

**Greenlight Reinsurance Ireland, Designated Activity Company**  
**Reports and Financial Statements**  
**For the financial years ended 31 December 2018 and 2017**

## **Greenlight Reinsurance Ireland, dac**

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## **Greenlight Reinsurance Ireland, dac**

### **Directors and Other Information**

#### **Directors**

Tim Courtis (Canadian)	(Non-Executive Director)
Philip Harkin	(Independent Non-Executive Chairman - Resigned 27 March 2019)
Frank Lackner (American)	(Independent Non-Executive Director - Resigned 5 December 2018)
Bryan Murphy	(Non-Executive Director - Appointed 5 December 2018) (Appointed Chairman 27 March 2019)
Patrick O'Brien	(Executive Director)
Daniel Roitman (American)	(Non-Executive - Appointed 5 December 2018)
Brendan Tuohy	(Independent Non-Executive Director - Resigned 27 March 2019)
Lesley Caslin	(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

Company Number: 475022

#### **Auditors**

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

#### **Bankers**

HSBC  
Grand Canal Square  
Dublin 2

#### **Solicitors**

A&L Goodbody  
IFSC  
North Wall Quay  
Dublin 1

## Greenlight Reinsurance Ireland, dac

### Directors' report

The directors present their report and the audited financial statements of the Company for the financial years ended 31 December 2018 and 2017.

### Principal activity and review of the business

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

### Results and dividends

The results for the period were as follows:

	2018	2017
	US\$	US\$
Loss before taxation	(16,357,455)	(4,188,598)
Corporation tax (charge) / benefit	(166,818)	462,121
Loss brought to reserves	(16,524,273)	(3,726,477)

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:

	2018	2017
	US\$	US\$
Gross written premium	73,806,200	71,094,163
Net written premium	32,817,517	45,601,149
Net earned premium	32,199,076	55,753,483
Loss ratio	82.7%	81.1%
Combined ratio	106.5%	101.4%
Investment return	(23.8)%	0.2%

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 2018 are set out on page 1. The directors and secretary, who held office at 31 December 2018, 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 0 restricted shares subject to forfeiture and 325,000 ordinary shares held directly. Mr. Courtis' beneficial interest in the Parent included 71,492 restricted shares subject to forfeiture and 276,376 ordinary shares held directly. Mr. Murphy beneficial interest in the Parent included 6,840 restricted shares subject to forfeiture and 82,766 ordinary shares held directly. Mr. Harkin's, Mr. Tuohy's, Mr. O'Brien's and Mr. E Brady's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent.

**Directors' report - continued**

**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; 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**

There have been no significant events affecting the Company since the end of the financial year.

**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.

**Director's compliance statement**

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

**Principal risks and uncertainties**

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

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

**Directors' report - continued**

**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. BDO has expressed its willingness to continue in office in accordance with the provisions of Section 383 (2) of the Companies Act, 2014.



Director - Michael Brady



Director - Patrick O'Brien



Date



Audit - Tax - Advisory  
Tel: +353 1 470 0000  
Fax: +353 1 477 0000  
E-mail: info@bdo.ie  
www.bdo.ie

Beaux Lane House  
Mercer Street Lower  
Dublin 2  
Ireland

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

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company ('the Company') for the financial year ended 31 December 2018, which comprise 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', issued by the Financial reporting Council.

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 2018 and of its loss for the financial year then ended and;
- have been properly prepared in accordance with the relevant financial reporting framework and in particular with the requirements of the Companies Act, 2014, and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

#### *Basis for opinion*

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

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

#### *Key audit matters*

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

Other Offices:

Four Michael Street  
Limerick

Michael Costello (Managing Partner)  
Andrew Bourg  
Katharine Byrne  
Maurice Carr  
Kevin Doyle  
John Gilmore Gavin

Jim Hamilton  
Sinead Heaney  
Diarmuid Hendrick  
Derek Henry  
Liam Hession  
Gerard Holtiday

Brian Hughes  
Ken Kilmartin  
Teresa Morahan  
Paul Nestor  
John O'Callaghan  
Con Quigley  
Gavin Smyth

Peter Carroll  
Eddie Doyle  
Stewart Dunne  
Ivor Feerick  
Brian Gartlan  
David Giles  
Derry Gray  
Denis Herlihy  
Carol Lynch

David McCormick  
Brian McEnery  
Aidan McHugh  
Ciarán Medlar  
David O'Connor  
David N O'Connor  
Patrick Sheehan  
Noel Taylor

Chartered Accountants



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY (Continued)**

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

#### **Key Audit Matter**

The gross provision for claims outstanding is the company's largest liability, totaling \$67,281,025 as detailed in note 16, and its valuation involves considerable judgment. The valuation of reinsurance assets of \$42,103,229 requires a significant level of judgment, given its inherent dependence on underlying estimates of gross outstanding claims.

