Greenlight Reinsurance Ireland, Designated Activity Company

Reports and Financial Statements

For the financial years ended 31 December 2019 and 2018

Greenlight Reinsurance Ireland, dac

Contents

Greenlight Reinsurance Ireland, dac

Directors and Other Information

Directors

Tim Courtis (Canadian)	(Non-Executive Director)
Bryan Murphy	(Non-Executive Director - (Appointed Chairman 27 March 2019)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive Director)
Lesley Caslin (British)	(Independent Non-Executive Director - Appointed 27 March 2019)
Michael Brady	(Independent Non-Executive Director - Appointed 27 March 2019)

Company Secretary & Registered Office

Edward Brady
La Touche House
Ground Floor
IFSC
Dublin 1
D01 R5P3

Company Number: 475022

Auditors

BDO
Statutory Audit Firm
Beaux Lane House
Mercer Street Lower
Dublin 2
D02 DH60

Bankers

HSBC
Grand Canal Square
Dublin 2
D02 P820

Solicitors

A&L Goodbody
IFSC
North Wall Quay
Dublin 1
D01 H104

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 2019 and 2018.

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 depending on the outcome of the current strategic review undertaken at group level.

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

	2019	2018
	US$	US$
Profit / (Loss) before taxation	1,432,395	(16,357,455)
Corporation tax (charge) / benefit *	(644,402)	(166,818)
Profit / (Loss) brought to reserves	787,993	(16,524,273)

*See Note 7

The directors do not recommend the payment of a dividend.

Key Performance Indicators ("KPIs")
The Company monitors the progress of its business by reference to the following KPIs:

	2019	2018
	US$	US$
Gross written premium	72,525,570	73,806,200
Net written premium	31,134,870	32,817,517
Net earned premium	32,324,389	32,199,076
Loss ratio	75.3%	82.7%
Combined ratio*	99.9%	106.5%
Investment return	6.6%	(23.8)%

*Excludes corporate expenses, net investment income or any foreign exchange gain or loss

The Board uses variety of internal metrics for monitoring the performance of the Company and evaluates results against appropriate market benchmarks.

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 2019 are set out on page 1. The directors and secretary, who held office at 31 December 2019, 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. Roitman's beneficial interest in the Parent included no restricted shares subject to forfeiture and 325,000 ordinary shares held directly. Mr. Courtis' beneficial interest in the Parent included 87,772 restricted shares subject to forfeiture and 303,915 ordinary shares held directly. Mr. O' Brien beneficial interest in the Parent included 45,280 restricted shares units subject to forfeiture and no ordinary shares held directly. Mr. Murphy beneficial interest in the Parent included 10,116 restricted shares subject to forfeiture and 89,606 ordinary shares held directly. Mr. E Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent. Ms. Caslin and Mr M. Brady do not own common shares in 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". 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;
- notify the shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; 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.

Political donations

The Company did not make any political donations during the year.

Events since the year end

COVID-19 was declared by the World Health Organisation as a global pandemic on March 11, 2020. As it is a post balance sheet non-adjusting event, its impact has not been reflected in the measurement of the company's assets and liabilities as at 31 December 2019. As the pandemic is in its early stage the Board is monitoring the situation very closely and is currently satisfied that the Company has appropriate solvency, liquidity and operational resources to deal with this pandemic. For further details see Note 22 Post Balance Sheet Events.

Corporate Governance Code

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.

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, D01 R5P3.

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- (Negative Outlook) 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.

Statement of disclosure of information to auditors

As far as each person who is a director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Having made enquiries of fellow directors of the Company and the Company's auditor, each director has taken all steps that they are obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Audit Committee

An Audit Committee has been established by the Company. The purpose of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the external reporting of financial information, the internal control framework and the independence and effectiveness of internal and external audit.

Statutory auditors

The Board appointed BDO as statutory auditor to the company on 9 November 2010, for the 2010 financial year end. Following the 2019 year end, having reached the maximum period allowed, BDO will resign in accordance with the Independence requirements as set at in the Ethical Standards for Auditors (Ireland) as issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), issued in April 2017.

/s/ MICHAEL BRADY
Director - Michael Brady

/s/ PATRICK O'BRIEN
Director - Patrick O'Brien

03 April 2020
Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 2019, which comprises of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 3. The financial reporting framework that has been applied in their preparation is Irish Law and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

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 2019 and of its profit for the financial year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- have been properly prepared in accordance 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 MEMBER OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY

Key audit matters - continued

Valuation of Technical Reserves

Key Audit Matter
The gross provision for claims outstanding is the company's largest liability, totaling $56,972,877 as detailed in note 16, and its valuation involves considerable judgment. The valuation of reinsurance assets of $37,849,014 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 notes 3.4, 3.6 and 16 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 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.

Valuation of Investments

Key Audit Matter
The Company's financial investments represent a significant asset on the balance sheet, totaling $10,109,671 as detailed in notes 10 and 11. The valuation of financial investments is based on the Company's share of the net asset value as reported by a third party administrator.

Related Disclosures

Refer to notes 3.7, 10 and 11 of the accompanying financial statements.

Audit Response
We reviewed the Company's valuation of investments. We have obtained reports from the fund administrator and compared it to the investment's valuation. 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 FRS 102.

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

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 $691,000, 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

A description of the scope of an audit of financial statements is provided on the IAASA website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_ auditors_responsiblities_for_audit.pdf.

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.

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.

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

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 3, 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.

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 ten years, covering the years ending 2010 to 2019.

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. We have not provided any non-audit services to the Company in the financial year ended 31 December 2019.

