Consolidated Financial Statements of

GREENLIGHT CAPITAL RE, LTD.

December 31, 2014 and 2013

GREENLIGHT CAPITAL RE, LTD.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Greenlight Capital Re, Ltd.
Grand Cayman, Cayman Islands

We have audited the accompanying consolidated balance sheets of Greenlight Capital Re, Ltd. as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. In connection with our audits of the financial statements, we have also audited the financial statement schedules listed in the accompanying index. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedules. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenlight Capital Re, Ltd. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Greenlight Capital Re, Ltd.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 17, 2015 expressed an unqualified opinion thereon.

BDO USA, LLP

February 17, 2015

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Greenlight Capital Re, Ltd.
Grand Cayman, Cayman Islands

We have audited Greenlight Capital Re, Ltd.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Greenlight Capital Re, Ltd.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Greenlight Capital Re, Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Greenlight Capital Re, Ltd. as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014, and our report dated February 17, 2015 expressed an unqualified opinion thereon.

BDO USA, LLP

February 17, 2015

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2014	2013
Assets		
Investments		
Debt instruments, trading, at fair value	$ 49,212	$ 4,312
Equity securities, trading, at fair value	1,266,175	1,282,156
Other investments, at fair value	115,591	107,211
Total investments	1,430,978	1,393,679
Cash and cash equivalents	12,030	3,722
Restricted cash and cash equivalents	1,296,914	1,334,074
Financial contracts receivable, at fair value	47,171	104,048
Reinsurance balances receivable	151,185	167,340
Loss and loss adjustment expenses recoverable	11,523	16,829
Deferred acquisition costs, net	34,420	51,797
Unearned premiums ceded	4,027	3,173
Notes receivable	1,566	16,049
Other assets	5,478	4,565
Total assets	$ 2,995,292	$ 3,095,276
Liabilities and equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 1,090,731	$ 1,111,690
Financial contracts payable, at fair value	44,592	18,857
Due to prime brokers	211,070	314,702
Loss and loss adjustment expense reserves	264,243	329,894
Unearned premium reserves	128,736	173,057
Reinsurance balances payable	40,372	38,789
Funds withheld	6,558	10,126
Other liabilities	14,949	11,857
Total liabilities	1,801,251	2,008,972
Equity		
Preferred share capital (par value $0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value $0.10; authorized, 100,000,000; issued and outstanding, 31,129,648 (2013: 30,791,865): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding, 6,254,895 (2013: 6,254,949))	3,738	3,705
Additional paid-in capital	500,553	496,622
Retained earnings	660,860	551,268
Shareholders' equity attributable to shareholders	1,165,151	1,051,595
Non-controlling interest in joint venture	28,890	34,709
Total equity	1,194,041	1,086,304
Total liabilities and equity	$ 2,995,292	$ 3,095,276

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

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2014, 2013 and 2012
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2014	2013	2012
Revenues			
Gross premiums written	$ 324,023	$ 535,702	$ 427,844
Gross premiums ceded	(13,493)	(2,780)	24,275
Net premiums written	310,530	532,922	452,119
Change in net unearned premium reserves	43,710	14,977	14,595
Net premiums earned	354,240	547,899	466,714
Net investment income	122,575	218,140	78,941
Other income (expense), net	413	(950)	(259)
Total revenues	477,228	765,089	545,396
Expenses			
Loss and loss adjustment expenses incurred, net	234,986	338,493	366,601
Acquisition costs, net	107,665	171,872	142,721
General and administrative expenses	21,926	21,718	17,539
Total expenses	364,577	532,083	526,861
Income before income tax expense	112,651	233,006	18,535
Income tax (expense) benefit	624	(538)	(86)
Net income including non-controlling interest	113,275	232,468	18,449
Income attributable to non-controlling interest in joint venture	(3,683)	(6,769)	(3,851)
Net income	$ 109,592	$ 225,699	$ 14,598
Earnings per share			
Basic	$ 2.94	$ 6.13	$ 0.40
Diluted	$ 2.89	$ 6.01	$ 0.39
Weighted average number of ordinary shares used in the determination of earnings and loss per share			
Basic	37,242,687	36,838,128	36,702,128
Diluted	37,874,387	37,585,167	37,361,338

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

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2014, 2013 and 2012
(expressed in thousands of U.S. dollars)

	Ordinary share capital	Additional paid-in capital	Retained earnings	Shareholders' equity attributable to shareholders	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2011	$ 3,654	$ 488,478	$ 310,971	$ 803,103	$ 42,595	$ 845,698
Issue of Class A ordinary shares, net of forfeitures	16	316	—	332	—	332
Share-based compensation expense, net of forfeitures	—	3,675	—	3,675	—	3,675
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(7,744)	(7,744)
Income attributable to non-controlling interest in joint venture	—	—	—	—	3,851	3,851
Net income	—	—	14,598	14,598	—	14,598
Balance at December 31, 2012	$ 3,670	$ 492,469	$ 325,569	$ 821,708	$ 38,702	$ 860,410
Issue of Class A ordinary shares, net of forfeitures	35	492	—	527	—	527
Share-based compensation expense, net of forfeitures	—	3,661	—	3,661	—	3,661
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(10,762)	(10,762)
Income attributable to non-controlling interest in joint venture	—	—	—	—	6,769	6,769
Net income	—	—	225,699	225,699	—	225,699
Balance at December 31, 2013	$ 3,705	$ 496,622	$ 551,268	$ 1,051,595	$ 34,709	$ 1,086,304
Issue of Class A ordinary shares, net of forfeitures	33	—	—	33	—	33
Share-based compensation expense, net of forfeitures	—	3,931	—	3,931	—	3,931
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(9,502)	(9,502)
Income attributable to non-controlling interest in joint venture	—	—	—	—	3,683	3,683
Net income	—	—	109,592	109,592	—	109,592
Balance at December 31, 2014	$ 3,738	$ 500,553	$ 660,860	$ 1,165,151	$ 28,890	$ 1,194,041

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

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014, 2013 and 2012
(expressed in thousands of U.S. dollars)

	2014	2013	2012
Cash provided by (used in) operating activities			
Net income	$ 109,592	$ 225,699	$ 14,598
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Net change in unrealized gains and losses on investments and financial contracts	172,403	(154,792)	(67,307)
Net realized gains on investments and financial contracts	(353,264)	(141,976)	(60,762)
Foreign exchange (gains) losses on restricted cash and cash equivalents, net	1,684	(19,305)	(3,682)
Income attributable to non-controlling interest in joint venture	3,683	6,769	3,851
Share-based compensation expense, net of forfeitures	3,964	3,675	3,689
Depreciation expense	436	325	250
Net change in			
Reinsurance balances receivable	16,155	5,881	(31,943)
Loss and loss adjustment expenses recoverable	5,306	17,622	(4,693)
Deferred acquisition costs, net	17,377	7,380	9,548
Unearned premiums ceded	(854)	443	23,617
Other assets	(1,349)	(291)	1,683
Loss and loss adjustment expense reserves	(65,651)	(26,576)	115,191
Unearned premium reserves	(44,321)	(15,128)	(37,550)
Reinsurance balances payable	1,583	3,497	3,100
Funds withheld	(3,568)	(7,289)	(20,616)
Other liabilities	3,092	1,369	434
Net cash used in operating activities	(133,732)	(92,697)	(50,592)
Investing activities			
Purchases of investments, trading	(1,603,856)	(931,036)	(830,515)
Sales of investments, trading	1,722,936	933,356	903,344
Purchases of financial contracts	(13,302)	(64,153)	(70,658)
Dispositions of financial contracts	113,011	90,282	39,417
Securities sold, not yet purchased	934,769	940,486	822,718
Dispositions of securities sold, not yet purchased	(952,843)	(766,680)	(645,225)
Change in due to prime brokers	(103,632)	(11,786)	66,129
Change in restricted cash and cash equivalents, net	35,476	(107,932)	(245,693)
Change in notes receivable, net	18,983	3,281	(1,893)
Non-controlling interest withdrawal from joint venture, net	(9,502)	(10,762)	(7,744)
Fixed assets additions	—	(1,040)	—
Net cash provided by investing activities	142,040	74,016	29,880
Financing activities			
Net proceeds from exercise of stock options	—	513	318
Net cash provided by financing activities	—	513	318
Net increase (decrease) in cash and cash equivalents	8,308	(18,168)	(20,394)
Cash and cash equivalents at beginning of the period	3,722	21,890	42,284
Cash and cash equivalents at end of the period	$ 12,030	$ 3,722	$ 21,890
Supplementary information			
Interest paid in cash	$ 21,482	$ 23,741	$ 23,506
Interest received in cash	562	1,468	1,213
Income tax paid in cash	—	531	216

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

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Capital Re, Ltd. ("GLRE") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. GLRE's principal wholly-owned subsidiary, Greenlight Reinsurance, Ltd. ("Greenlight Re"), provides global specialty property and casualty reinsurance. Greenlight Re has a Class D insurer license issued in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto (the "Law") and is subject to regulation by the Cayman Islands Monetary Authority ("CIMA"), in terms of the Law. Greenlight Re commenced underwriting in April 2006. Effective May 30, 2007, GLRE completed an initial public offering of 11,787,500 Class A ordinary shares at $19.00 per share. Concurrently, 2,631,579 Class B ordinary shares of GLRE were sold at $19.00 per share in a private placement offering. During 2008, Verdant Holding Company, Ltd. ("Verdant"), a wholly-owned subsidiary of GLRE, was incorporated in the state of Delaware. During 2010, GLRE established Greenlight Reinsurance Ireland, Ltd. ("GRIL"), a wholly-owned reinsurance subsidiary based in Dublin, Ireland. GRIL is authorized as a non-life reinsurance undertaking in accordance with the provisions of the European Communities (Reinsurance) Regulations 2006 ("Irish Regulations"). GRIL provides multi-line property and casualty reinsurance capacity to the European broker market and provides GLRE with an additional platform to serve clients located in Europe and North America. As used herein, the "Company" refers collectively to GLRE and its consolidated subsidiaries.

The Class A ordinary shares of GLRE are listed on Nasdaq Global Select Market under the symbol "GLRE".

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of GLRE and the consolidated financial statements of its wholly owned subsidiaries, Greenlight Re, GRIL and Verdant. All significant intercompany transactions and balances have been eliminated on consolidation.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation. The reclassifications resulted in no changes to net income or retained earnings for any of the periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

The Company is required to maintain certain cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased, and to collateralize the letters of credit issued under certain letter of credit facilities (see Notes 4 and 6). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased, and letters of credit issued. In addition, derivative 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 financial instrument.