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

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

#### **Related Disclosures**

Refer to note 3.4 and 3.6 of the accompanying financial statements.

#### **Audit Response**

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

### **2. The valuation of investments and their accounting treatment in accordance with FRS 102**

#### **Key Audit Matter**

The Company's financial investments represent a significant asset on the balance sheet, totaling \$22,022,447 as detailed in notes 10 and 11. The valuation of financial investments held at fair value is based on a range of inputs. The inputs required can be obtained from readily available liquid market prices and rates.

#### **Related Disclosures**

Refer to note 3.7 of the accompanying financial statements.

#### **Audit Response**

We reviewed the Company's valuation of individual investment holdings. Readily observable data was available, we sourced this data independently, and compared it to the company's valuation on a sample basis. We have reviewed the classification and accounting treatment of the Company's investment portfolio in line with the accounting policies 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 MEMBERS 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 \$672,000, 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***

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.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY (Continued)**

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

We have nothing to report in this regard.

### ***Opinions on other matters prescribed by the Companies Act 2014***

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

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

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

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

### ***Matters on which we are required to report by exception***

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

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

### **Respective responsibilities**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENLIGHT REINSURANCE IRELAND, DESIGNATED ACTIVITY COMPANY (Continued)**

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\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_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 nine years, covering the years ending 2010 to 2018.

The non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company and we remained independent of the Company in conducting our audit. Other than those disclosed in note 5 to the Company financial statements, we have not provided any non-audit services to the Company in the financial year ended 31 December 2018.

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

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

8 April 2019  
Date

**Greenlight Reinsurance Ireland, dac**

**Statement of Comprehensive Income: Technical Accounts - general business for the financial years ended 31 December 2018 and 2017**

**CONTINUING OPERATIONS:**

	Notes	2018	2017
		US\$	
<b>Gross premiums written</b>		73,806,200	71,094,163
Outward reinsurance premium		(40,988,683)	(25,493,014)
<b>Net premiums written</b>		32,817,517	45,601,149
Change in provision for unearned premium, gross		(1,297,877)	7,141,576
Change in provision for unearned premium, reinsurers' share		679,436	3,010,758
<b>Earned premiums, net of reinsurance</b>		32,199,076	55,753,483
Allocated investment loss/return transferred from the non-technical account		(5,781,362)	46,800
<b>Total technical income</b>		26,417,714	55,800,283
<b>Claims paid</b>			
Gross amount		(46,965,551)	(54,484,361)
Reinsurers' share		20,202,467	7,576,339
<b>Change in the provision for claims</b>			
Gross amount		(10,430,213)	(15,930,759)
Reinsurers' share		10,553,881	17,630,415
<b>Claims incurred net of reinsurance</b>		(26,639,416)	(45,208,366)
Net operating expenses	4	(8,797,866)	(14,840,983)
<b>Total technical expenses</b>		(35,437,282)	(60,049,349)
<b>BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS</b>		(9,019,568)	(4,249,066)

Statement of Comprehensive Income: Non-technical Accounts for the financial years ended 31 December 2018 and 2017

CONTINUING OPERATIONS:

	Notes	2018	2017
		US\$	
<b>BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS</b>		(9,019,568)	(4,249,066)
Investment income		996,487	1,538,381
Investment expense		(1,424,807)	(2,763,174)
Market value adjustment		(204,267)	(3,347,989)
(Loss)/gain on sale of investments		(10,524,212)	5,157,202
Loss from investment in related party investment fund	10	(1,992,189)	—
Foreign exchange gain/(loss) on investments		29,739	(477,152)
Allocated investment loss/(return) transferred to the technical account		5,781,362	(46,800)
<b>Loss on ordinary activities before taxation</b>	5	(16,357,455)	(4,188,598)
Income tax (charge)/benefit	7	(166,818)	462,121
<b>Retained loss for the financial year</b>		(16,524,273)	(3,726,477)