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

/s/ BRIAN HUGHES

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

3 April 2020

3 April 2020

Greenlight Reinsurance Ireland, dac

Statement of Comprehensive Income: Technical Accounts - general business for the financial years ended 31 December 2019 and 2018

CONTINUING OPERATIONS:	Notes	2019	2018
		US$	
Gross premiums written		72,525,570	73,806,200
Outward reinsurance premium		(41,390,700)	(40,988,683)
Net premiums written		31,134,870	32,817,517
Change in provision for unearned premium, gross		172,209	(1,297,877)
Change in provision for unearned premium, reinsurers' share		1,017,310	679,436
Earned premiums, net of reinsurance		32,324,389	32,199,076
Allocated investment Income/(loss) transferred from the non-technical account		25,402	(5,781,362)
Total technical income		32,349,791	26,417,714
Claims paid			
Gross amount		(63,779,926)	(46,965,551)
Reinsurers' share		33,316,796	20,202,467
Change in the provision for claims			
Gross amount		10,713,534	(10,430,213)
Reinsurers' share		(4,578,522)	10,553,881
Claims incurred net of reinsurance		(24,328,118)	(26,639,416)
Net operating expenses	4	(9,251,188)	(8,797,866)
Total technical expenses		(33,579,306)	(35,437,282)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(1,229,515)	(9,019,568)

Greenlight Reinsurance Ireland, dac

Statement of Comprehensive Income: Non-technical Accounts for the financial years ended 31 December 2019 and 2018

CONTINUING OPERATIONS:	**Notes**	**2019**	**2018**
		US$	
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(1,229,515)	(9,019,568)
Investment income		585,158	996,487
Investment expense		(528,493)	(1,424,807)
Market value adjustment		537,107	(600,908)
(Loss)/gain on sale of investments		(537,107)	(10,127,571)
Gain/(loss) from investment in related party investment fund	**10**	2,630,647	(1,992,189)
Foreign exchange gain/(loss) on investments		—	29,739
Allocated investment (Income)/loss transferred to the technical account		(25,402)	5,781,362
Profit/(loss) on ordinary activities before taxation	**5**	1,432,395	(16,357,455)
Income tax (charge)/benefit	**7**	(644,402)	(166,818)
Retained Profit/(loss) for the financial year		787,993	(16,524,273)

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

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

On behalf of the board

/s/ MICHAEL BRADY

Director - Michael Brady

/s/ PATRICK O'BRIEN

Director - Patrick O'Brien

03 APRIL 2020

Date

Greenlight Reinsurance Ireland, dac

Statement of financial position at 31 December 2019 and 2018

	Notes	2019	2018
Assets:		**US$**	**US$**
Financial Investments			
Investment in related party investment fund, at fair value through profit or loss	**10**	10,109,671	20,543,831
Equity securities, trading, at fair value through profit or loss	**11**	—	1,456,227
Other investments, at fair value through profit or loss	**11**	—	22,389
Total investments		10,109,671	22,022,447
Deposits with ceding undertakings			
Funds held by cedants		15,690,918	3,993,070
Reinsurers' share of technical provisions			
Unearned premiums ceded	**16**	13,241,695	12,196,231
Loss reserves recoverable	**16**	37,849,014	42,103,229
Debtors			
Reinsurance balances receivable		26,880,200	36,923,884
Reinsurance balances receivable from related party		335,440	1,478,064
Other assets			
Cash and cash equivalents	**12**	5,343,324	1,109,613
Restricted cash and cash equivalents	**13**	27,605,326	26,854,030
Prepayments, general receivables and accrued income		139,557	132,556
Deferred acquisition cost		1,324,712	1,298,427
Fixed assets	**14**	42,694	69,659
Deferred tax asset	**7**	923,818	1,568,236
Total Assets		**139,486,369**	**149,749,446**
Equity and liabilities:			
Capital and reserves			
Called up share capital	**8**	10,000,000	10,000,000
Capital contribution reserve	**9**	50,984,422	50,788,763
Retained earnings		(26,422,597)	(27,210,590)
Total equity		34,561,825	33,578,173
Creditors: amounts falling due within one year			
Accruals and other payables		955,348	891,714
Reinsurance balances payable		13,317,474	19,161,878
Due to related party investment fund	**11**	—	378,299
Due to related party	**19**	507,860	6,023,090
Total current liabilities		14,780,682	26,454,981
Technical reserves			
Known claims reserves	**16**	23,435,459	17,765,746
Loss reserves	**16**	33,537,418	49,515,279
Unearned premium reserve	**16**	21,373,034	21,511,096
Funds withheld		11,797,951	924,171
Total non-current liabilities		90,143,862	89,716,292
Total liabilities		104,924,544	116,171,273
Total equity and liabilities		**139,486,369**	**149,749,446**

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 3 April 2020.

/s/ MICHAEL BRADY

Director - Michael Brady

/s/ PATRICK O'BRIEN

Director - Patrick O'Brien

Greenlight Reinsurance Ireland, dac

Statement of changes in equity for the financial years ended 31 December 2019 and 2018

	Share capital	Capital contribution reserve	Retained earnings	Total
	US$	US$	US$	US$
Balance at December 31, 2017	10,000,000	50,548,094	(10,686,317)	49,861,777
Contributed capital adjustment for stock compensation	—	240,669	—	240,669
Loss for the financial year	—	—	(16,524,273)	(16,524,273)
Balance at December 31, 2018	10,000,000	50,788,763	(27,210,590)	33,578,173
Contributed capital adjustment for stock compensation	—	195,659	—	195,659
Profit for the financial year	—	—	787,993	787,993
Balance at December 31, 2019	10,000,000	50,984,422	(26,422,597)	34,561,825

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 (registration number 475022) under the Irish Companies Acts on 7 September 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The registered office of the Company is Ground Floor, La Touche House, IFSC, Dublin 1, D01 R5P3. 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.com.