Premium Revenue Recognition

The Company accounts for reinsurance contracts in accordance with U.S. GAAP. In the event that a reinsurance contract does not transfer sufficient risk, deposit accounting is used and the contract is reported as a deposit liability.

The Company writes excess of loss contracts as well as quota share contracts. The Company estimates the ultimate premiums for the entire contract period. These estimates are based on information received from the ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedents which typically are received monthly or quarterly depending on terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premium estimates. Based on management's review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts, are expected and may result in significant adjustments in any period. A significant portion of amounts included in reinsurance balances receivable represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts.

Certain contracts allow for reinstatement premiums in the event of a full limit loss prior to the expiry of a contract. A reinstatement premium is not due until there is a full limit loss event and therefore, in accordance with U.S. GAAP, the Company records a reinstatement premium as written only in the event that a client incurs a full limit loss on the contract and the contract allows for a reinstatement of coverage upon payment of an additional premium. For catastrophe contracts which contractually require the payment of a reinstatement premium equal to or greater than the original premium upon the occurrence of a full limit loss, the reinstatement premiums are earned over the original contract period. Reinstatement premiums that are contractually calculated on a pro-rata basis of the original premiums, are earned over the remaining coverage period.

Certain contracts provide for a penalty to be paid if the contract is terminated and cancelled prior to its expiration term. Cancellation penalties are recognized in the period the notice of cancellation is received and are recorded in the consolidated statements of income under other income (expense).

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

Reinsurance Premiums Ceded

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

Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

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 amortized 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 recognized. At December 31, 2014 and 2013, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

Acquisition costs also include profit commissions which are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms. As of December 31, 2014, $11.0 million (2013: $10.5 million) of profit commission reserves were included in reinsurance balances payable on the consolidated balance sheets. For the year ended

December 31, 2014, $2.7 million (2013: $3.7 million and 2012: $1.5 million) of net profit commission expense was included in acquisition costs, respectively, on the consolidated statements of income.

Funds Withheld

Funds withheld include reinsurance balances retained from retrocessionaires as security for a period of time in accordance with the contract terms. Any interest expense that the Company incurs during the period these funds are withheld, are included under net investment income in the consolidated statements of income.

Loss and Loss Adjustment Expense Reserves and Recoverable

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 on a contract by contract basis and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss and loss adjustment expenses 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 loss and loss adjustment expense recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

Notes Receivable

Notes receivable include promissory notes receivable from third party entities. These notes are recorded at cost along with accrued interest, if any, which approximates the fair value. The Company regularly reviews all notes receivable individually for impairment and records provisions for uncollectible and non-performing notes. The Company places notes on non-accrual status when the value of the note is not considered impaired but there is uncertainty as to the collection of interest based on the terms of the note. The Company resumes accrual of interest on a note when none of the principal or interest remains past due, and the Company expects to collect the remaining contractual principal and interest. Interest collected on notes that are placed on non-accrual status is treated on a cash-basis and recorded as interest income when collected, provided that the recorded value of the note is deemed to be fully collectible. Where doubt exists as to the collectability of the remaining recorded value of the notes placed on non-accrual status, any payments received are applied to reduce the recorded value of the notes.

At December 31, 2014, there were no notes receivable placed on non-accrual status (2013: $10.5 million). During the year ended December 31, 2013, the Company had recorded an impairment charge of $6.0 million relating to the accrued interest and principal on a note placed on non-accrual status. During 2014, the Company sold this note receivable to a third party for a gain of $4.5 million. There were no other impairment charges for the years ended December 31, 2014, 2013 and 2012.

At December 31, 2014, the notes receivable earned interest at an annual interest rate of 13.5% and had a remaining maturity term of six months. Interest income and realized gains or losses on sale of notes receivable are included under net investment income in the consolidated statements of income. Impairment charges are also included under net investment income in the consolidated statements of income.

At December 31, 2014, there was no accrued interest included in the notes receivable balance (2013: $0.1 million). Based on management's assessment, the recorded values of the notes receivable, net of any impairment charges, at December 31, 2014 and 2013, were expected to be fully collectible and therefore no provision for uncollectible amounts was deemed necessary at December 31, 2014 and 2013.

Deposit Assets and Liabilities

In accordance with U.S. GAAP, deposit accounting is used in the event that a reinsurance contract does not transfer sufficient insurance risk, or a contract provides retroactive reinsurance. Any losses on such contracts are charged to earnings immediately. Any gains relating to such contracts are deferred and amortized over the estimated remaining settlement period. All such deferred gains are included in reinsurance balances payable in the consolidated balance sheets. Amortized gains are recorded in the consolidated statements of income as other income. At December 31, 2014 and 2013, there were no material deposit assets or deposit liabilities and no material gains or losses on deposit accounted contracts.

Fixed Assets

Fixed assets are included in other assets on the consolidated balance sheets and are recorded at cost when acquired. Fixed assets are comprised of computer software, furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for both computer software, and furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or remaining lease term. 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 years ended December 31, 2014, 2013 and 2012, there were no impairments in fixed assets.

At December 31, 2014, the cost, accumulated depreciation and net book values of the fixed assets were as follows:

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (277)	$ 279
Furniture and fixtures	620	(442)	178
Leasehold improvements	2,002	(966)	1,036
Total	$ 3,178	$ (1,685)	$ 1,493

At December 31, 2013, the cost, accumulated depreciation and net book values of the fixed assets were as follows:

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (206)	$ 350
Furniture and fixtures	620	(340)	280
Leasehold improvements	2,002	(703)	1,299
Total	$ 3,178	$ (1,249)	$ 1,929

Financial Instruments

Investments in Securities 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 maximizes 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 realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in net investment income (loss) in the consolidated statements of 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.

Derivative Financial Instruments

U.S. GAAP requires that an entity recognize all derivatives in the balance sheet at fair value. It also requires that unrealized gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivative financial instrument assets are included in financial contracts receivable. Derivative financial instrument liabilities are generally included in financial contracts payable. The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the consolidated balance sheets on a gross basis and not offset against any collateral pledged or received. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements, securities lending agreements and other derivatives agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other derivatives agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off against payments owed to the defaulting party or collateral held by the non-defaulting party.

Financial Contracts

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

Total return swap agreements, included on the consolidated balance sheets as financial contracts receivable and financial 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 unrealized gains and losses reflected in net investment income (loss) in the consolidated statements of income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in net investment income (loss) in the consolidated statements of income.

Financial 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 based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on actual transactions (Level 2). Amounts invested in exchange traded options and over the counter ("OTC") options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company purchases and sells CDS for strategic investment purposes. 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).

Share-Based Compensation

The Company has established a stock incentive plan for directors, employees and consultants.

U.S. GAAP requires the Company to recognize share-based compensation transactions using the fair value at the grant date of the award. The Company measures compensation for restricted shares and restricted stock units ("RSUs") based on the price of the Company’s common shares at the grant date and the expense is recognized on a straight line basis over the vesting period.

Determining the fair value of share purchase options at the grant date requires significant estimation and judgment. The Company uses an option-pricing model (Black-Scholes option pricing model) to assist in the calculation of fair value for share purchase options. The model requires estimation of various inputs such as estimated term, forfeiture and dividend rates and expected volatility. The Company uses the full life of the options, ten years, as the estimated term of the options, and has assumed no forfeitures and no dividends paid during the life of the options. Effective from 2014, the estimate of expected volatility is based on the daily historical trading data of the Company's Class A ordinary shares from the date that these shares commenced trading (May 24, 2007) to the grant date. Prior to 2014, the Company's share had not been publicly traded for a sufficient length of time to reasonably estimate the expected volatility. Therefore, for share purchase options granted prior to 2014, the Company determined the expected volatility based primarily on the historical volatility of similar entities. The Company considered factors such as an entity's industry, stage of life cycle, size and financial leverage when selecting similar entities. The Company used a sample peer group of companies in the reinsurance industry as well as the Company’s own historical volatility in determining the expected volatility.

For share purchase options issued under the employee stock incentive plan, compensation cost is calculated and expensed over the vesting periods on a graded vesting basis (see Note 10).

If actual results differ significantly from these estimates and assumptions, particularly in relation to the Company’s estimation of volatility which requires the most judgment, share-based compensation expense, primarily with respect to future share-based awards, could be materially impacted.

Foreign Exchange

The reporting and functional currency of the Company and all its subsidiaries is the U.S. dollar. Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the exchange rate in effect at the balance sheet date and translation exchange gains and losses, if any, are included in the consolidated statements of income.

Other Assets

Other assets consist primarily of investment income receivable, prepaid expenses, fixed assets and deferred tax assets.

Other Liabilities

Other liabilities consist primarily of dividends payable on securities sold, not yet purchased, and employee bonus accruals. At December 31, 2014, other liabilities included accrued bonus of $7.6 million (2013: $4.8 million). Under the Company's bonus program, each employee’s target bonus consists of two components: a discretionary component based on a qualitative assessment of each employee’s performance and a quantitative component based on the return on deployed equity (“RODE”) for each underwriting year relating to reinsurance operations. The qualitative portion of an employee’s annual bonus is accrued at each employee's target amount, which may differ significantly from the actual amount approved and awarded annually by the Compensation Committee. The quantitative portion of each employee’s annual bonus is accrued based on the expected RODE for each underwriting year and adjusted for changes in the expected RODE and actual investment return each quarter until all losses are settled and the underwriting year is declared closed. The quantitative bonus is calculated and paid, with the approval of the Compensation Committee, in annual installments between two 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 utilizes 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.

Also included in other liabilities are accruals for income taxes payable, professional fees and other general expenses.

Non-controlling Interest

Non-controlling interest in joint venture on the consolidated balance sheets represents DME Advisors, LLC's ("DME") share of assets in the joint venture whereby DME is a participant in the joint venture as disclosed in Note 13. DME's share of investment income or loss is included in the consolidated statements of income as income attributable to non-controlling interest in joint venture.

Comprehensive Income (Loss)

The Company has no other comprehensive income or loss, other than the net income or loss disclosed in the consolidated statements of income.