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

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

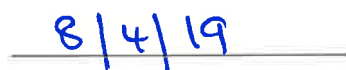
On behalf of the board



Director - Michael Brady



Director - Patrick O'Brien




Date

**Greenlight Reinsurance Ireland, dac**
**Statement of financial position at 31 December 2018 and 2017**

	Notes	2018 US\$	2017 US\$
<b>Assets:</b>			
<b>Financial Investments</b>			
Investment in related party investment fund, at fair value through profit or loss	10	20,543,831	—
Debt securities, trading, at fair value through profit or loss	11	—	347,182
Equity securities, trading, at fair value through profit or loss	11	1,456,227	46,378,951
Other investments, at fair value through profit or loss	11	22,389	5,094,109
<b>Total investments</b>		<u>22,022,447</u>	<u>51,820,242</u>
<b>Reinsurers' share of technical provisions</b>			
Unearned premiums ceded	16	12,196,231	11,697,284
Loss reserves recoverable	16	42,103,229	31,898,972
<b>Debtors</b>			
Reinsurance balances receivable		40,916,954	29,692,136
Reinsurance balances receivable from related party		1,478,064	1,014,690
<b>Other assets</b>			
Cash and cash equivalents	12	1,109,613	13,629,448
Restricted cash and cash equivalents	13	26,854,030	66,363,615
Derivative contracts receivable, at fair value through profit or loss	11	—	623,393
Prepayments, general receivables and accrued income		132,556	122,220
Deferred acquisition cost		1,298,427	1,388,837
Fixed assets	14	69,659	96,623
Deferred tax asset	7	1,568,236	1,735,091
<b>Total Assets</b>		<u>149,749,446</u>	<u>210,082,551</u>
<b>Equity and liabilities:</b>			
<b>Capital and reserves</b>			
Called up share capital	8	10,000,000	10,000,000
Capital contribution reserve	9	50,788,763	50,548,094
Retained earnings		(27,210,590)	(10,686,317)
<b>Total equity</b>		<u>33,578,173</u>	<u>49,861,777</u>
<b>Creditors: amounts falling due within one year</b>			
Accruals and other payables		891,714	1,674,795
Due to prime brokers		—	21,535,359
Reinsurance balances payable		19,161,878	12,675,973
Due to related party investment fund	11	378,299	—
Due to related party	19	6,023,090	913,218
<b>Total current liabilities</b>		<u>26,454,981</u>	<u>36,799,345</u>
<b>Non-current liabilities</b>			
Securities sold, not yet purchased, at fair value through profit or loss	11	—	44,135,043
Derivative contracts payable, at fair value through profit or loss	11	—	1,074,450
<b>Technical reserves</b>			
Known claims reserves	16	17,765,746	19,913,464
Loss reserves	16	49,515,279	37,374,292
Unearned premium reserve	16	21,511,096	20,440,839
Funds withheld		924,171	483,341
<b>Total non-current liabilities</b>		<u>89,716,292</u>	<u>123,421,429</u>
<b>Total liabilities</b>		<u>116,171,273</u>	<u>160,220,774</u>
<b>Total equity and liabilities</b>		<u>149,749,446</u>	<u>210,082,551</u>

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 8 April 2019.

  
**Director - Michael Brady**

  
**Director - Patrick O'Brien**

**Greenlight Reinsurance Ireland, dac**

**Statement of changes in equity for the financial years ended 31 December 2018 and 2017**

	<b>Share capital</b>	<b>Capital contribution reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Balance at December 31, 2016</b>	10,000,000	50,385,990	(6,959,840)	53,426,150
Contributed capital	—	162,104	—	162,104
Profit for the financial period	—	—	(3,726,477)	(3,726,477)
<b>Balance at December 31, 2017</b>	<u>10,000,000</u>	<u>50,548,094</u>	<u>(10,686,317)</u>	<u>49,861,777</u>
Contributed capital adjustment for stock compensation	—	240,669	—	240,669
Loss for the financial period	—	—	(16,524,273)	(16,524,273)
<b>Balance at December 31, 2018</b>	<u>10,000,000</u>	<u>50,788,763</u>	<u>(27,210,590)</u>	<u>33,578,173</u>

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. 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](http://www.greenlightre.com).

## **2. STATEMENT OF COMPLIANCE**

These financial statements for the year ended 31 December 2018 are the first 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" and promulgated by the Institute of Chartered Accountants in Ireland and Irish law). Previous financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and Irish statute comprising the Companies Act 2014. The date of transition to Irish GAAP was 1 January 2018. The Company's financial statements have been prepared on a going concern basis.

The transition from IFRS to Irish GAAP has not affected the reported financial position or financial performance for the years ended 31 December 2018 and 2017, and has not resulted in reclassifications to prior period amounts reported in the Statement of Comprehensive Income, Statement of Financial Position, or Statement in Changes in Equity. As such, the Company does deem it necessary to include a reconciliation of the opening and closing amounts for each component of equity required under FRS 102 (section 10) Accounting Policies, Estimates and Errors.

## **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).



**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

The consolidated financial statements of the Company's immediate and ultimate parent company Greenlight Capital Re, Ltd ("GLRE") for the year ended 31 December 2018 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 period. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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

***(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 period in which they are determined.

**3.3. Revenue recognition**

The Company estimates the ultimate premiums for the entire contract period. 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.

Investment 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 2018 and 2017, 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".

**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

On 1 September 2018, SILP entered into an SILP 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 7.4% at 31 December 2018. 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.