2. STATEMENT OF COMPLIANCE

These financial statements for the year ended 31 December 2019 are the second annual financial statements prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" . The Company's financial statements have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

3.1. Basis of preparation

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, and in accordance with FRS 102 & 103 (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland). The Company is also subject to the requirements of the Companies Acts 2014 and the European Communities (Insurance Undertakings; Financial Statements) Regulations, 2015.

3.2. Disclosure exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to:

(i) disclosing share based payments and key management personnel compensation in total (FRS 102 section 33.7A);
(ii) presentation of a cash flow statement (FRS 102 section 3.17); and
(iii) disclosing intra group transactions and related party disclosures (FRS 102 section 33.1A).

The consolidated financial statements of the Company's immediate and ultimate parent company Greenlight Capital Re, Ltd ("GLRE") for the year ended 31 December 2019 are available to the public on the Group's website, greenlightre.com, and from its registered office as disclosed in note 23.

3.2. Judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 & 103 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 year. 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.

(a) 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 3.6.

(b) Estimation of employee bonus

Under the Company's bonus program, employee's target bonus generally 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 year in which they are determined.

3.3. Revenue recognition

The Company estimates the ultimate premiums for the entire contract year. These estimates are based on information received from 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. The unearned premium reserve is treated as a monetary liability under FRS 103 and revalued at the Balance Sheet date.

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

3.4 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.

3.5 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 2019 and 2018, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded. Deferred acquisition costs are treated as a monetary liability under FRS 103 and revalued at the Balance Sheet date.

3.6. 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. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

3.7. Interest in investment advisory agreement

Prior to 1 September 2018, the Company, its parent and an affiliate, DME Advisors, LLC ("DME") were party to an investment advisory agreement (the ''Investment Agreement'') with DME Advisors, LP ("DME Advisors"), under which the participants and DME Advisors created a joint venture (the "Joint Venture") under a joint venture agreement (the "Venture Agreement") for the purpose of managing certain jointly held assets. Simultaneously with entering into 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 Joint Venture. The Advisory Agreement term period mirrored that of the Venture Agreement. On 1 September 2018, the Company and DME entered into a termination agreement (the "Termination Agreement") for the Joint Venture.

On 1 September 2018, the Company entered into an amended and restated exempted limited partnership agreement (the "SILP LPA") of Solasglas Investments, LP ("SILP"), with DME Advisors II, LLC ("DME II"), as General Partner, the Company, GLRE, and the initial limited partner (each, a "Partner"). The SILP LPA, in conjunction with a participation agreement, replaced the Venture Agreement and assigned and/or transferred the Company's and GLRE's net invested assets in the Joint Venture to SILP. Pursuant to the Termination Agreement, the Joint Venture terminated 2 January 2019 and substantially all investments were transferred to SILP. The investment in SILP is recorded on the statement of financial position under the caption "Investment in related party investment fund".

On 1 September 2018, SILP entered into an Investment Advisory Agreement (the "IAA") with DME Advisors, with an initial term ending on 31 August 2023 subject to automatic extensions for successive three-year terms. DME Advisors is compensated with a fixed annual fee based on assets under management while DME II is compensated on the positive performance of the portfolio, subject to a loss carry forward. Pursuant to the SILP LPA and the IAA, DME Advisors has the exclusive right to manage substantially all of our investable assets, subject to the investment guidelines adopted by the Board. DME Advisors' principal place of business is New York, USA.

The Company's share of the assets, liabilities, income and expenses in SILP was 3.4% at 31 December 2019 (2018: 7.41%). The Company does not directly or indirectly hold more than 20% of the voting power in SILP and does not have significant influence in the financial and operating policy decisions. The investment in SILP has been accounted for as a financial investment and presented on the Balance Sheet under the caption "Investment in related party investment fund"

3.8. Financial instruments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39") to account for all of its financial instruments. Financial instruments include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased. The Company's financial instruments are recognised on the Balance Sheet and measured at fair value through the profit or loss account, and all unrealised gains or losses are included in investment income in the statements of comprehensive income in accordance with IAS 39.

3.9. Employee Benefits

(a) Defined contribution pension plans

The Company operates a defined contribution plan for it's staff. Under this plan, the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to the employee service in the current or prior periods. The assets of the scheme are held separately from those of the Company in independently administered funds managed by Irish Life. Pension costs are recognised in the statement of comprehensive income in the period in which they are incurred and are disclosed in note 6. Amounts not paid are shown as accruals in the statement of financial position.

(b) Short term employee benefits

Short term employee benefits including annual leave entitlements, annual bonus arrangements, termination payments, health benefits and group stock compensation are recognised as an expense in the statement of comprehensive income in the financial year in which the employees render the related service.

3.10. Fixed Assets

Fixed assets are included in the statement 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 is 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.

3.11. Taxation and deferred 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.

3.12. Foreign exchange

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. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premium and deferred acquisition costs) are monetary items. Non-monetary assets and liabilities in foreign currencies are measured at historical cost and are not retranslated.

3.13. Provisions and Contingencies

The Company does not hold any general provisions in the Statement of Financial Position. Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

3.14. 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.

3.15. 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.

4. NET OPERATING EXPENSES

	2019	2018
	US$	US$
Net acquisition costs	6,044,228	5,633,649
Change in net deferred acquisition costs	(399,758)	37,551
Administration expenses	3,606,718	3,126,666
	9,251,188	8,797,866

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

	2019	**2018**
This is stated after charging/(crediting):	**US$**	**US$**
Loss on foreign currencies	87,644	17,040
Operating lease expense	166,026	184,586
Depreciation expense	26,965	26,965
Auditors' remuneration - audit	50,597	29,901
Tax consultancy	1,080	6,146
Market value adjustment in value of investments	537,107	(600,908)
Directors' remuneration	149,246	120,771

The directors' remuneration disclosed represents the total compensation paid to non-executive directors. In accordance with note 3.2, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing key management personnel compensation in total.