Earnings (Loss) Per Share

Basic earnings per share are based on the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings per share includes the dilutive effect of restricted stock units ("RSU") and additional potential common shares issuable when stock options are exercised and are determined using the treasury stock method. The Company treats its unvested restricted stock as participating securities in accordance with U.S. GAAP, which requires that unvested stock awards which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid (referred to as "participating securities"), be included in the number of shares outstanding for both basic and diluted earnings per share calculations. In the event of a net loss, all RSUs, stock options outstanding and all participating securities are excluded from the calculation of both basic and diluted loss per share since their inclusion would be anti-dilutive.

	Year ended December 31		
	2014	**2013**	**2012**
Weighted average shares outstanding - basic	37,242,687	36,838,128	36,702,128
Effect of dilutive service provider share-based awards	8,498	144,726	147,036
Effect of dilutive employee and director share-based awards	623,202	602,313	512,174
Weighted average shares outstanding - diluted	37,874,387	37,585,167	37,361,338
Anti-dilutive stock options outstanding	—	218,197	180,000

Taxation

Under current Cayman Islands law, no corporate entity, including GLRE and Greenlight Re, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company has an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Law, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to GLRE, Greenlight Re nor their respective operations, or to the Class A or Class B ordinary shares or related obligations, until February 1, 2025.

Verdant is incorporated in Delaware and therefore is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the U.S. Internal Revenue Service ("IRS"). Verdant's taxable income is generally expected to be taxed at a rate of 35%.

GRIL is incorporated in Ireland and therefore is subject to the Irish corporation tax rate of 12.5% on its trading income, and 25% on its non-trading income, if any.

Any deferred tax asset is evaluated for recovery and a valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be realized in the future. The Company has not taken any income tax positions that are subject to significant uncertainty or that are reasonably likely to have a material impact on the Company.

Segment Information

Under U.S. GAAP, operating segments are based on the internal information that management uses for allocating resources and assessing performance as the source of the Company's reportable segments.

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance, in accordance with the qualitative and quantitative criteria established by U.S. GAAP.

Recently Adopted Accounting Pronouncements

None.

3. 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.

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

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realized upon the sale of its holdings as well as the amount of net investment income reported in the consolidated statements of income. Management utilizes the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of potential loss due to changes in market values.

Purchases and sales of investments are disclosed in the consolidated statements of cash flows. Net realized gains on the sale of investments, financial contracts, and investments sold, not yet purchased during 2014 were $353.3 million (2013: $142.0 million gains, 2012: $60.8 million gains). Gross realized gains were $612.7 million (2013: $352.9 million, 2012: $268.1 million) and gross realized losses were $259.4 million (2013: $210.9 million, 2012: $207.3 million). For the year ended December 31, 2014, included in net investment income in the consolidated statements of income were $172.4 million of net losses (2013: $154.8 million of net gains, 2012: $67.6 million of net gains) relating to change in unrealized gains and losses on trading securities still held at the balance sheet date.

As of December 31, 2014, cash and investments with a fair value of $302.6 million (2013: $410.3 million) have been pledged as security against letters of credit issued.

As of December 31, 2014, the Company’s investment in Micron Technology Inc. was the only investment in excess of 10% of the Company’s shareholders’ equity, with a fair value of $151.1 million, or 12.7% of shareholders' equity. As of December 31, 2013, the Company’s investments in Apple Inc. and Micron Technology Inc., were the only investments in excess of 10% of the Company’s shareholders’ equity, with fair values of $161.4 million and $147.0 million, or 14.9% and 13.5%, respectively, of shareholders' equity.

Fair Value Hierarchy

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

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2014:

	Fair value measurements as of December 31, 2014			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
		($ in thousands)		
Assets:				
Debt instruments	$ —	$ 26,953	$ 22,259	$ 49,212
Listed equity securities	1,259,298	6,877	—	1,266,175
Commodities	96,872	—	—	96,872
Private and unlisted equity securities	—	—	18,719	18,719
Financial contracts receivable	2,463	44,708	—	47,171
	$ 1,358,633	$ 78,538	$ 40,978	$ 1,478,149
Liabilities:				
Listed equity securities, sold not yet purchased	$ (834,228)	$ —	$ —	$ (834,228)
Debt instruments, sold not yet purchased	—	(256,503)	—	(256,503)
Financial contracts payable	—	(44,592)	—	(44,592)
	$ (834,228)	$ (301,095)	$ —	$ (1,135,323)

The following table presents the Company's investments, categorized by the level of the fair value hierarchy as of December 31, 2013:

	Fair value measurements as of December 31, 2013			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
		($ in thousands)		
Assets:				
Debt instruments	$ —	$ 3,785	$ 527	$ 4,312
Listed equity securities	1,274,920	7,236	—	1,282,156
Commodities	60,888	—	—	60,888
Private and unlisted equity securities	—	—	46,323	46,323
Financial contracts receivable	4,500	99,548	—	104,048
	$ 1,340,308	$ 110,569	$ 46,850	$ 1,497,727
Liabilities:				
Listed equity securities, sold not yet purchased	$ (917,123)	$ —	$ —	$ (917,123)
Debt instruments, sold not yet purchased	—	(194,567)	—	(194,567)
Financial contracts payable	—	(18,857)	—	(18,857)
	$ (917,123)	$ (213,424)	$ —	$ (1,130,547)

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2014:

2014	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$ 527	$ 46,323	$ 46,850
Purchases	21,561	3,958	25,519
Sales	—	(37,252)	(37,252)
Total realized and unrealized gains included in earnings, net	171	9,734	9,905
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(4,044)	(4,044)
Ending balance	$ 22,259	$ 18,719	$ 40,978

During the year ended December 31, 2014, $4.0 million securities, at fair value based on the date of transfer, were transferred from Level 3 to Level 2 as these securities began actively trading on a listed exchange during the third quarter. However, due to lock-up restrictions on these securities, they were classified as Level 2 upon transfer until the lock-up period expires. During the year ended December 31, 2014, $14.4 million of securities at fair value based on the date of transfer, were transferred from Level 2 to Level 1 as the lock-up period restrictions on those securities expired. There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2014.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2013:

2013	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$ 260	$ 38,801	$ 39,061
Purchases	9,224	38,086	47,310
Sales	(9,224)	(7,252)	(16,476)
Total realized and unrealized gains included in earnings, net	267	1,269	1,536
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(24,581)	(24,581)
Ending balance	$ 527	$ 46,323	$ 46,850

During the year ended December 31, 2013, $5.0 million of securities, at fair value based on the date of transfer, were transferred from Level 3 to Level 2, as these securities began actively trading on a listed exchange during the third quarter of 2013. However due to lock-up restrictions on these securities, they were classified as Level 2 upon transfer until the lock-up period expired. Additionally, during the year ended December 31, 2013, $19.6 million of securities at fair value based on the date of transfer, were transferred from Level 3 to Level 1 as these securities began actively trading on a listed exchange and there were no lock-up restrictions on these securities. During the year ended December 31, 2013, $2.4 million of securities at fair value based on the date of transfer, were transferred from Level 2 to Level 1 as the lock-up period restrictions on those securities expired.   There were no other transfers between Level 1, Level 2 or Level 3 during the year ended December 31, 2013.

For the year ended December 31, 2014, included in net investment income in the consolidated statements of income were net realized gains relating to Level 3 securities of $13.5 million (2013: net realized gains of $0.7 million).

For Level 3 classified securities still held as of the reporting date, the change in net unrealized gains for the year ended December 31, 2014 of $1.4 million (2013: net unrealized loss of $1.1 million), were included in net investment income in the consolidated statements of income.

Investments

Debt instruments, trading

At December 31, 2014, the following investments were included in debt instruments:

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 23,677	$ 5	$ (1,423)	$ 22,259
Corporate debt – Non U.S.	5,870	49	(1,405)	4,514
Municipal debt – U.S.	1,759	—	(6)	1,753
Sovereign debt – Non U.S.	21,769	—	(1,083)	20,686
Total debt instruments	$ 53,075	$ 54	$ (3,917)	$ 49,212

At December 31, 2013, the following investments were included in debt instruments:

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 2,116	$ —	$ (1,589)	$ 527
Corporate debt – Non U.S.	3,761	115	(91)	3,785
Total debt instruments	$ 5,877	$ 115	$ (1,680)	$ 4,312

The maturity distribution for debt instruments held at December 31, 2014 and 2013, was as follows:

	2014		2013	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
	($ in thousands)			
Within one year	$ —	$ —	$ —	$ —
From one to five years	21,922	21,923	—	—
From five to ten years	2,401	1,282	—	—
More than ten years	28,752	26,007	5,877	4,312
	$ 53,075	$ 49,212	$ 5,877	$ 4,312

Equity securities, trading

At December 31, 2014, the following long positions were included in equity securities:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ 1,079,955	$ 247,109	$ (80,637)	$ 1,246,427
Exchange traded funds	42,126	—	(22,378)	19,748
Total equity securities	$ 1,122,081	$ 247,109	$ (103,015)	$ 1,266,175

At December 31, 2013, the following long positions were included in equity securities:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ 923,594	$ 361,695	$ (28,712)	$ 1,256,577
Exchange traded funds	50,253	—	(24,674)	25,579
Total equity securities	$ 973,847	$ 361,695	$ (53,386)	$ 1,282,156

Other Investments

"Other investments" include commodities and private and unlisted equity securities. As of December 31, 2014 and 2013, commodities were comprised of gold bullion.

At December 31, 2014, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Commodities	$ 95,815	$ 1,057	$ —	$ 96,872
Private and unlisted equity securities	17,238	3,451	(1,970)	18,719
	$ 113,053	$ 4,508	$ (1,970)	$ 115,591

At December 31, 2013, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Commodities	$ 54,633	$ 6,255	$ —	$ 60,888
Private and unlisted equity securities	45,544	8,170	(7,391)	46,323
	$ 100,177	$ 14,425	$ (7,391)	$ 107,211

As of December 31, 2014, included in private and unlisted equity securities are investments in private equity funds with a fair value of $12.3 million (December 31, 2013: $41.6 million) determined based on unadjusted net asset values reported by the managers of these securities. Some of these values were reported from periods prior to December 31, 2014. The private equity funds have varying lock-up periods and as of December 31, 2014, all of the funds had redemption restrictions, and therefore have been categorized within Level 3 of the fair value hierarchy. The redemption restrictions have been in place since inception of the investments and are not expected to lapse in the near future. As of December 31, 2014, the Company had $8.9 million (2013: $6.3 million) of unfunded commitments relating to private equity funds whose fair values are determined based on unadjusted net asset values reported by the managers of these securities. These commitments are included in the amounts presented in the schedule of commitments and contingencies in Note 14 of these consolidated financial statements.

