss carry forward provision allows DME to earn reduced performance allocation of 10% on investment income in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn performance allocation in a year in which the investment portfolio incurs a loss. For the year ended 31 December 2017, included in investment income is performance allocation of US$12,695 (2016: US$419,533).

Additionally, pursuant to the Investment Agreement, a monthly management fee equal to 0.125% (1.5% on an annual basis) of the participants' investment account managed by DME Advisors is paid to DME Advisors. Included in the investment income for the year ended 31 December 2017 are management fees of US$1,058,414 (2016: US$1,118,841). The management fees have been fully paid as of 31 December 2017.

Pursuant to the Investment Agreement, the Company has agreed to indemnify 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 investment advisor. The Company will reimburse 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 Advisors. During the year ended 31 December 2017, there were no indemnification payments made by the Company.

The following amounts are included in the Company's financial statements in order to reflect the Company's share of assets, liabilities, income and expenses under the agreement.

	2017	2016
	US$	US$
Assets	129,374,252	132,264,664
Liabilities	66,842,308	60,846,975
Income	17,178,535	13,975,710
Expenses	17,064,281	10,199,913

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 31 December 2017, US$1,894,665 (2016: US$2,152,835) of GRBK listed equities were included on the statement of financial position as "equity securities, trading, at fair value through profit or loss". The Company along with certain affiliates of DME Advisors, collectively own 49% 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.

16. OTHER RELATED PARTY TRANSACTIONS

Amounts due to related party

At 31 December 2017, the Company had amounts due to its related company Greenlight Reinsurance Limited of US$913,218 (2016: US$925,171) in relation to letters of credit fees and other administration costs.

Quota share retrocession agreement

The Company has entered into a quota share retrocession agreement with Greenlight Reinsurance Limited whereby the Company cedes to Greenlight Reinsurance Limited a quota share portion of certain specified reinsurance contracts written by the Company. For the year ended 31 December 2017, the Company ceded US$12,449,186 (2016: US$18,596,784) of written premiums to Greenlight Reinsurance Limited. At 31 December 2017, the closing amounts payable in respect of this agreement is US$6,397,232 (2016: US$11,262,148).

Aggregate stop loss retrocession agreement

The Company has entered into a retrocession agreement with Greenlight Reinsurance Limited whereby Greenlight Reinsurance Limited provides an aggregate stop loss protection to the Company in return for premiums ceded by the Company to Greenlight Reinsurance Limited. For the year ended 31 December 2017, the Company ceded US$1,254,168 (2016: US$2,148,712) of written premiums to Greenlight Reinsurance Limited. During the year ended 31 December 2017, the aggregate stop loss threshold for coverage was not breached which resulted in no losses recovered by the Company from Greenlight Reinsurance Limited (2016: nil). At 31 December 2017, the closing amounts payable in respect of this agreement is US$14,168 (2016: US$2,148,712).

Letters of Credit and Trusts

The Company's related company, Greenlight Reinsurance Limited, issues letters of credit on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these letters of credit is also provided by Greenlight Reinsurance Limited. In the event that the Company's insureds draw upon any letters of credit, the Company shall be obligated to reimburse Greenlight Reinsurance Limited the amount of the letters of credit drawn by the insured. As of 31 December 2017, US$9,539,798 (2016: US$29,493,669) of letters of credit were issued by Greenlight Reinsurance Limited on behalf of the Company and no letters of credits were drawn by the Company's insureds for the year ended 31 December 2017.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of 31 December 2017, collateral of US$20,326,573 (2016: US$7,393,694) was provided to cedents in the form of regulatory trust accounts.

17. COMMITMENTS

Operating Lease

The Company has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, the Company is committed to minimum annual rent payments denominated in Euros approximating €147,110 per annum until May 2021 and adjusted to the prevailing market rates for each of two subsequent five-year terms. The Company has the option to terminate the lease agreement 2021. Included in the schedule below are the net minimum lease payment obligations for the next five years relating to this lease as of 31 December 2017.

	2018	**2019**	**2020**	**2021**	**2022**	**Total**
Operating lease obligations	154,730	154,730	154,730	58,024	—	522,214

18. CORPORATE GOVERNANCE CODE

Effective 1 January 2015, the Company is subject to "The Corporate Governance Code for Credit Institutions and Insurance Undertakings" (the "Code") but is not deemed to be a "major institution" under the terms of the Code.