6. EMPLOYEE COSTS AND NUMBERS

At 31 December 2019, the Company's salary and benefit expenses of US$2,339,154 (2018: US$1,972,145) related to employee compensation based on salary, health benefits, pension benefits, PRSI and group stock compensation in the form of restricted share units of the parent.

	2019	2018
	US$	US$
Wages and salaries	1,748,300	1,369,807
Social insurance costs	183,214	182,812
Health benefits	25,994	24,849
Pension benefits	168,242	137,456
Group stock incentive	195,659	240,669
Life and disability benefit	17,745	16,552
	2,339,154	1,972,145

In accordance with note 3.2, the Company meets the definition of a qualifying entity under FRS 102, and has taken an exemption in relation to disclosing share-based compensation.

The average number of employees for the financial year 2019 was eight (2018: eight).

7. INCOME TAX EXPENSE

(a) Analysis of tax charge

	2019	2018
	US$	US$
Current tax expense/(benefit)	205,929	(1,996,701)
Deferred tax expense	438,473	2,163,519
Income tax expense	644,402	166,818

(b) Reconciliation of effective tax rate

	2019	2018
	US$	US$
Profit/(loss) for financial year after tax	787,993	(16,524,273)
Tax expense for the year	644,402	166,818
Profit/(loss) excluding tax	1,432,395	(16,357,455)
Tax using the standard rate of corporation tax in Ireland of 12.5%	179,049	(2,044,682)
Tax effect on deductible temporary differences	(2,051)	(1,877)
Tax effect on non-deductible expenses	26,880	46,193
Valuation allowance on deferred tax asset	435,000	2,165,000
Change in deferred taxes	5,524	396
Under provided in prior years	—	1,788
Tax charge for the year	644,402	166,818

(c) Deferred tax balances

	2019	2018
	US$	US$
Deferred tax balance, opening	1,568,236	1,735,091
Accelerated capital allowances and other fixed asset differences	(2,051)	(1,877)
Tax losses carried forward in current year	(644,402)	(166,818)
Other temporary differences	2,035	1,840
Deferred tax balance, closing	923,818	1,568,236

The deferred tax asset of US$923,818 (2018: US$1,568,236) 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 2019 and 2018.

At 31 December 2019, the Company had a net operating loss carry-forward of US$28,206,957 (2018: US$29,837,981) which can be carried forward indefinitely under Irish tax law. At 31 December 2019, the Company did not have any tax receivable (2018: 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. 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 not be fully realised in the future and therefore it is prudent that a valuation allowance be recorded in the financial statements. The Company's deferred tax asset US$3,523,818 has been reduced by the valuation allowance of US$2,165,000 in 2018 and a further US$435,000 for 2019. The valuation allowance of US$435,000 for 2019 reduced the net profit after tax for the year ended December 31, 2019 from US $1,222,993 to US$787,993. The Company will re-evaluate the position at the end of the next financial year.

8. CALLED UP SHARE CAPITAL

	2019	2018
Authorised	US$	US$
1,000,000,000 Ordinary shares of US$ 0.10 each	100,000,000	100,000,000
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.

9. 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.

The Company is required to report its capital position under Solvency II, an EU-wide insurance regulatory regime. Solvency II is 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 2019, the Company reported Solvency II capital of US$35,622,240 (2018: US$35,172,308) which gives coverage of 162% (2018: 148%) 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 2019, 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$34,561,825 (2018: US$33,578,173) analysis of which is detailed in the Statement of Changes in Equity.

Capital contribution

During the year ended 31 December 2019, US$195,659 (2018: US$240,669) 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 paid up.
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.

10. INVESTMENT IN RELATED PARTY INVESTMENT FUND

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

The Company does not directly or indirectly hold more than 20% of the voting power in SILP and does not have significant influence in the financial and operating policy decisions. In assessing the Company's interest in SILP , the Company determined that the Company's investment in SILP meets the definition of a Financial Instrument, and does not meet the conditions of Investment in Associates under FRS 102 (section 14). As a result of the changes described above, the Company's investment in SILP has been presented on the Balance Sheet under the caption "Investment in related party investment fund".

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

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

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

The Company's maximum exposure to loss relating to SILP is limited to the net asset value of the Company's investment in SILP. As of 31 December 2019, the net asset value of the Company's investment in SILP was US$10,109,671 (2018: US$20,543,831), representing 3.4% (2018: 7.41%) of SILP's total net assets. The investment in SILP is recorded at the Company's share of the net asset value of SILP as reported by SILP's third-party administrator. The GLRE Limited Partners can redeem their assets from SILP for operational purposes by providing three business days' notice to DME II. As of December 31, 2019, the majority of SILP's long investments are composed of cash, short-term U.S. treasuries and publicly-traded equity securities which can be readily liquidated to meet any GLRE Limited Partner's redemption requests. The Company's share of the change in the net asset value of SILP for the year ended December 31, 2019 and the period from September 1, 2018 (commencement of operations) to December 31, 2018 was US$2,630,647 and US$(1,992,189) million, respectively, and shown in the caption "Gain/(loss) from investment in related party investment fund" in the Company's consolidated statements of operations.

During the first quarter of 2019, the Company transferred the rights to US$1,456,227 of remaining net investments from the Company's Joint Venture investment account to SILP in exchange for limited partnership interests of the same amount, resulting in no net gain or loss.

As of December 31, 2019, the Company's investments in SILP was in excess of 10% of the Company's total shareholder's equity, with fair value of U$10,109,671 (2018: US$20,543,831) representing 29% (2018: 61%) total shareholder's equity.

The summarized financial statements of SILP are presented below.