Investments in Securities Sold, Not Yet Purchased

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

At December 31, 2014, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ (813,365)	$ 91,690	$ (101,715)	$ (823,390)
Exchange traded funds	(9,180)	—	(1,658)	(10,838)
Corporate debt – U.S.	(7,066)	1,007	(5)	(6,064)
Sovereign debt – Non U.S.	(246,589)	6,635	(10,485)	(250,439)
	$ (1,076,200)	$ 99,332	$ (113,863)	$ (1,090,731)

At December 31, 2013, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ (836,708)	$ 57,854	$ (130,621)	$ (909,475)
Exchange traded funds	(6,318)	—	(1,330)	(7,648)
Corporate debt – U.S.	(8,135)	2	(235)	(8,368)
Sovereign debt – Non U.S.	(170,375)	—	(15,824)	(186,199)
	$ (1,021,536)	$ 57,856	$ (148,010)	$ (1,111,690)

Financial Contracts

As of December 31, 2014 and 2013, the Company had entered into total return swaps, CDS, options, warrants, rights, futures, forwards and interest rate options contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these financial contracts, the Company is either entitled to receive or is obligated to make payments which are based on the product of a formula contained within each contract that includes the change in the fair value of the underlying or reference security.

At December 31, 2014, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts
		($ in thousands)	
Financial contracts receivable			
Futures	USD	13,204	$ 3,461
Put options (2)	USD	299,907	22,349
Total return swaps – equities	EUR/GBP/HKD/USD	43,355	18,898
Warrants and rights on listed equities	EUR	8,054	2,463
Total financial contracts receivable, at fair value			$ 47,171
Financial contracts payable			
Credit default swaps, purchased – corporate debt	USD	221,198	$ (1,305)
Credit default swaps, purchased – sovereign debt	USD	251,467	(1,714)
Forwards	KRW	20,563	(512)
Futures	USD	33,625	(867)
Total return swaps – equities	EUR/GBP/HKD/INR/ RON/USD	122,667	(40,194)
Total financial contracts payable, at fair value			$ (44,592)

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

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

At December 31, 2013, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts
		($ in thousands)	
Financial contracts receivable			
Forwards	JPY	71,162	$ 383
Futures	JPY/USD	117,494	4,500
Interest rate options (3)	USD	391,559	26
Put options (2)	USD	217,359	12,923
Total return swaps – equities	EUR/GBP/HKD/US D	178,988	83,325
Warrants and rights on listed equities	EUR	5,237	2,891
Total financial contracts receivable, at fair value			$ 104,048
Financial contracts payable			
Credit default swaps, purchased – corporate debt	USD	273,877	$ (3,625)
Credit default swaps, purchased – sovereign debt	USD	251,467	(3,980)
Forwards	KRW	32,100	(58)
Total return swaps – equities	EUR/GBP/HKD	36,983	(11,194)
Total financial contracts payable, at fair value			$ (18,857)

(1) USD = US Dollar; JPY = Japanese Yen; EUR = Euro; GBP = British Pound; HKD = Hong Kong Dollar; KRW = Korean Won.

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

(3) Includes contracts on U.S. and Japanese interest rates denominated in U.S. dollars.

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer, a specified underlying security at a specified price on or before a specified date. The Company enters into option contracts to meet certain investment objectives. For exchange traded option contracts, the exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions. For OTC options, a dealer acts as the counterparty and therefore the Company is exposed to credit risk to the extent the dealer is unable to meet its obligations. As of December 31, 2014, the Company held no OTC put options (long) (December 31, 2013: $12.9 million).

During the years ended December 31, 2014, 2013 and 2012, the Company reported gains and losses on derivatives as follows:

Derivatives not designated as hedging instruments	**Location of gains and losses on derivatives recognized in income**	**Gain (loss) on derivatives recognized in income**		
		Year ended December 31		
		2014	**2013**	**2012**
		($ in thousands)		
Credit default swaps, purchased – corporate debt	Net investment income (loss)	$ (345)	$ (3,552)	$ (7,342)
Credit default swaps, purchased – sovereign debt	Net investment income (loss)	(298)	(1,087)	(5,086)
Forwards	Net investment income (loss)	(490)	11,209	—
Futures	Net investment income (loss)	16,721	12,504	(13,064)
Interest rate options	Net investment income (loss)	(26)	(82)	(2,127)
Options, warrants, and rights	Net investment income (loss)	1,020	21,446	(8,988)
Total return swaps – equities	Net investment income (loss)	13,142	85,638	(13,176)
Weather derivative swap	Other income (expense), net	—	—	(263)
Total		$ 29,724	$ 126,076	$ (50,046)

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

For the year ended December 31, 2014, the Company's volume of derivative activities (based on notional amounts) was as follows:

2014	**Year ended December 31**	
Derivatives not designated as hedging instruments	**Entered**	**Exited**
	($ in thousands)	
Forwards	$ —	$ 82,688
Futures	308,178	356,216
Options, warrants and rights (1)	1,044,241	314,876
Total return swaps	121,125	160,065
Total	$ 1,473,544	$ 913,845

(1) Exited amount excludes options which expired or were exercised during the period.

For the year ended December 31, 2013, the Company's volume of derivative activities (based on notional amounts) was as follows:

2013	Year ended December 31	
Derivatives not designated as hedging instruments	**Entered**	**Exited**
	($ in thousands)	
Forwards	$ 423,443	$ 115,884
Futures	401,672	292,529
Interest rate options (1)	—	376,385
Options, warrants and rights (1)	930,410	965,991
Total return swaps	194,343	88,404
Total	$ 1,949,868	$ 1,839,193

(1) Exited amount excludes options which expired or were exercised during the period.

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

As of December 31, 2014, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2014	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	**Gross amounts of recognized assets (liabilities)**	**Gross amounts offset in the balance sheet**	**Net amounts of assets (liabilities) presented in the balance sheet**	**Financial instruments available for offset**	**Cash collateral (received) pledged**	**Net amount of asset (liability)**
			($ in thousands)			
Financial contracts receivable	$ 47,171	$ —	$ 47,171	$ (24,265)	$ (9,452)	$ 13,454
Financial contracts payable	(44,592)	—	(44,592)	24,265	20,327	—

As of December 31, 2013, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2013	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	**Gross amounts of recognized assets (liabilities)**	**Gross amounts offset in the balance sheet**	**Net amounts of assets (liabilities) presented in the balance sheet**	**Financial instruments available for offset**	**Cash collateral (received) pledged**	**Net amount of asset (liability)**
			($ in thousands)			
Financial contracts receivable	$ 104,048	$ —	$ 104,048	$ (18,857)	$ (49,422)	$ 35,769
Financial contracts payable	(18,857)	—	(18,857)	18,857	—	—

4. DUE TO PRIME BROKERS

As of December 31, 2014, the amount due to prime brokers is comprised of margin-borrowing from prime brokers relating to investments purchased on margin as well as the margin-borrowing for providing collateral to support some of the Company's outstanding letters of credit (see Notes 6 and 14). Under term margin agreements and certain letter of credit facility agreements, the Company pledges certain investment securities to borrow cash from the prime brokers. The borrowed cash is placed in a custodial account in the name of the Company and this custodial account provides collateral for any letters of credit issued. Since there is no legal right of offset, the Company's liability for the cash borrowed from the prime brokers is included on the consolidated balance sheets as due to prime brokers while the cash held in the custodial account is included on the consolidated balance sheets as restricted cash and cash equivalents. At December 31, 2014, the amounts due to prime brokers included $135.0 million (2013: $202.2 million) of cash borrowed under the term margin agreements to provide collateral for letters of credit facilities and $76.1 million (2013: $112.5 million) of borrowing relating to investment purchases.

Greenlight Re's investment guidelines, among other stipulations in the guidelines, allow for up to 15% (GRIL: 5%) net margin leverage for extended periods of time and up to 30% (GRIL: 20%) net margin leverage for periods of less than 30 days.

5. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
	($ in thousands)	
Cash at banks	$ 3,426	$ 3,674
Cash held with brokers	8,604	48
Total cash and cash equivalents	$ 12,030	$ 3,722

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

6. 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, and for collateralizing the letters of credit issued under a certain letter of credit facility (see Notes 4 and 14). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased and letters of credit issued. 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.

	December 31, 2014	December 31, 2013
	($ in thousands)	
Cash held by prime brokers relating to securities sold, not yet purchased	$ 1,090,731	$ 1,111,690
Cash collateral relating to letters of credit issued	134,981	202,248
Cash and cash equivalents held by swap counterparties	71,202	20,136
Total restricted cash and cash equivalents	$ 1,296,914	$ 1,334,074

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

A summary of changes in outstanding loss and loss adjustment expense reserves is as follows:

	2014	2013	2012
	($ in thousands)		
Gross balance at January 1	$ 329,894	$ 356,470	$ 241,279
Less: Losses recoverable	(16,829)	(34,451)	(29,758)
Net balance at January 1	313,065	322,019	211,521
Incurred losses related to:			
Current year	216,757	344,613	309,703
Prior years	18,229	(6,120)	56,898
Total incurred	234,986	338,493	366,601
Paid losses related to:			
Current year	(163,139)	(177,871)	(130,717)
Prior years	(130,438)	(170,018)	(125,767)
Total paid	(293,577)	(347,889)	(256,484)
Foreign currency revaluation	(1,754)	442	381
Net balance at December 31	252,720	313,065	322,019
Add: Losses recoverable	11,523	16,829	34,451
Gross balance at December 31	$ 264,243	$ 329,894	$ 356,470

For the year ended December 31, 2014, the net losses incurred included $18.2 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2014, the loss development on prior year contracts primarily related to the following:

- $7.8 million of adverse loss development, relating to a general liability contract currently in run-off. Loss reserves were increased on this contract after a detailed actuarial review of existing claims data received from the client, which reported an increase in the number of open claims. The loss reserves were also increased to take into account the corresponding claims handling fees expected to be incurred to settle the open claims;

- $7.1 million of adverse loss development, net of retrocession recoveries, relating to commercial motor claims on a multi-line quota share contract currently in run-off. Loss reserves were increased on this contract after a detailed actuarial review of existing claims data received from the client, which reported significant increases in incurred losses on some claims as well as an increase in the number of open claims;

- $4.0 million of adverse loss development relating to a solicitors' professional indemnity contract as a result of a combination of large claims reported and increases in case reserves on several smaller claims. Loss reserves were increased on this contract after a detailed review of existing claims data received from the client, audits of claim files at the third party claims administrator and actuarial analysis based on all available information. The contract terms included sliding scale ceding commission rates and profit commissions. As a result, the increase in loss reserves was offset by a $0.6 million decrease in ceding commissions and profit commissions which were recorded as decreases to acquisition costs;

- $3.0 million of adverse loss development relating to the employer medical stop-loss business. Loss reserves were increased on these contracts after a detailed review of existing claims data received from the clients, audits of claim files at the third party claims administrators and actuarial analysis based on all available information; and

- $3.8 million of favorable loss development relating to private passenger automobile business, primarily as a result of better than expected loss development noted on our private passenger automobile contracts after a detailed review of existing claims data received from the clients, audits of claim files and actuarial analysis based on all available information. Since these contracts included sliding scale ceding commission rates, the decrease in loss reserves was offset by a $2.2 million increase in ceding commissions recorded as acquisition costs.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2014.