**3.8 (a) Derivative Contracts**

The Company enters into derivative contracts with counterparties as part of its investment strategy. Derivative contracts which may include total return swaps ("TRS"), credit default swaps ("CDS") purchased, futures, options, currency forwards and other derivative instruments are recorded at their fair value with any unrealised gains and losses included in investment income in the statements of comprehensive income. Derivative contracts receivable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be entitled to receive payments upon settlement of the contract. Derivative contracts payable represents derivative contracts whereby, based upon each contract's current fair value, the Company will be obligated to make payments upon settlement of the contract.

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

Derivative contracts may also include exchange traded futures or options contracts that are based on the movement of a particular index, equity security, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company's obligations or rights on these contracts are recorded at fair value measured based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on actual transactions (Level 2). Amounts invested in exchange traded options and over the counter ("OTC") options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

Effective July 27, 2016 the Company's investment guidelines prohibit the sale of CDS. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market (Level 2) or based on the current credit spreads on identical contracts (Level 2).

**3.8 (b) Investments and Investments in Securities Sold, Not Yet Purchased**

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs). The fair values of listed equities that have restrictions on sale or transfer which expire within one year are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs. The fair values of debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships, and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximises the use of observable direct or indirect inputs (Level 2 inputs) when deriving the fair values for "other investments". For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments.

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

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

**3.9. Employee Benefits**

***(a) Defined contribution pension plans***

The Company operates a defined contribution plan for its 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 are five years for furniture and fixtures. Leasehold improvements are amortised over the lesser of the estimated useful lives of the assets or remaining lease term.

### **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.

Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

**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**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Net acquisition costs	5,633,649	7,789,169
Change in net deferred acquisition costs	37,551	1,262,829
Administration expenses	3,126,666	5,788,985
	<b>8,797,866</b>	<b>14,840,983</b>

**5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
This is stated after charging/(crediting):		
Loss on foreign currencies	17,040	79,650
Operating lease expense	184,586	194,474
Depreciation expense	26,965	26,965
Auditors' remuneration - audit	29,901	22,326
Auditors' remuneration - tax	6,146	4,616
Market value adjustment in value of investments	(600,908)	(3,347,989)
Directors' remuneration	120,771	114,153

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 have taken an exemption in relation to disclosing key management personnel compensation in total.

Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

**6. EMPLOYEE COSTS AND NUMBERS**

At 31 December 2018, the Company's salary and benefit expenses of US\$1,972,145 (2017: US\$2,397,231) related to employee compensation based on salary, termination payments, health benefits, pension benefits, PRSI and group stock compensation in the form of restricted share units of the parent.

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Wages and salaries	1,369,807	1,902,982
Social insurance costs	182,812	255,796
Health benefits	24,849	18,127
Pension benefits	137,456	51,734
Group stock incentive	240,669	162,104
Life and disability benefit	16,552	6,488
	<u>1,972,145</u>	<u>2,397,231</u>

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

The average number of employees for the financial year 2018 was eight (2017: eight).

These costs do not include any non-recurring wages and salaries (2017: US\$914,474).

**7. INCOME TAX EXPENSE**

(a) Analysis of tax charge

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Current tax benefit	1,838,017	464,890
Deferred tax expense	(2,004,835)	(2,769)
Income tax benefit	<u>(166,818)</u>	<u>462,121</u>

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

## (b) Reconciliation of effective tax rate

	2018	2017
	US\$	US\$
Loss for financial year after tax	(16,524,273)	(3,726,477)
Tax benefit for the year	166,818	(462,121)
Loss excluding tax	(16,357,455)	(4,188,598)
Tax using the standard rate of corporation tax in Ireland of 12.5%	(2,044,682)	(523,575)
Tax effect on deductible temporary differences	(1,877)	(1,481)
Tax effect on non-deductible expenses	46,193	62,565
Valuation allowance on deferred tax asset	2,165,000	—
Change in deferred taxes	396	2,611
Under provided in prior years	1,788	(2,241)
Tax (charge)/benefit for the year	166,818	(462,121)

## (c) Deferred tax balances

	2018	2017
	US\$	US\$
Deferred tax balance, opening	1,735,091	1,272,152
Accelerated capital allowances and other fixed asset differences	(1,877)	(1,481)
Tax losses carried forward in current year	(166,818)	462,121
Other temporary differences	1,840	2,299
Deferred tax balance, closing	1,568,236	1,735,091

The deferred tax asset of US\$1,568,236 (2017: US\$1,735,091) 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 2018 and 2017.

At 31 December 2018, the Company had a net operating loss carry-forward of US\$29,837,981 (2017: US\$13,846,390) which can be carried forward indefinitely under Irish tax law. At 31 December 2018, the Company did not have any tax receivable (2017: 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 valuation allowance reduces the deferred tax asset on the statement of financial position from US\$3,733,236 to US\$1,568,236 and increases the net loss after tax for the year ended December 31, 2018 from US\$14,359,272 to US\$16,524,273. The Company will re-evaluate the position at the end of the next financial year.