Summarized Statement of Assets and Liabilities of Solasglas Investments, LP

	December 31, 2019	December 31, 2018
	($ in thousands)	
Assets		
Investments, at fair value	162,928	401,318
Derivative contracts, at fair value	6,324	63,143
Due from brokers	68,060	77,821
Cash and cash equivalents	111,046	13,200
Interest and dividends receivable	47	2,358
Total assets	348,405	557,840
Liabilities and partners' capital		
Liabilities		
Investments sold, not yet purchased, at fair value	(47,834)	(198,728)
Notes Payable	—	(30,000)
Derivative contracts, at fair value	(2,054)	(26,344)
Due to brokers	(1,180)	(23,951)
Interest and dividends payable	(828)	(1,238)
Other liabilities	(101)	(169)
Total liabilities	(51,997)	(280,430)
Net Assets	**$ 296,408**	**$ 277,410**
GRIL Limited Partners' share of Net Assets	**$ 10,109**	**$ 20,543**

Summarized Statement of Operations of Solasglas Investments, LP

	Year ended December 31, 2019	From September 1, 2018 (commencement of operations) to December 31, 2018
	($ in thousands)	
Investment income		
Dividend income (net of withholding taxes)	3,179	2,160
Interest income	3,884	1,868
Total Investment income	7,063	4,028
Expenses		
Management fee	(4,893)	(3,100)
Interest	(2,408)	(2,627)
Dividends	(1,670)	(1,608)
Professional fees and other	(1,141)	(483)
Total expenses	(10,112)	(7,818)
Net investment income (loss)	(3,049)	(3,790)
Realized and change in unrealized gains (losses)		
Net realized gain (loss)	34,539	(80,996)
Net change in unrealized appreciation (depreciation)	28,515	14,789
Net gain (loss) on investment transactions	63,054	(66,207)
Net income (loss)	$ 60,005	$ (69,997)
GRIL Limited Partners' share of net income (loss) (1)	$ 2,110	$ (1,992)

[1] Net of management fees of US$291,909 and US$570,753 for year ended December 31, 2019 and the period from September 1, 2018 (inception) to December 31, 2018 respectively, and net of accrued performance allocation of US$228,670 and nil for the year ended December 31, 2019 and the period from inception to December 31, 2018, respectively.

11. FINANCIAL INSTRUMENTS

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.

Net realised gains (losses) on the sale of investments, derivative contracts, and investments sold, not yet purchased during the period were US$(537,107) (2018: US$(10,524,212). Gross realised gains were US$40,070 (2018: US$12,892,899) and gross realised losses were US$577,177 (2018: US$23,417,111). For the year ended 31 December 2019, included in investment income in the statements of comprehensive income was US$537,107 of net unrealised gains (2018: US(228,199) of net unrealised losses) relating to trading securities still held at the statements of financial position dates.

Investments

Investment in Equity Securities, Trading

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

At 31 December 2018, the following long positions were included in investment securities, trading:

2018	Cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Equities - listed	1,688,244	105,246	(337,263)	1,456,227
	1,688,244	105,246	(337,263)	1,456,227

Other Investments

At 31 December 2019, the Company held no other investments and had no outstanding commitments to invest in private equity securities.

At 31 December 2018, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised losses	Fair Value
	US$	US$	US$	US$
Private and unlisted equity securities	23,751	—	(1,362)	22,389
	23,751	—	(1,362)	22,389

Fair Value Hierarchy

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

Greenlight Reinsurance Ireland, dac

Notes to the financial statements for the years ended 31 December 2019 and 2018 - continued

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

As of December 31, 2019, the Company did not hold any instruments assigned a Level within the fair value hierarchy..

The Company's investment in a related party investment fund is measured at fair value using the net asset value and is therefore not classified within the fair value hierarchy (See Note 10 for further details).

There were no transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2019.

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

	Fair Value Measurements as of 31 December 2018			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Listed equity securities	1,456,227	—	—	1,456,227
Private and unlisted equity securities	—	—	22,389	22,389
Total investments	1,456,227	—	22,389	1,478,616

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 2019:

Greenlight Reinsurance Ireland, dac

Notes to the financial statements for the years ended 31 December 2019 and 2018 - continued

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2019		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	US$	US$	US$
Beginning balance	—	22,389	22,389
Purchases	—	—	—
Sales	—	(22,389)	(22,389)
Total realized and unrealized gains (losses) included in earnings, net	—	—	—
Ending balance	—	—	—

(1) See Note 10 “Investment in related party investment fund”.

During the year ended 31 December 2019, the sales of private and unlisted equities measured at fair value using Level 3 inputs were the result of the LP transaction.

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 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2018		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	US$	US$	
Beginning balance	42,567	1,323,881	1,366,448
Purchases	—	242,121	242,121
Sales	(48,642)	(1,644,434)	(1,693,076)
Total realized and unrealized gains (losses) included in earnings, net	6,075	100,821	106,896
Ending balance	—	22,389	22,389

There were no transfers between Level 1, Level 2 or Level 3 during the year ended 31 December 2018.

Equity Price Risk

As of 31 December 2019, the Company's investment portfolio consisted primarily of an investment in SILP, which holds underlying equity securities and 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 2019, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$411,979 or 1.8% of the Company's 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. SILP's investments periodically include long or short investments in commodities or in derivatives directly impacted by fluctuations in the prices of commodities. As of 31 December 2019, SILP's investments included unhedged exposure to changes in pig prices, through derivative instruments with underlying exposure to changes in the price of pigs.

The following table summarizes the net impact that a 10% increase and decrease in commodity prices would have on the value of the Company's investment in SILP as of 31 December 2019. The below table excludes the indirect effect that changes in commodity prices might have on equity securities in SILP's investments.