For the year ended December 31, 2013, the net losses incurred included $6.1 million related to net favorable loss development on reserves relating to prior years. During the year ended December 31, 2013, the loss development on prior year contracts primarily related to the following:

- Elimination of $15.0 million of reserves relating to super-storm Sandy based on additional information received from the client which indicated that the losses would not exceed the threshold of coverage provided under the contract. As a result of the reversal of loss reserves, the Company also reversed reinstatement premiums earned of $2.6 million;

- $4.0 million of favorable loss development relating to commercial automobile business due to better than expected loss development on open claims and settling of claims at lower amounts than expected. Loss reserves were decreased on these contracts after a detailed review of existing claims data received from the clients, audits of claim files at the third party claims administrators and actuarial analysis based on all available information;

- $3.0 million favorable loss development relating to a private passenger automobile contract as a result of final settlement of losses upon commutation of the contract at an amount lower than originally reserved. However, because this contract included a sliding scale ceding commission rate, the decrease in loss reserves was offset by a $2.3 million increase in ceding commissions recorded as acquisition costs;

- $2.4 million favorable loss development relating to Florida homeowners' insurance business due to better than expected development on sinkhole claims, primarily as a result of legislative changes implemented in the State of Florida during 2012;

- $17.7 million of adverse loss development, net of retrocession recoveries, relating to general liability business. Loss reserves were increased on these contracts after a detailed review of existing claims data received from the clients, audits of claim files at the third party claims administrators and actuarial analysis based on all available information; and

- $4.0 million of adverse loss development on a 2007 casualty clash contract based on updated claims and loss information received from the client. The new information indicated that ground up losses under the contract estimated by the client had increased resulting in additional losses attaching to the Company's layer. As a result of this increase in loss reserves, the Company recorded reinstatement premiums of $1.2 million.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2013.

For the year ended December 31, 2012, the net losses incurred included $56.9 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2012, the loss development on prior year contracts primarily related to the following:

- $18.8 million of adverse loss development on a commercial motor liability contract that has been in run-off since 2010. The increase in loss reserves was based on updated loss data received from the third party claims adjuster and the client, as well as the Company's quarterly analysis of the remaining open claims and the reserves required to settle and resolve all remaining claims and any new reported claims;

- $21.9 million of adverse loss development, net of retrocession recoveries, relating to commercial motor liability exposures that are currently in run-off on two multi-line quota share contracts. Since these contracts are less mature than the Company's other commercial motor liability contract, there is more uncertainty as to the ultimate losses to be paid. As a result, the Company has recorded loss reserves for the commercial motor portion of these contracts consistent with the loss ratio recorded for the more mature commercial motor contract. Loss reserves were increased on these contracts after extensive review of existing claims data, the Company's previous experience with commercial motor liability business and actuarial analysis based on data received from third party claims handlers and the client;

- $9.0 million of adverse loss development on a 2010 natural peril contract relating to the 2010 New Zealand earthquake. This adverse loss development resulted from revised estimated losses expected on the underlying policies by the ceding insurer, primarily due to complex engineering and structural requirements as well as building-code changes being implemented in New Zealand. The updated loss reserves resulted in a full limit loss of $10.0 million under this contract; and

- $4.6 million of adverse loss development, net of retrocession recoveries, on prior period Florida homeowners' contracts due to a combination of an increase in attritional losses as well as an increase in sinkhole losses based on updated information received from the ceding insurer during the period as well as a reassessment in connection with the Company's quarterly reserve analysis. These contracts contain sliding scale commission adjustments which offset some of the adverse loss development. Therefore, $4.6 million of adverse loss development was offset by a reduction of $1.3 million in commission expenses.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2012.

At December 31, 2014 and 2013, loss and loss adjustment expense reserves were comprised of the following:

	2014	2013
	($ in thousands)	
Case reserves	$ 117,049	$ 137,825
IBNR	147,194	192,069
Total	$ 264,243	$ 329,894

8. RETROCESSION

The Company, from time to time, purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to balance its underwriting portfolio. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and therefore can be used as a tool to align the Company's interests with those of its counterparties. The Company currently has coverages that provide for recovery of a portion of loss and loss expenses incurred on certain contracts. Loss and loss adjustment expense recoverable from the retrocessionaires are recorded as assets.

For the year ended December 31, 2014, loss and loss adjustment expenses incurred of $235.0 million (2013: $338.5 million and 2012: $366.6 million) reported on the consolidated statements of income are net of loss and loss expenses recovered and recoverable of $4.4 million (2013: $(10.2) million and 2012: $13.0 million). The negative loss and loss adjustment expenses recovered for the year ended December 31, 2013, were due to reversal of loss reserves on retrocession contracts that were novated during 2013.

Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2014, the Company had losses receivable and loss reserves recoverable of $18.3 million (December 31, 2013: $16.8 million) with unrated retrocessionaires. At December 31, 2014 and 2013, $2.8 million and $4.0 million, respectively, of losses recoverable from unrated retrocessionaires were secured by cash collateral held by the Company, while $6.7 million and nil, respectively, were secured through a trust account and the remainder was secured by other collateral in the form of guarantees.

At December 31, 2014, the uncollateralized losses receivable and loss reserves recoverable of $8.9 million was related to an unrated retrocessionaire who is contractually obligated to post collateral for the entire balance but the retrocessionaire disputed its obligation and only provided partial collateral. During 2013, an arbitration panel ruled in favor of the Company. The retrocessionaire challenged the arbitration award, seeking to set it aside. A judge in the Grand Court in Grand Cayman subsequently ordered the retrocessionaire to post security in the amount of the arbitration award pending a hearing on the merits, whereupon the retrocessionaire challenged the posting of security. During 2014, the retrocession contract was novated to an affiliate of the retrocessionaire, which partially funded a trust account with collateral for the benefit of the Company. Additionally, at December 31, 2014, an affiliate of the retrocessionaire was also delinquent in its payment to the Company of $10.3 million (December 31, 2013: $12.0 million) relating to ceding commission adjustments which are included in reinsurance balances receivable. The Company initiated legal proceedings in order to enforce its contractual rights. By Opinion and Order dated July 28, 2014, the United States District Court for the Southern District of New York (the "Court") granted, in part, the Company's summary judgment motion. Subsequently, on October 15, 2014, the Court entered the judgment in the Company's favor. Subsequent to the year ended December 31, 2014, the Company entered into a settlement agreement with the retrocessionaire and its affiliate in order to collect the outstanding balances. See Note 17 - Subsequent Events for further details.

The Company regularly evaluates the financial condition of all its retrocessionaires to assess the ability of the retrocessionaires to honor their obligations. At December 31, 2014 and 2013, no provision for uncollectible losses recoverable was considered necessary.

9. SHARE CAPITAL

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the assets of the Company, after payment of all debts and liabilities of the Company and after liquidation of any issued and outstanding preferred shares. At December 31, 2014, no preferred shares were issued or outstanding. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate.

The Third Amended and Restated Memorandum and Articles of Association as revised by special resolution on July 10, 2008 (the "Articles"), provide that the holders of Class A ordinary shares generally are entitled to one vote per share. However, except upon unanimous consent of the Board of Directors, no Class A shareholder is permitted to vote an amount of shares which would cause any United States person to own (directly, indirectly or constructively under applicable United States tax attribution and constructive ownership rules) 9.9% or more of the total voting power of all issued and outstanding ordinary shares. The Articles further provide that the holders of Class B ordinary shares generally are entitled to ten votes per share. However, holders of Class B ordinary shares, together with their affiliates, are limited to voting that number of Class B ordinary shares equal to 9.5% of the total voting power of the total issued and outstanding ordinary shares.

Pursuant to the Shareholders' Agreement, dated August 11, 2004, by and among the Company and certain of its shareholders, (the “Shareholders’ Agreement”) the holders of at least 50% of the outstanding Registrable Securities (as defined in the Shareholders' Agreement), may, subject to certain conditions, request to have all or part of their Registrable Securities to become registered. The Shareholders' Agreement requires, among other things, that the Company use its commercially reasonable best efforts to have a registration statement covering such Registrable Securities to be declared effective. The registration rights granted pursuant to the Shareholders' Agreement are not deemed to be liabilities; therefore, there has been no recognition in the consolidated financial statements of the registration rights granted pursuant to the Shareholders' Agreement.

As of December 31, 2014, the Company had an unused Form S-3 registration statement, declared effective by the SEC on July 10, 2009, which was renewed in June 2012 and expires in June 2015 unless renewed, for an aggregate principal amount of $200 million in securities.

Shares authorized for issuance are comprised of 300,000 (2013: 300,000) Class A ordinary shares in relation to share purchase options granted to a service provider and 3,500,000 (2013: 3,500,000) Class A ordinary shares authorized for the Company’s stock incentive plan for eligible employees, directors and consultants. As of December 31, 2014, there were no (2013: 20,000) remaining Class A ordinary shares available for future issuance relating to share purchase options granted to the service provider, and 803,558 (2013: 961,587) Class A ordinary shares remained available for future issuance under the Company's stock incentive plan. The stock incentive plan is administered by the Compensation Committee of the Board of Directors.