**8. CALLED UP SHARE CAPITAL**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Authorised		
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 2018, the Company reported Solvency II capital of US\$35,172,308 (2017: US\$52,921,951) which gives coverage of 148% (2017: 134%) 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 2018, 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\$33,578,173 (2017: US\$49,861,777) analysis of which is detailed in the Statement of Changes in Equity.

**Capital contribution**

During the year ended 31 December 2018, US\$240,669 (2017: US\$162,104) of the group share based benefit expense was recognised in the Company's equity as capital contribution from the parent.

**Reserves**

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

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

**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. While the rights and privileges relating to those assets had been transferred to SILP, those assets are reported on the Balance Sheet until legal title has transferred to SILP. The Company has accounted for those assets as collateralised borrowing and recorded a liability in the caption, “Due to related party investment fund”, relating to the Company’s obligation to transfer those assets to SILP.

The Company’s maximum exposure to loss relating to SILP is limited to the net asset value of the Company’s investment in SILP. As of 31 December 2018, the net asset value of the Company’s investment in SILP was US\$20,543,831, representing 7.4% of SILP’s total net assets.

The majority of SILP’s long investments are composed of publicly-traded equity securities and other holdings, which can be readily liquidated to meet any GLRE Limited Partners’ redemption requests. The Company’s share of change in the net asset value of SILP for the year ended 31 December 2018 was a loss of US\$(1,992,189), and included in the caption “Income (loss) from investment in related party investment fund” in the Company’s consolidated statements of operations.

During the year ended 31 December 2018, the Company transferred the rights to US\$24,565,266 of net investments from the Company’s share of investment accounts in the Joint Venture to SILP in exchange for limited partnership interests of the same amount, resulting in no net gain or loss.

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

## 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\$(10,524,213) (2017: US\$5,157,202). Gross realised gains were US\$12,892,898 (2017: US\$15,640,156) and gross realised losses were US\$23,417,111 (2017: US\$10,482,954). For the year ended 31 December 2018, included in investment income in the statements of comprehensive income was US\$228,199 of net unrealised losses (2017: US\$3,347,989 of net unrealised losses) relating to trading securities still held at the statements of financial position dates.

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

Description	Fair Value Measurements as of 31 December 2018			
	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
Investment in related party investment fund <sup>(1)</sup>	—	—	20,543,831	20,543,831
Total investments	1,456,227	—	20,566,220	22,022,447

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

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

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

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

The following table presents the 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	Investment in related party investment fund (1)	Total
US\$	US\$	US\$	US\$
Beginning balance	42,567	1,323,881	1,366,448
Purchases	—	242,121	24,807,387
Sales	(48,642)	(1,644,434)	(3,731,322)
Total realized and unrealized gains (losses) included in earnings, net	6,075	(1,992,189)	(1,885,293)
Ending balance	—	22,389	41,101,051

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

For the year ended 31 December 2018, the private and unlisted equity securities without readily determinable fair values, for which measurement alternative is applied, were transferred out of Level 3 fair value hierarchy. Other than the LP transaction disclosed in note 10, there were no other transfers between Level 1, Level 2 or Level 3 during the year ended 31 December 2018.

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

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

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

There were no transfers between Level 1, Level 2 or Level 3 during the year ended 31 December 2017.

## Investments

*Debt instruments, trading*

At 31 December 2018, the Company did not hold any debt instruments as a result of the LP Transaction discussed in Note 3.

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

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

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

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

**Greenlight Reinsurance Ireland, dac**

**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

*Investment in Equity Securities, Trading*

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

<b>2018</b>	<b>Cost</b>	<b>Unrealised gains</b>	<b>Unrealised losses</b>	<b>Fair value</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equities - listed	1,688,244	105,246	(337,263)	1,456,227
	<u>1,688,244</u>	<u>105,246</u>	<u>(337,263)</u>	<u>1,456,227</u>

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

<b>2017</b>	<b>Cost</b>	<b>Unrealised gains</b>	<b>Unrealised losses</b>	<b>Fair Value</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Equities - listed	38,417,555	8,615,284	(653,888)	46,378,951
	<u>38,417,555</u>	<u>8,615,284</u>	<u>(653,888)</u>	<u>46,378,951</u>

*Other Investments*

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

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

	<b>Cost</b>	<b>Unrealised gains</b>	<b>Unrealised losses</b>	<b>Fair Value</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Private and unlisted equity securities	23,751	—	(1,362)	22,389
	<u>23,751</u>	<u>—</u>	<u>(1,362)</u>	<u>22,389</u>

At 31 December 2018, the Company had no outstanding commitments to invest additional private equity securities.