	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$	%
Lean hogs	35,439	0.2	(35,439)	(0.2)
Total	35,439	0.2	(35,439)	(0.2)

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

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse effect of net income and capital when measured in the Company's functional currency. The Company's cashflows and earnings are subject to fluctuations due to exchange rate variations. Foreign currency risk exists by nature of the Company's underwriting and investment strategy. The Company's principal transactions are carried out in US dollars though it has exposure to foreign exchange risk principally with respect to Sterling and Euro.
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 monitors 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 schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended December 31, 2019:

Foreign Currency	Assets	Liabilities and Equity	Surplus / (Deficiency)
	US$	US$	US$
British Pound	48,519,314	33,867,551	14,651,763
Euro	5,362,004	4,862,480.0	499,524
United States Dollar	81,399,621	96,598,124	(15,198,503)
Other	4,205,430	4,158,214	47,216
Total	139,486,369	139,486,369	—

The schedule below shows the surplus or deficiency held in each of the main currencies by the Company at the year ended December 31, 2018:

Foreign Currency	Assets	Liabilities	Surplus / (Deficiency)
	US$	US$	US$
British Pound	24,076,411	19,813,519	4,262,892
Euro	3,879,206	3,293,239.0	585,967
United States Dollar	121,740,626	126,573,682	(4,833,056)
Other	53,203	69,006	(15,803)
Total	149,749,446	149,749,446	—

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against foreign currencies would have on the Company as of 31 December 2019:

	10% increase in U.S. dollar	10% decrease in U.S. dollar
Foreign Currency	Change in fair value	Change in fair value
	US$	US$
British Pound	1,465,176	(1,465,176)
Euro	49,952	(49,952)
Other	4,722	(4,722)
Total	1,519,850	(1,519,850)

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 in SILP includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. 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 opposite is also true as interest rates fall. Additionally, some derivative investments may also be sensitive to interest rates 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 Investment Portfolio as of 31 December 2019:

	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$	%
Interest rate options	127,982	0.5	(127,982)	(0.5)
Net exposure to interest rate risk	127,982	0.5	(127,982)	(0.5)

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. The Company is exposed to credit risk from its business partners and clients relating to balances receivable under the reinsurance contracts, including premiums receivable, losses recoverable and commission adjustments recoverable. The Company monitors the financial strength of its counterparties and assesses the collectability of these balances on a regular basis and obtains collateral in the form of funds withheld, trusts and letters of credit from its counterparties to mitigate their credit risk.

In addition, the securities, commodities, and cash in SILP's investment portfolio are held with several prime brokers and derivative counterparties, subjecting SILP, and indirectly us, to the related credit risk from the possibility that one or more of them may default on their obligations. While the Company have no direct control over SILP, DME Advisors closely and regularly monitors the concentration of credit risk with each counterparty and, if necessary, transfers cash or securities between counterparties or requests collateral to diversify and mitigate credit risk. Other than the Company's investment in SILP and the fact that SILP's investments and the majority of cash balances are held by prime brokers, the Company has no other significant concentrations of credit risk.

Liquidity Risk

As of 31 December 2019, the majority of the Company's investments in SILP were valued based on quoted prices in active markets for identical assets. 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 investments in SILP 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.

12. CASH AND CASH EQUIVALENTS

	2019	2018
	US$	US$
Cash at bank	5,343,324	739,158
Cash held with brokers	—	370,455
Total cash and cash equivalents	5,343,324	1,109,613

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.

13. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalent balances are held to collateralise regulatory trusts and letters of credit issued to cedents.

	2019	2018
	US$	US$
Cash held as collateral in trust accounts	27,605,326	26,854,030
Total restricted cash and cash equivalents	27,605,326	26,854,030

14. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the financial years ended 31 December 2019 and 2018.

	Leasehold improvements	Total
	US$	US$
Cost		
Opening balance at 1 January 2018	269,645	269,645
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2018	269,645	269,645
Opening balance at 1 January 2019	269,645	269,645
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2019	269,645	269,645
Accumulated depreciation		
Opening balance at 1 January 2018	173,022	173,022
Depreciation for the year	26,964	26,964
Ending balance at 31 December 2018	199,986	199,986
Opening balance at 1 January 2019	199,986	199,986
Depreciation for the year	26,965	26,965
Ending balance at 31 December 2019	226,951	226,951
Carrying amounts		
At 31 December 2018	69,659	69,659
At 31 December 2019	42,694	42,694

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 2019 and 2018, there were no impairments in fixed assets.

15. INVESTMENT (LOSS)/INCOME

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

	2019	2018
	US$	US$
Realised gains (losses) and change in unrealised gains and losses, net	—	(10,698,741)
Income (loss) from investment in related party investment fund	2,630,647	(1,992,189)
Interest and dividend income	585,158	996,487
Interest, dividend and other expenses	(7,914)	(854,055)
Investment advisor compensation	(520,579)	(570,752)
Investment income (loss)	2,687,312	(13,119,250)

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 2019, investment income, net of all fees and expenses, resulted in a gain of 6.6% on the investment portfolio. This compares to a loss of (23.8)% for the year ended 31 December 2018.

16. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2019 US$	
At start of period	67,281,025	21,511,096
Gross change during the period	(10,713,535)	(138,062)
Foreign Exchange Movement	405,387	—
At end of period	56,972,877	21,373,034
Reinsurance recoverable	(37,849,014)	(13,241,695)
Net	19,123,863	8,131,339
	2018 US$	
At start of period	57,287,756	20,440,839
Gross change during the period	10,430,214	1,070,257
Foreign Exchange Movement	(436,944)	—
At end of period	67,281,025	21,511,096
Reinsurance recoverable	(42,103,229)	(12,196,231)
Net	25,177,796	9,314,865

	2019	2018
	US$	US$
Known claims reserves	23,435,459	17,765,746
IBNR reserves	33,537,418	49,515,279
Total loss reserves	56,972,877	67,281,025

Notes to the financial statements for the years ended 31 December 2019 and 2018 - continued