The Board has adopted a share repurchase plan. Under the share repurchase plan, the Board authorized the Company to purchase up to 2.0 million of its Class A ordinary shares from time to time. Class A ordinary shares or securities convertible into Class A ordinary shares, may be purchased in the open market or through privately negotiated transactions. The timing of such repurchases and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable regulatory and corporate requirements. The share repurchase plan, which expires on June 30, 2015, does not require the Company to repurchase any specific number of shares and may be modified, suspended or terminated at any time without prior notice. As of December 31, 2014, 2.0 million shares remained available under the share repurchase plan. Under the Companies Law of the Cayman Islands, the Company cannot hold treasury shares; therefore, all ordinary shares repurchased are canceled immediately upon repurchase.

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

	2014		2013		2012	
	Class A	**Class B**	**Class A**	**Class B**	**Class A**	**Class B**
Balance – beginning of year	30,791,865	6,254,949	30,447,179	6,254,949	30,283,200	6,254,949
Issue of ordinary shares, net of forfeitures	337,729	—	344,686	—	163,979	—
Class B shares converted to Class A	54	(54)	—	—	—	—
Balance – end of year	31,129,648	6,254,895	30,791,865	6,254,949	30,447,179	6,254,949

Greenlight Re is subject to the Cayman Islands' Insurance (Capital and Solvency) (Classes B, C, and D Insurers) Regulations, 2012 (the "Insurance Regulations"). The Insurance Regulations impose a Minimum Capital Requirement of US$50.0 million and a Prescribed Capital Requirement of $443.5 million on Greenlight Re as of December 31, 2014 (2013: $449.4 million). As of December 31, 2014, Greenlight Re's statutory capital and surplus of $1,102.4 million exceeded the Minimum Capital Requirement as well as the Prescribed Capital Requirement. For the years ended December 31, 2014, 2013 and 2012, Greenlight Re's net income was $113.3 million, $229.8 million, and $15.3 million, respectively.

Greenlight Re is not required to prepare separate statutory financial statements for filing with CIMA and there were no material differences between Greenlight Re's GAAP capital, surplus and net income, and its statutory capital, surplus and net income as of December 31, 2014 and 2013.

As of December 31, 2014, $660.9 million of the Company's retained earnings were restricted from payment of dividends to the Company's shareholders. However, since most of the Company's capital and retained earnings are invested in its subsidiaries, a dividend from one or more of the Company's subsidiaries would likely be required in order to fund a dividend to the Company's shareholders. Any dividends declared and paid from Greenlight Re to the Company would require approval of CIMA. As of December 31, 2014 and 2013, $658.8 million and $539.3 million, respectively, of Greenlight Re's capital and surplus was available for distribution as dividends. The amount of dividends that GRIL is permitted to distribute is limited to its retained earnings and the Central Bank of Ireland has powers to intervene if a dividend payment were to lead to a breach of regulatory capital requirements. As of December 31, 2014 and 2013, $2.7 million and $6.0 million, respectively, of GRIL's capital and surplus was available for distribution as dividends.

GRIL is obligated to maintain a minimum level of capital (the "Required Minimum Margin"). As of December 31, 2014 and 2013, GRIL met such requirements. As of December 31, 2014 and 2013, GRIL's statutory capital and surplus was the same as its U.S. GAAP capital and surplus of $42.9 million and $46.1 million, respectively. The required solvency margin for GRIL as of December 31, 2014 and 2013 was $13.6 million and $13.6 million, respectively. GRIL's statutory net income (loss) was $(3.3) million, $3.6 million and $1.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Additional paid-in capital includes the premium per share paid by the subscribing shareholders for Class A and B ordinary shares which have a par value of $0.10 each. It also includes share-based awards earned not yet issued.

10. SHARE-BASED COMPENSATION

The Company has a stock incentive plan for directors, employees and consultants as detailed in Note 9 above.

Service Provider Share Purchase Options

On September 20, 2004, the Company granted share purchase options to a service provider to purchase 400,000 Class A ordinary shares at an exercise price of $10.00 per share. During 2014, the remaining 20,000 share purchase options outstanding were exercised, resulting in the net issuance of 13,861 Class A ordinary shares (net of shares surrendered as a result of the cashless exercise of stock options).

Employee and Director Restricted Shares

As part of its stock incentive plan, the Company issues restricted shares for which the fair value is equal to the price of the Company’s Class A ordinary shares on the grant date. Compensation based on the grant date fair market value of the shares is expensed on a straight line basis over the vesting period.

For the year ended December 31, 2014, 127,186 (2013: 111,231, 2012: 112,477) restricted Class A ordinary shares were issued to employees pursuant to the Company's stock incentive plan. These shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these restricted shares will cliff vest after three years from the date of issuance, subject to the grantee's continued service with the Company. During the vesting period, the holder of the restricted shares retains voting rights and is entitled to any dividends declared by the Company.

For the year ended December 31, 2014, the Company also issued to non-employee directors an aggregate of 28,060 (2013: 36,374, 2012: 35,994) restricted Class A ordinary shares as part of their remuneration for services to the Company. Each of these restricted shares issued to non-employee directors contains similar restrictions to those issued to employees and will vest on the earlier of the first anniversary of the share issuance or the Company's next annual general meeting, subject to the grantee's continued service with the Company.

For the year ended December 31, 2014, 38,706 (2013: 16,826, 2012: 7,492) restricted shares were forfeited by employees who left the Company prior to the expiration of the vesting period. For the year ended December 31, 2014, in accordance with U.S. GAAP, $0.4 million of stock compensation expense (2013: $0.2 million, 2012: $0.2 million) relating to the forfeited restricted shares was reversed.

The Company recorded $3.3 million of share-based compensation expense, net of forfeitures, relating to restricted shares for the year ended December 31, 2014 (2013: $3.2 million, 2012: $3.1 million). As of December 31, 2014, there were $4.2 million (2013: $3.5 million, 2012: $3.4 million) of unrecognized compensation costs related to non-vested restricted shares which are expected to be recognized over a weighted average period of 1.8 years (2013: 1.7 years, 2012: 1.7 years). For the year ended December 31, 2014, the total fair value of restricted shares vested was $2.9 million (2013: $2.8 million, 2012: $3.3 million).

The restricted share award activity during the years ended December 31, 2014 and 2013 was as follows:

	Number of non-vested restricted shares	**Weighted average grant date fair value**
Balance at December 31, 2012	308,406	$ 24.93
Granted	147,605	24.59
Vested	(110,194)	25.08
Forfeited	(16,826)	24.55
Balance at December 31, 2013	328,991	24.74
Granted	155,246	32.58
Vested	(115,444)	25.35
Forfeited	(38,706)	27.43
Balance at December 31, 2014	330,087	$ 27.90

Employee and Director Stock Options

For the year ended December 31, 2014, 31,821 Class A ordinary share purchase options were granted to the Company's Chief Executive Officer, pursuant to his employment contract (2013: 38,197). These options vest 25% on the date of the grant, and 25% each on the anniversary thereof in 2015, 2016 and 2017, and expire 10 years after the grant date. The grant date fair value of these options was $15.71 per share (2013: $13.09 per share), based on the Black-Scholes option pricing model.

The Company uses the Black-Scholes option pricing model to determine the valuation of its options and has applied the assumptions set forth in the following table.

	2014	2013	2012
Risk free rate	2.47%	2.85%	1.50%
Estimated volatility	34.3%	35.0%	35.0%
Expected term (in years)	10	10	10
Dividend yield	0%	0%	0%
Forfeiture rate	0%	0%	0%

At the present time, the Board of Directors does not anticipate that any dividends will be declared during the expected term of the options. The Company uses graded vesting for expensing employee stock options. The total compensation cost expensed for the year ended December 31, 2014 related to employee and director stock options was $0.5 million (2013: $0.6 million, 2012: $0.6 million). At December 31, 2014, the total compensation cost related to non-vested options not yet recognized was $0.4 million (2013: $0.4 million, 2012: $0.5 million) to be recognized over a weighted average period of 1.5 years (2013: 1.5 years, 2012: 1.5 years) assuming the employees complete their service period for vesting of the options.

For the year ended December 31, 2014, 318,500 (2013: 56,500) stock options were exercised by directors and employees resulting in 207,328 Class A ordinary shares issued, net of shares surrendered as a result of the cashless exercise of stock options (2013: 52,173). When stock options are granted, the Company reduces the corresponding number from the shares authorized for issuance as part of the Company's stock incentive plan. The intrinsic value of options exercised during the year ended December 31, 2014 was $6.7 million (2013: $0.8 million).

Employee and director stock option activity during the years ended December 31, 2014 and 2013 was as follows:

	Number of options	Weighted average exercise price	Weighted average grant date fair value
Balance at December 31, 2012	1,421,290	$ 15.36	$ 6.87
Granted	38,197	26.44	13.09
Exercised	(56,500)	11.44	5.70
Forfeited	—	—	—
Expired	—	—	—
Balance at December 31, 2013	1,402,987	15.82	7.08
Granted	31,821	32.37	15.71
Exercised	(318,500)	11.29	5.67
Forfeited	—	—	—
Expired	—	—	—
Balance at December 31, 2014	1,116,308	$ 17.58	$ 7.73

At December 31, 2014, the weighted-average remaining contractual term for options outstanding was 3.0 years (2013: 3.3 years).

At December 31, 2014, 1,062,022 (2013: 1,326,694) stock options were exercisable. These options had a weighted-average exercise price of $17.02 (2013: $15.35) and a weighted-average remaining contractual term of 2.7 years (2013: 3.0 years).

The weighted average grant date fair value of options granted during the year ended December 31, 2014 was $15.71 (2013: $13.09, 2012: $11.04). The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2014 was $16.8 million and $16.6 million, respectively (2013: $25.1 million and $24.4 million, respectively). During the year ended December 31, 2014, 53,828 (2013: 45,871, 2012: 36,323) options vested which had a weighted average grant date fair value of $11.76 (2013: $11.08, 2012: $10.55).

Employee Restricted Stock Units

The Company issues restricted stock units ("RSUs") to certain employees as part of the stock incentive plan. The grant date fair value of the RSUs is equal to the price of the Company's Class A ordinary shares on the grant date. Compensation based on the grant date fair market value of the RSUs is expensed on a straight line basis over the vesting period.

For the year ended December 31, 2014, 9,668 (2013: 5,941, 2012: nil) RSUs were issued to employees pursuant to the Company's stock incentive plan. These shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these RSUs will cliff vest after three years from the date of issuance, subject to the grantee's continued service with the Company. On the vesting date, the Company converts each RSU into one Class A ordinary share and issues new Class A ordinary shares from the shares authorized for issuance as part of the Company's stock incentive plan.