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

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

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

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

## Investments in Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company's risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased may exceed the amount recorded in the statements of financial position as the Company is obligated to purchase the securities sold, not yet purchased in the market at prevailing prices to settle its obligations. To sell a security, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealised gain or loss is recorded. At the time the transaction is closed, the Company realises a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities. As a result of the LP Transaction described in Note 3, the Company held no investments in securities sold, not yet purchased at 31 December 2018.

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

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

## Derivative Contracts

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

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

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

2017 Derivative Contracts	Listing Currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on derivative contracts
			US\$
<b>Derivative contracts receivable</b>			
Put options (2)	USD	7,480	19
Call options	USD	128,408	4,400
Futures	USD	284,031	587
Interest rate swaps	JPY	1,028,375	23,175
Forwards	KRW	2,000,725	38,739
Total return swaps - Commodities	USD	862,264	103,581
Warrants and rights on listed equities	EUR/USD	1,423	464
Total return swaps - Equities	EUR/GBP/USD	1,690,623	452,428
Total derivative contracts receivable, at fair value			623,393
<b>Derivative contracts payable</b>			
Call Options	USD	—	—
Put options	USD	6,280	(684)
Total return swaps - Commodities	USD	—	—
Total return swaps - Commodities	USD	1,295,567	(17,068)
Total return swaps - Equities	EUR/GBP/USD/KRW/ RON	2,933,157	(1,056,698)
Total derivative contracts payable, at fair value			(1,074,450)

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

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

### Equity Price Risk

As of 31 December 2018, the Company's investment portfolio consisted primarily of an investment in SILP, which holds underlying equity securities and equity-based derivative instruments, as well as equity securities held in the Joint Venture, 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 2018, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US \$480,260 or 1.74% of the Company's investments in SILP and the Joint Venture.

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.



## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

## 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 2018, SILP's investments included unhedged exposure to changes in gold prices, through physical gold holdings and derivative instruments with underlying exposure to changes in the price of gold.

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 2018. The below table excludes the indirect effect that changes in commodity prices might have on equity securities in SILP's investments.

Commodity	10% increase in commodity prices		10% decrease in commodity prices	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	US\$	%	US\$	%
Gold	248,741	0.9	(248,741)	(0.9)
Total	248,741	0.9	(248,741)	(0.9)

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

## Foreign Currency Risk

Certain of the Company's reinsurance contracts provide that ultimate losses may be payable or calculated in foreign currencies depending on the country of original loss. Foreign currency exchange rate risk exists to the extent that there is an increase in the exchange rate of the foreign currency in which losses are ultimately owed. As of 31 December 2018, the Company had net loss reserves reported in GBP currency of £1,612,108. As of 31 December 2018, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in additional estimated loss reserves of US\$205,544 and a corresponding foreign exchange loss. Alternatively, a 10% increase in the U.S. dollar against the GBP would result in a reduction of US\$205,544 in the Company's recorded loss reserves and a corresponding foreign exchange gain.

The Company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the Company continually 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 Company is exposed to foreign currency risk through SILP's underlying cash, forwards, options and investments in securities denominated in currencies other than U.S. dollar. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short), speculative foreign currency options and cash positions due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of 31 December 2018, some of the Company's currency exposure resulting from foreign denominated securities (longs and shorts) was reduced by offsetting cash balances (shorts and longs) denominated in the corresponding foreign currencies.

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against select foreign currencies would have on the value of the Company's investment portfolio as of 31 December 2018:

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

Foreign Currency	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	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\$	%
British Pound	(9,555)	0	9,555	0.0
Euro	(5,438)	0.0	5,438	0.0
Other	9,401	0	(9,401)	0.0
Total	(5,592)	0.0	5,592	0.0

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 in SILP as of 31 December 2018:

	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	US\$	%	US\$	%
Debt instruments - long and short, net	8,687	0.0	(9,030)	0.0
Interest rate options	130,201	0.5	(130,201)	(0.5)
Net exposure to interest rate risk	138,888	0.5	(139,231)	(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 including notes receivable. The Company evaluates the financial condition of its notes receivable counterparties and monitor its exposure to them on a regular basis. The Company is also 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 assess 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.

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

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 2018, the majority of the Company's investments in SILP and the Joint Venture were valued based on quoted prices in active markets for identical assets (Level 1). Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's investments in SILP and the Joint Venture 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**

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank	739,158	3,067,254
Cash held with brokers	370,455	10,562,194
Total cash and cash equivalents	<u>1,109,613</u>	<u>13,629,448</u>

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**

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

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Cash held as collateral in trust accounts	26,854,030	20,326,572
Cash held by prime brokers relating to securities sold, not yet purchased	—	44,135,043
Cash and cash equivalents held by swap counterparties	—	1,902,000
Total restricted cash and cash equivalents	<u>26,854,030</u>	<u>66,363,615</u>

**14. FIXED ASSETS**

The following table provides a reconciliation of the carrying amount of fixed assets for the financial years ended 31 December 2018 and 2017.