Claims developments on all of the coverages is shown below as at 31 December 2019:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
						US$ Thousands					
Estimate of cumulative gross claims											
At December 2010	58	—	—	—	—	—	—	—			58
At December 2011	14,055	1,057	—	—	—	—	—	—			15,112
At December 2012	20,185	19,196	1,899	—	—	—	—	—			41,281
At December 2013	19,835	26,529	48,981	2,796	—	—	—	—			98,142
At December 2014	19,814	25,995	64,444	30,048	14,592	—	—	—			154,892
At December 2015	19,799	26,112	63,684	33,800	57,206	16,604	—	—			217,205
At December 2016	19,799	25,800	63,136	33,640	63,288	48,697	24,423	—			278,783
At December 2017	19,799	25,831	63,089	32,928	65,909	53,461	70,043	18,598			349,659
At December 2018	19,757	25,817	63,089	32,935	65,854	54,986	74,622	56,390	13,168		406,617
At December 2019	19,757	25,183	62,762	32,784	63,837	51,847	74,634	43,891	70,462	16,085	461,242
Cumulative payments	(19,757)	(25,303)	(62,761)	(32,780)	(62,395)	(48,987)	(65,814)	(36,960)	(45,324)	(4,189)	(404,269)
Reserve at 31 December 2019	—	(119)	1	4	1,442	2,860	8,821	6,931	25,138	11,896	56,973
Estimate of cumulative reinsurance recoveries											
At December 2010	—	—	—	—	—	—	—	—			—
At December 2011	—	(616)	—	—	—	—	—	—			(616)
At December 2012	—	(2,817)	(381)	—	—	—	—	—			(3,198)
At December 2013	—	(3,349)	(1,542)	(1,205)	—	—	—	—			(6,096)
At December 2014	—	(2,920)	(1,465)	(1,341)	(3,272)	—	—	—			(8,998)
At December 2015	—	(3,072)	(1,423)	(1,405)	(4,886)	(3,056)	—	—			(13,841)
At December 2016	—	(2,877)	(1,199)	(1,390)	(4,406)	(7,870)	(3,338)	—			(21,080)
At December 2017	—	(2,904)	(1,200)	(1,390)	(7,024)	(11,196)	(14,046)	(8,896)			(46,655)
At December 2018	—	(2,892)	(1,199)	(1,390)	(7,348)	(9,769)	(14,634)	(28,335)	(11,495)		(77,062)
At December 2019	—	(2,386)	(938)	(1,390)	(5,873)	(6,009)	(15,339)	(21,951)	(39,341)	(13,820)	(107,047)
Cumulative payments received	—	2,483	938	1,390	4,843	4,496	10,492	17,764	25,096	1,696	69,197
Reserve at 31 December 2019	—	97	—	—	(1,030)	(1,513)	(4,847)	(4,187)	(14,245)	(12,124)	(37,849)
Estimate of cumulative net claims											
At December 2010	58	—	—	—	—	—	—	—	—	—	58
At December 2011	14,055	441	—	—	—	—	—	—	—	—	14,496
At December 2012	20,185	16,379	1,518	—	—	—	—	—	—	—	38,082
At December 2013	19,835	23,181	47,439	1,591	—	—	—	—	—	—	92,046
At December 2014	19,814	23,075	62,979	28,707	11,320	—	—	—	—	—	145,895
At December 2015	19,799	23,040	62,262	32,395	52,320	13,548	—	—	—	—	203,364
At December 2016	19,799	22,923	61,937	32,250	58,882	40,827	21,085	—	—	—	257,704
At December 2017	19,799	22,928	61,888	31,538	58,886	42,265	55,997	9,702	—	—	303,004
At December 2018	19,757	22,925	61,889	31,545	58,506	45,217	59,988	28,055	1,673	—	329,555
At December 2019	19,757	22,798	61,824	31,394	57,964	45,839	59,295	21,940	31,121	2,265	354,196
Cumulative net payments	(19,757)	(22,820)	(61,823)	(31,390)	(57,552)	(44,491)	(55,322)	(19,196)	(20,228)	(2,493)	(335,072)
Total per statement of financial position	—	(22)	—	4	412	1,348	3,973	2,744	10,893	(228)	19,124

Uncertainties and contingencies.
The uncertainties arising under insurance contracts are characterised under note 3.3 Revenue recognition and note 3.6 Insurance losses and reserve and recoverables - technical provisions.

Claims development
For the year ended 31 December 2019, gross favourable loss development on prior year contracts amounted to US$4,742,335 (2018: US$(1,241,171) unfavourable) based on updated data received from the cedents and a reassessment in connection with the quarterly reserve analysis conducted by the Company.

17. 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. At 31 December 2019, the Company had loss reserves recoverable of US$30,326,395 (2018: US$31,316,691) with an affiliated retrocessionaire rated “A- (Excellent)” by A.M. Best. The Company also had loss reserves recoverable of US$7,522,618 (2018: US$10,786,538) with a 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 2019 and 2018, no provision for uncollectible losses recoverable was considered necessary.

Aggregate stop loss retrocession agreement

The Company has entered into a retrocession agreement with Greenlight Reinsurance, Ltd, whereby Greenlight Reinsurance, Ltd provides an aggregate stop loss protection to the Company in return for premiums ceded by the Company to Greenlight Reinsurance, Ltd. For the year ended 31 December 2019, the Company ceded US$713,586 (2018: US$737,862) of written premiums to Greenlight Reinsurance, Ltd. During the year ended 31 December 2019, the threshold for coverage was breached which resulted in US $4,307,760 (2018: US$4,069,547) of losses recoverable to the Company from Greenlight Reinsurance, Ltd.

18. INVESTMENT ADVISORY AGREEMENT - RELATED PARTY TRANSACTION

At 31 December 2019, the Company, its parent, and DME II under the SILP LPA were party to an amended and restated Investment Agreement with DME Advisors for the purpose of managing assets held under the SILP LPA. DME Advisors is a related party and an affiliate of David Einhorn, Chairman of the parent Company’s Board of Directors. Further information on the change in investment management structure during the year is set out in note 3.7.