The Company recorded $0.13 million of share-based compensation expense, net of forfeitures, relating to RSUs for the year ended December 31, 2014 (2013: $0.03 million, 2012: nil).

Employee RSU activity during the year ended December 31, 2014 was as follows:

	Number of non-vested RSUs	Weighted average grant date fair value
Balance at December 31, 2012	—	—
Granted	5,941	24.41
Vested	—	—
Forfeited	—	—
Balance at December 31, 2013	5,941	$ 24.41
Granted	9,668	32.60
Vested	—	—
Forfeited	—	—
Balance at December 31, 2014	15,609	$ 29.72

For the years ended December 31, 2014, 2013 and 2012, the general and administrative expenses included stock compensation expense (net of forfeitures) of $4.0 million, $3.8 million and $3.7 million, respectively, for the expensing of the fair value of stock options, restricted stocks and RSUs granted to employees and directors.

11. NET INVESTMENT INCOME

A summary of net investment income for the years ended December 31, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
		($ in thousands)	
Realized gains	$ 353,264	$ 141,976	$ 60,762
Change in unrealized gains	(172,402)	154,791	67,569
Investment related foreign exchange gains (losses)	(1,684)	19,305	3,682
Interest and dividend income	31,422	22,265	21,131
Interest, dividend and other expenses	(38,892)	(47,665)	(38,545)
Investment advisor compensation	(49,133)	(72,532)	(35,658)
Net investment income	$ 122,575	$ 218,140	$ 78,941

Interest and dividend income in the above table are net of any withholding taxes. 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 December 31, 2014, investment income, net of all fees and expenses, resulted in a gain of 8.7% on the investment portfolio. This compares to a gain of 19.6% and a gain of 7.1% reported for the years ended December 31, 2013 and 2012, respectively.

12. TAXATION

The Company and Greenlight Re are each domiciled in the Cayman Islands and under current Cayman Islands law, no corporate entity, including the Company and Greenlight Re, is obligated to pay taxes in the Cayman Islands on either income or capital gains. Each of the Company and Greenlight Re intends to conduct all of its operations in a manner that will not cause it to be treated as engaging in a trade or business within the United States and will not cause it to be subject to current U.S. federal income taxation on its net income. However, because there are no definitive standards provided by the Internal Revenue Code, regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, there can be no assurance that the IRS will not successfully assert that the Company or Greenlight Re is engaged in a trade or business within the U.S.

Verdant is incorporated in Delaware, and therefore is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the IRS. Verdant's taxable income is taxed at an effective tax rate of 35%. GRIL is incorporated in Ireland and, therefore, is subject to the Irish corporation tax. GRIL is taxed at a rate of 12.5% on its trading income.

At December 31, 2014, included in the consolidated balance sheet under other assets were taxes recoverable of $0.8 million (2013: taxes payable of $0.3 million) relating to both Verdant and GRIL, and a deferred tax asset of $0.03 million (2013: $0.05 million) primarily relating to Verdant resulting from the temporary differences in recognition of expenses. Based on the timing of the reversal of the temporary differences and likelihood of generating sufficient taxable income to realize the future tax benefit, management believes it is more likely than not that the deferred tax asset and taxes recoverable will be fully realized in the future and therefore no valuation allowance has been recorded.

At December 31, 2014, the Company had a net operating loss carryforward of $1.6 million relating to Verdant which can be carried forward for a period of 20 years and will expire in 2033.

The following table sets forth our current and deferred income tax benefit (expense) on a consolidated basis for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
		($ in thousands)	
Current tax (expense) benefit	$ 638	$ (534)	$ (246)
Tax recovered	—	—	169 [1]
Deferred tax (expense) benefit	(14)	(4)	(9)
Income tax (expense) benefit	$ 624	$ (538)	$ (86)

[1] During the year ended December 31, 2012, $0.2 million of tax refunds were received by GRIL relating to its operating losses for the 2011 tax year which were carried back and applied against the taxes previously paid for the 2010 tax year.

The Company has not taken any tax positions that are subject to uncertainty or that are reasonably likely to have a material impact to the Company, Greenlight Re, GRIL or Verdant.

Federal Excise Taxes

The United States also imposes an excise tax on reinsurance premiums paid to non-U.S. insurers or reinsurers with respect to risks located in the United States. The rate of tax, unless exempted or reduced by an applicable U.S. tax treaty, is 1.0% for all reinsurance premiums. The Company incurs federal excise taxes on certain of its reinsurance transactions, including amounts ceded through intercompany transactions. For the years ended 2014, 2013, and 2012, the Company incurred approximately $2.2 million, $3.5 million and $3.8 million, respectively, of federal excise taxes. These amounts are reflected as acquisition costs in the Company's consolidated statements of income.

13. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

Prior to January 1, 2014, the Company and its reinsurance subsidiaries were party to an investment advisory agreement with DME Advisors (the "prior agreement") under which the Company, its reinsurance subsidiaries and DME Advisors created a joint venture for the purpose of managing certain jointly held assets. Effective January 1, 2014, the prior agreement was amended and restated to replace DME Advisors with DME Advisors, LLC ("DME") as the participant to the joint venture (the "venture agreement"). Simultaneously, the Company, its reinsurance subsidiaries and DME entered into a separate investment advisory agreement with DME Advisors (the "advisory agreement"). DME and DME Advisors are related to the Company and are an affiliate of David Einhorn, Chairman of the Company's Board of Directors.

Pursuant to the venture agreement, performance allocation equal to 20% of the net investment income of the Company's share of the 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 a reduced performance allocation of 10% on net 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 a performance allocation in a year in which the investment portfolio incurs a loss. For the year ended December 31, 2014, performance allocation of $28.5 million (2013: $54.2 million, 2012: $18.8 million) was netted against gross investment income.

Pursuant to the advisory agreement, a monthly management fee, equal to 0.125% (1.5% on an annual basis) of the Company's investment account managed by DME Advisors, is paid to DME Advisors. Included in the net investment income for the year ended December 31, 2014 were management fees of $20.6 million (2013: $18.3 million, 2012: $16.9 million). The management fees have been fully paid as of December 31, 2014.

Pursuant to the venture and advisory agreements, the Company has agreed to indemnify DME 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 investment advisor. The Company will reimburse DME 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 or DME Advisors. For the year ended December 31, 2014, there were no indemnification payments made by the Company.

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners Inc ("GRBK"), a publicly traded company. During the year end December 31, 2014, the Company, along with certain affiliates of DME Advisors, provided debt financing to GRBK and acquired equity shares of GRBK. As of December 31, 2014, $21.6 million of the GRBK debt and $18.4 million of listed equities were included on the Company's balance sheet as *debt instruments, trading, at fair value* and *equity securities, trading, at fair value,* respectively. The debt matures on October 27, 2019, and carries an annual interest rate of 9.0% until October 27, 2015, and 10.0% thereafter. During the year ended December 31, 2014, the Company's investment income included $0.4 million of interest relating to this debt.

Service Agreement

The Company has entered into a service agreement with DME Advisors, pursuant to which DME Advisors provides investor relations services to the Company for compensation of five thousand dollars per month (plus expenses). The agreement is automatically renewed annually until terminated by either the Company or DME Advisors for any reason with 30 days prior written notice to the other party.

14. COMMITMENTS AND CONTINGENCIES

Letters of Credit

At December 31, 2014, the Company had the following letter of credit facilities, which automatically renew each year unless terminated by either party in accordance with the required notice period:

	Facility	Termination Date	Notice period required for termination
	($ in thousands)		
Bank of America, N.A.	$ 200,000	July 20, 2015	90 days prior to termination date
Butterfield Bank (Cayman) Limited	60,000	June 30, 2015	90 days prior to termination date
Citibank Europe plc	400,000	October 11, 2015	120 days prior to termination date
JP Morgan Chase Bank N.A.	100,000	January 27, 2016	120 days prior to termination date
	$ 760,000		

As of December 31, 2014, an aggregate amount of $273.7 million (2013: $379.1 million) in letters of credit were issued under the above facilities. Under the facilities, the Company provides collateral that may consist of equity securities and cash and cash equivalents. As of December 31, 2014, total equity securities, restricted cash, and cash and cash equivalents with a fair value in the aggregate of $302.6 million (2013: $410.3 million) were pledged as security against the letters of credit issued (also see Note 4). Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, and restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of each of these facilities as of December 31, 2014 and 2013.

Operating Lease Obligations

Greenlight Re has entered into lease agreements for office space in the Cayman Islands. Under the terms of the lease agreements, Greenlight Re is committed to annual rent payments ranging from $0.3 million at inception to $0.5 million at lease termination. The leases expire on June 30, 2018 and Greenlight Re has the option to renew the leases for a further five year term. Included in the schedule below are the minimum lease payment obligations relating to these leases as of December 31, 2014.

GRIL has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, GRIL is committed to average annual rent payments denominated in Euros approximating €0.1 million until May 2016 (net of rent inducements), which shall be adjusted to the prevailing market rates for each of three subsequent five-year terms. GRIL has the option to terminate the lease agreement in 2016 and 2021. Included in the schedule below are the net minimum lease payment obligations relating to this lease as of December 31, 2014.

The total rent expense related to leased office space for the year ended December 31, 2014 was $0.5 million, (2013: $0.5 million, 2012: $0.4 million).

Specialist Service Agreement

The Company has entered into a service agreement with a specialist service provider for the provision of administration and support in developing and maintaining business relationships, reviewing and recommending programs and managing risks relating to certain specialty lines of business. The specialist service provider does not have any authority to bind the Company to any reinsurance contracts. Under the terms of the agreement, the Company has committed to quarterly payments to the specialist service provider. If the agreement is terminated, the Company is obligated to make minimum payments for twelve months starting on September 1 of the year in which the agreement is terminated, to ensure contracts to which the Company is bound are adequately administered by the specialist service provider. Included in the schedule below are the minimum payment obligations relating to the agreement as of December 31, 2014.

Private Equity and Limited Partnerships

From time to time the Company makes investments in private equity vehicles. As part of the Company's participation in such private equity investments, the Company may make funding commitments. As of December 31, 2014, the Company had commitments to invest an additional $8.9 million (2013: $6.3 million) in private equity investments. Included in the schedule below are the minimum payment obligations relating to these investments as of December 31, 2014.