	<b>Leasehold improvements</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cost</b>		
Opening balance at 1 January 2017	269,645	269,645
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2017	269,645	269,645
Opening balance at 1 January 2018	269,645	269,645
Additions	—	—
Disposals	—	—
Ending balance at 31 December 2018	269,645	269,645
<b>Accumulated depreciation</b>		
Opening balance at 1 January 2017	146,058	146,058
Depreciation for the year	26,964	26,964
Ending balance at 31 December 2017	173,022	173,022
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
<b>Carrying amounts</b>		
At 31 December 2017	96,623	96,623
At 31 December 2018	69,659	69,659

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 2018 and 2017, there were no impairments in fixed assets.

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

## 15. INVESTMENT (LOSS)/INCOME

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

	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Realised (losses)/gains and change in unrealised gains and losses, net	(10,698,741)	1,332,060
Income (loss) from investment in related party investment fund	(1,992,189)	—
Interest and dividend income	996,487	1,538,381
Interest, dividend and other expenses	(854,055)	(1,692,064)
Investment advisor compensation	(570,752)	(1,071,109)
Investment (loss)/income	<u>(13,119,250)</u>	<u>107,268</u>

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 2018, investment income, net of all fees and expenses, resulted in a loss of (23.8)% on the investment portfolio. This compares to a gain of 0.2% for the year ended 31 December 2017.

## 16. TECHNICAL PROVISIONS

	<b>Loss reserves</b>	<b>Unearned premiums</b>
	<b>2018 US\$</b>	
At start of period	57,287,756	20,440,839
Gross change during the period	9,993,269	1,070,257
<b>At end of period</b>	<b>67,281,025</b>	<b>21,511,096</b>
Reinsurance recoverable	(42,103,229)	(12,196,231)
Net	<u>25,177,796</u>	<u>9,314,865</u>
	<b>2017 US\$</b>	
At start of period	40,896,181	27,166,523
Gross change during the period	16,391,575	(6,725,684)
<b>At end of period</b>	<b>57,287,756</b>	<b>20,440,839</b>
Reinsurance recoverable	(31,898,972)	(11,697,284)
Net	<u>25,388,784</u>	<u>8,743,555</u>
	<b>2018</b>	<b>2017</b>
	<b>US\$</b>	<b>US\$</b>
Known claims reserves	17,765,746	19,913,464
IBNR reserves	49,515,279	37,374,292
Total loss reserves	<u>67,281,025</u>	<u>57,287,756</u>

## Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued

Claims developments on all of the coverages is shown below as at 31 December 2018:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	US\$									
Estimate of cumulative gross claims										
At December 2010	58,048	—	—	—	—	—	—	—	—	58,048
At December 2011	14,055,137	1,056,998	—	—	—	—	—	—	—	15,112,135
At December 2012	20,185,379	19,196,040	1,899,163	—	—	—	—	—	—	41,280,582
At December 2013	19,835,136	26,529,048	48,981,320	2,796,345	—	—	—	—	—	98,141,849
At December 2014	19,813,699	25,994,707	64,443,873	30,047,741	14,592,233	—	—	—	—	154,892,253
At December 2015	19,799,220	26,111,766	63,684,366	33,799,872	57,205,953	16,603,630	—	—	—	217,204,807
At December 2016	19,799,220	25,800,112	63,136,393	33,639,956	63,287,572	48,696,652	24,423,309	—	—	278,783,214
At December 2017	19,799,220	25,831,489	63,088,528	32,927,801	65,909,391	53,461,198	70,043,350	18,598,173	—	349,659,150
At December 2018	19,756,952	25,817,290	63,088,731	32,935,052	65,854,207	54,986,201	74,622,329	56,389,597	13,167,612	406,617,971
Cumulative payments	(19,756,952)	(25,562,621)	(63,050,646)	(32,837,727)	(62,551,194)	(45,872,152)	(58,943,404)	(28,208,209)	(2,554,041)	(339,336,946)
Reserve at 31 December 2018	—	254,669	38,085	97,325	3,303,013	9,114,049	15,678,925	28,181,388	10,613,571	67,281,025
Estimate of cumulative reinsurance recoveries										
At December 2010	—	—	—	—	—	—	—	—	—	—
At December 2011	—	(615,804)	—	—	—	—	—	—	—	(615,804)
At December 2012	—	(2,817,183)	(381,246)	—	—	—	—	—	—	(3,198,429)
At December 2013	—	(3,348,548)	(1,542,363)	(1,205,027)	—	—	—	—	—	(6,095,938)
At December 2014	—	(2,920,029)	(1,464,851)	(1,340,960)	(3,271,846)	—	—	—	—	(8,997,686)
At December 2015	—	(3,072,119)	(1,422,594)	(1,404,828)	(4,885,631)	(3,056,003)	—	—	—	(13,841,175)
At December 2016	—	(2,876,850)	(1,199,382)	(1,389,761)	(4,405,726)	(7,869,727)	(3,338,209)	—	—	(21,079,655)
At December 2017	—	(2,903,601)	(1,200,321)	(1,389,831)	(7,023,679)	(11,195,737)	(14,046,240)	(8,895,849)	—	(46,655,258)
At December 2018	—	(2,892,251)	(1,199,443)	(1,389,831)	(7,348,044)	(9,769,226)	(14,633,691)	(28,334,812)	(11,494,684)	(77,061,982)
Cumulative payments received	—	2,690,581	1,169,521	1,389,761	4,989,451	4,479,455	7,744,447	12,440,212	55,325	34,958,753
Reserve at 31 December 2018	—	(201,670)	(29,922)	(70)	(2,358,593)	(5,289,771)	(6,889,244)	(15,894,600)	(11,439,359)	(42,103,229)
Estimate of cumulative net claims										
At December 2010	58,048	—	—	—	—	—	—	—	—	58,048
At December 2011	14,055,137	441,194	—	—	—	—	—	—	—	14,496,331
At December 2012	20,185,379	16,378,857	1,517,917	—	—	—	—	—	—	38,082,153
At December 2013	19,835,136	23,180,500	47,438,957	1,591,318	—	—	—	—	—	92,045,911
At December 2014	19,813,699	23,074,678	62,979,022	28,706,781	11,320,387	—	—	—	—	145,894,567
At December 2015	19,799,220	23,039,647	62,261,772	32,395,044	52,320,322	13,547,627	—	—	—	203,363,632
At December 2016	19,799,220	22,923,262	61,937,011	32,250,195	58,881,846	40,826,925	21,085,100	—	—	257,703,559
At December 2017	19,799,220	22,927,888	61,888,207	31,537,970	58,885,712	42,265,461	55,997,110	9,702,324	—	303,003,892
At December 2018	19,756,952	22,925,039	61,889,288	31,545,221	58,506,163	45,216,975	59,988,638	28,054,785	1,672,928	329,555,989
Cumulative net payments	(19,756,952)	(22,872,040)	(61,881,125)	(31,447,966)	(57,561,743)	(41,392,697)	(51,198,957)	(15,767,997)	(2,498,716)	(304,378,193)
Total per statement of financial position	—	52,999	8,163	97,255	944,420	3,824,278	8,789,681	12,286,788	(825,788)	25,177,796

**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

**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 2018, unfavourable loss development on prior year contracts amounted to US\$1,241,171 (2017: US\$1,681,530 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 2018, the Company had loss reserves recoverable of US\$31,316,691 (2017: US\$29,245,540) with an affiliated retrocessionaire rated "A- (Excellent)" by A.M. Best. The Company also had loss reserves recoverable of US\$10,786,538 (2017: US\$2,653,432) 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 2018 and 2017, 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 2018, the Company ceded US\$737,862 (2017: US\$1,254,168) of written premiums to Greenlight Reinsurance, Ltd. During the year ended 31 December 2018, the threshold for coverage was breached which resulted in US\$4,069,547 (2017: nil) of losses recoverable to the Company by Greenlight Reinsurance, Ltd.

**18. INVESTMENT ADVISORY AGREEMENT - RELATED PARTY TRANSACTION**

At 31 December 2018, 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 2018, 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 2018, the performance allocation included in investment income is nil (2017: 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 2018, the Company's investment loss from SILP included management fees paid to DME Advisors of US\$570,753 (2017: US\$1,058,414).

**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

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 (2017: US \$12,695). 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 2018, there were no indemnification payments made by the Company.

As of 31 December 2018, the Company's net assets held in the SILP LPA was US\$20,534,831 (2017: nil), and the net assets held under the Venture Agreement was US\$1,478,616 (2017: US\$62,531,944).

**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 2018, US\$990,509 (2017: US\$1,894,665 ) of GRBK listed equities were included on the statement of financial position as "equity securities, trading, at fair value through profit or loss". The Company along with certain affiliates of DME Advisors, collectively own 47.6% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

**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 2018, US\$7,048,987 (2017: US\$9,539,798) 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 2018.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of 31 December 2018, collateral of US\$26,854,030 (2017: US\$20,326,573) was provided to cedents in the form of regulatory trust accounts.



**Notes to the financial statements for the years ended 31 December 2018 and 2017 - continued**

**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 2018.

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Operating lease obligations	<u>168,573</u>	<u>168,573</u>	<u>63,215</u>	<u>—</u>	<u>—</u>	<u>400,361</u>

**22. POST BALANCE SHEET EVENTS**

There were no significant events since the balance sheet date.

**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 8 April 2019.