Pursuant to the SILP LPA, DME II is entitled to a performance allocation equal to 20% of the net profit, calculated per annum, of each limited partner’s share of the capital account managed by DME Advisors, subject to a loss carry forward provision. DME II is not entitled to earn a performance allocation in a year in which SILP incurs a loss. The loss carry forward provision contained in the SILP LPA allows DME II to earn reduced performance allocation of 10% of net profits in any year subsequent to the year in which the capital accounts of the limited partners incur a loss, until all losses are recouped and an additional amount equal to 150% of the loss is earned. During the year ended 31 December 2019, the loss carry forward amount from the Joint Venture, adjusted for withdrawals from the Investment Portfolio relating to our loss reserves, was transferred to SILP. For the year ended 31 December 2019, the performance allocation included in investment income is 228,670 (2018: nil).

Additionally, pursuant to the Investment Agreement, SILP is obligated to pay DME Advisors a monthly management fee equal to 0.125% (1.5% on an annual basis) of each limited partner’s Investment Portfolio, as provided in the SILP LPA. For the year ended 31 December 2019, the Company's investment return from SILP included management fees paid to DME Advisors of US$291,909 (2018: US$570,753).

Pursuant to the Venture 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 2018, the performance allocation included in investment income is nil. The Venture Agreement was terminated on 2 January 2019.

Pursuant to the Venture Agreements, SILP LPA and the Investment Agreement, the Company has agreed to indemnify DME, DME II and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company's or SILP's investment advisor. The Company will reimburse DME, DME II and DME Advisors for reasonable costs and expenses of investigating and/or defending such claims, provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME, DME II or DME Advisors. During the year ended 31 December 2019, there were no indemnification payments made by the Company.

As of 31 December 2019, the Company's net assets held in the SILP LPA was US$10,109,671 (2018: US$20,543,831).

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 2019, US$1,242,949 of GRBK listed equities were included in the SILP compared to US$990,509 as at 31 December 2018 which were included on the statement of financial position as "equity securities, trading, at fair value through profit or loss". As of December 31, 2019 SILP, along with certain affiliates of DME Advisors, collectively own 47.8% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

19. OTHER RELATED PARTY TRANSACTIONS

The Company undertakes transactions with other group undertakings. Transactions between the Company and other wholly owned subsidiaries Greenlight Capital Re, Ltd are not disclosed as the Company has taken advantage of the exemption under FRS 102 (section 33) not to disclose transactions between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by the ultimate parent undertaking.

20. LETTERS OF CREDIT AND TRUSTS

The Company's related company, Greenlight Reinsurance, Ltd, 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, Ltd. In the event that the Company's insureds draw upon any letters of credit, the Company shall be obligated to reimburse Greenlight Reinsurance, Ltd the amount of the letters of credit drawn by the insured. As of 31 December 2019, US$9,726,587 (2018: US$7,048,987) of letters of credit were issued by Greenlight Reinsurance, Ltd on behalf of the Company and no letters of credits were drawn by the Company's insureds for the year ended 31 December 2019.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of 31 December 2019, collateral of US$27,605,326 (2018: US$26,854,030) was provided to cedents in the form of regulatory trust accounts (see Note 13).

21. 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 2019.

	2020	2021	2022	2023	2024	Total
Operating lease obligations	164,991	61,871	—	—	—	226,862

22. POST BALANCE SHEET EVENTS

COVID 19 - On March 11th 2020, the World Health Organisation categorised COVID-19 as a pandemic. The Company has been monitoring the spread of the COVID-19 for some time, at this early stage the full implications are not clear but potential implications include:

- Operational issues - On March 12th 2020, following the recommendation of the Irish Government, the Company initiated a work from home policy. The Company has an IT infrastructure which facilitates remote working and we believe all key tasks can be completed remotely.
- Underwriting exposures - the Company has analysed its portfolio to determine potential underwriting exposure linked to COVID-19. It is likely exposure arises in two areas:
    - Event cancellation / contingency business - the Company provides Funds at Lloyds (“FAL”) to a number of Lloyds syndicates who write event cancellation cover. As this is a small part of the Syndicates overall book and under the FAL structure we benefit from inuring reinsurance we do not expect this to be a material exposure.
    - Medical care - the Company provides medical cover to US individuals, under a specific contract. As the number of lives insured is small and the likely medical costs are relatively low, primary treatment is self isolation, we do not believe this exposure will be material.
- Stock Market impact -the COVID-19 pandemic has resulted in a significant reduction in global equity markets. While this will have a negative impact on the Company’s equity portfolio, the Company’s investment portfolio is conservatively positioned with over 85% of the portfolio maintained in cash or cash equivalents.
- Global recession - the pandemic is likely to lead to a global recession. The impact of a global recession on the Company’s portfolio is uncertain, although the Company’s specialty portfolio is not directly correlated with economic activity.
- The Company has reinsurance agreements in place with a related company, Greenlight Reinsurance Ltd which is rated "A- Excellent" by A.M. Best. The Company stress tests the financial strength of Greenlight Reinsurance Ltd., at least quarterly, as part of its risk management process. At this early stage, it appears Greenlight Reinsurance Ltd.’s exposure to COVID-19 losses, is well within these stress tests and therefore we do not expect COVID-19 losses to have any impact on the collectability of our reinsurance.

23. ULTIMATE PARENT UNDERTAKING

The immediate parent and ultimate parent undertaking is Greenlight Capital Re, Ltd, a company incorporated in Cayman Islands. The Group financial statements, for which the Company is a member, are available to the public from the registered office at 65 Market Street, Suite 1207 Jasmine Court, Camana Bay, Grand Cayman KY1-1205, Cayman Islands.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors on 3 April 2020.