Schedule of Commitments and Contingencies

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

	2015	2016	2017	2018	2019	Thereafter	Total
	($ in thousands)						
Operating lease obligations	$ 557	$ 500	$ 466	$ 233	$ —	$ —	$ 1,756
Specialist service agreement	750	300	—	—	—	—	1,050
Private equity and limited partnerships (1)	8,929	—	—	—	—	—	8,929
	$ 10,236	$ 800	$ 466	$ 233	$ —	$ —	$ 11,735

(1) Given the nature of these investments, the Company is unable to determine with any degree of accuracy when these commitments will be called. Therefore, for purposes of the above table, the Company has assumed that all commitments with no fixed payment schedules will be called during the year ended December 31, 2015.

Litigation

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

15. SEGMENT REPORTING

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

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

	Year ended December 31					
	2014		2013		2012	
	($ in thousands)					
Largest broker	$ 161,405	49.8%	$ 282,337	52.7%	$ 242,665	56.7%
2nd largest broker	61,809	19.1	119,117	22.2	63,044	14.7
3rd largest broker	40,773	12.6	—	—	48,497	11.3
	$ 263,987	81.5%	$ 401,454	74.9%	$ 354,206	82.7%

The following tables provide a breakdown of the Company's gross premiums written by line of business and by geographic area of risks insured for the periods indicated:

Gross Premiums Written by Line of Business

	Year ended December 31					
	2014		2013		2012	
			($ in thousands)			
Property						
Aviation	$ 391	0.1%	$ 168	—%	$ —	—%
Commercial	11,529	3.6	9,999	1.9	15,110	3.5
Energy	2,131	0.6	659	0.1	—	—
Motor physical damage	24,008	7.4	57,952	10.8	60,262	14.1
Personal	64,479	19.9	145,807	27.2	81,662	19.1
Total Property	102,538	31.6	214,585	40.0	157,034	36.7
Casualty						
General liability (1)	11,639	3.6	(815)	(0.2)	22,462	5.3
Marine liability	5,120	1.6	1,956	0.4	2,240	0.5
Motor liability	127,858	39.5	253,698	47.4	178,204	41.7
Professional liability	27,009	8.4	29,901	5.6	17,301	4.0
Total Casualty	171,626	53.1	284,740	53.2	220,207	51.5
Specialty						
Financial (1)	5,292	1.6	3,498	0.7	(256)	(0.1)
Health	43,837	13.5	37,094	6.9	33,874	7.9
Workers' compensation (1)	730	0.2	(4,215)	(0.8)	16,985	4.0
Total Specialty	49,859	15.3	36,377	6.8	50,603	11.8
	$ 324,023	100.0%	$ 535,702	100.0%	$ 427,844	100.0%

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

Gross Premiums Written by Geographic Area of Risks Insured

	Year ended December 31					
	2014		2013		2012	
			($ in thousands)			
U.S. and Caribbean	$ 275,402	85.0%	$ 496,949	92.8%	$ 399,410	93.4%
Worldwide (1)	31,106	9.6	9,821	1.8	11,134	2.6
Europe	17,432	5.4	28,932	5.4	17,300	4.0
Asia	83	—	—	—	—	—
	$ 324,023	100.0%	$ 535,702	100.0%	$ 427,844	100.0%

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

16. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The following table presents the quarterly financial results for each of the quarters ended during 2014:

	2014 Quarter ended			
	March 31	June 30	September 30	December 31
	($ in thousands, except per share amounts)			
Revenues				
Gross premiums written	$ 118,901	$ 33,654	$ 97,200	$ 74,268
Gross premiums ceded	(5,940)	(2,759)	(2,706)	(2,088)
Net premiums written	112,961	30,895	94,494	72,180
Change in net unearned premium reserves	(1,272)	56,960	(15,003)	3,025
Net premiums earned	111,689	87,855	79,491	75,205
Net investment income (loss)	(10,150)	113,932	(54,027)	72,820
Other income (expense), net	441	(18)	(22)	12
Total revenues	101,980	201,769	25,442	148,037
Expenses				
Loss and loss adjustment expenses incurred, net	67,363	56,644	53,028	57,951
Acquisition costs, net	37,796	25,570	22,478	21,821
General and administrative expenses	6,459	6,941	3,327	5,199
Total expenses	111,618	89,155	78,833	84,971
Income (loss) before income tax expense	(9,638)	112,614	(53,391)	63,066
Income tax (expense) benefit	560	14	254	(204)
Net income (loss) including non-controlling interest	(9,078)	112,628	(53,137)	62,862
(Income) loss attributable to non-controlling interest in joint venture	197	(3,075)	1,369	(2,174)
Net income (loss)	$ (8,881)	$ 109,553	$ (51,768)	$ 60,688
Earnings per share				
Basic	$ (0.24)	$ 2.94	$ (1.40)	$ 1.62
Diluted	$ (0.24)	$ 2.89	$ (1.40)	$ 1.60
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	36,808,386	37,246,922	36,984,650	37,356,187
Diluted	36,808,386	37,902,106	36,984,650	37,905,836

The following table presents the quarterly financial results for each of the quarters ended during 2013:

	2013 Quarter ended			
	March 31	June 30	September 30	December 31
	($ in thousands)			
Revenues				
Gross premiums written	$ 126,964	$ 135,198	$ 148,765	$ 124,775
Gross premiums ceded	3,978	(2,514)	(2,389)	(1,855)
Net premiums written	130,942	132,684	146,376	122,920
Change in net unearned premium reserves	(21,471)	316	17,515	18,617
Net premiums earned	109,471	133,000	163,891	141,537
Net investment income	61,139	24,247	49,448	83,306
Other income (expense), net	389	(488)	(1)	(850)
Total revenues	170,999	156,759	213,338	223,993
Expenses				
Loss and loss adjustment expenses incurred, net	66,278	78,345	94,366	99,504
Acquisition costs, net	41,296	42,936	53,521	34,119
General and administrative expenses	3,760	5,943	7,085	4,930
Total expenses	111,334	127,224	154,972	138,553
Income before income tax expense	59,665	29,535	58,366	85,440
Income tax (expense) benefit	(308)	(142)	(90)	2
Net income including non-controlling interest	59,357	29,393	58,276	85,442
Income attributable to non-controlling interest in joint venture	(2,624)	(893)	(1,740)	(1,512)
Net income	$ 56,733	$ 28,500	$ 56,536	$ 83,930
Earnings per share				
Basic	$ 1.54	$ 0.77	$ 1.53	$ 2.27
Diluted	$ 1.52	$ 0.76	$ 1.50	$ 2.22
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	36,730,315	36,830,046	36,875,716	36,908,919
Diluted	37,424,894	37,537,500	37,645,053	37,746,223

17. SUBSEQUENT EVENTS

As described in Note 8 - Retrocession, the Company had previously successfully litigated and had been awarded a judgment to collect certain amounts owing to it from a third party retrocessionaire and an affiliate of the retrocessionaire. Subsequent to year end, the Company entered into a settlement agreement whereby scheduled payments would be made to the Company such that the Company would receive in full, with interest, all amounts owing.

GREENLIGHT CAPITAL RE, LTD.
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2014

(expressed in thousands of U.S. dollars)

Type of Investment	Cost	Fair Value	Balance Sheet Value
		($ in thousands)	
Debt instruments, trading, at fair value	$ 53,075	$ 49,212	$ 49,212
Equity securities, trading, at fair value			
Common stocks, listed	1,079,955	1,246,427	1,246,427
Exchange traded funds	42,126	19,748	19,748
Total equity securities, trading, at fair value	1,122,081	1,266,175	1,266,175
Total investments, trading	$ 1,175,156	$ 1,315,387	$ 1,315,387
Other investments, at fair value			
Private and unlisted equities securities	$ 17,238	$ 18,719	$ 18,719
Commodities	95,815	96,872	96,872
Total other investments, at fair value	113,053	115,591	115,591
Total investments	$ 1,288,209	$ 1,430,978	$ 1,430,978

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

(expressed in thousands of U.S. dollars)

	December 31, 2014	December 31, 2013
	($ in thousands)	
Cash and cash equivalents	$ 1	$ 5
Investment in subsidiaries	1,148,308	1,035,423
Note receivable	1,566	3,728
Due from subsidiaries	15,276	16,247
Total assets	$ 1,165,151	$ 1,055,403
Liabilities and shareholders' equity		
Liabilities		
Due to subsidiaries	$ —	$ 3,808
Total liabilities	—	3,808
Shareholders' equity		
Share capital	3,738	3,705
Additional paid-in capital	500,553	496,622
Retained earnings	660,860	551,268
Total shareholders' equity	1,165,151	1,051,595
Total liabilities and shareholders' equity	$ 1,165,151	$ 1,055,403

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF INCOME — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year ended December 31		
	2014	2013	2012
	($ in thousands)		
Revenue			
Investment income	$ 671	$ 1,100	$ 810
Total revenues	671	1,100	810
Expenses			
General and administrative expenses	3,806	3,735	3,603
Net income (loss) before equity in earnings of consolidated subsidiaries	(3,135)	(2,635)	(2,793)
Equity in earnings of consolidated subsidiaries	112,727	228,334	17,391
Consolidated net income	$ 109,592	$ 225,699	$ 14,598

GREENLIGHT CAPITAL RE, LTD.
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF CASH FLOWS — PARENT COMPANY ONLY

(expressed in thousands of U.S. dollars)

	Year Ended December 31		
	2014	**2013**	**2012**
	($ in thousands)		
Cash provided by (used in) operating activities			
Net income	$ 109,592	$ 225,699	$ 14,598
Adjustments to reconcile net income (loss) to cash provided by operating activities			
Equity in earnings of consolidated subsidiaries	(112,727)	(228,334)	(17,391)
Share-based compensation expense	3,964	3,675	3,689
Change in			
Due from subsidiaries	971	(2,006)	(52)
Due to subsidiaries	(3,808)	2,438	587
Net cash (used in) provided by operating activities	(2,008)	1,472	1,431
Investing activities			
Change in note receivable	2,162	(2,053)	(1,675)
Contributed surplus to subsidiaries, net	(158)	59	(85)
Net cash provided by (used in) investing activities	2,004	(1,994)	(1,760)
Financing activities			
Net proceeds from exercise of stock options	—	513	318
Net cash provided by financing activities	—	513	318
Net decrease in cash and cash equivalents	(4)	(9)	(11)
Cash and cash equivalents at beginning of the year	5	14	25
Cash and cash equivalents at end of the year	$ 1	$ 5	$ 14

SCHEDULE III

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY INSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(expressed in thousands of U.S. dollars)

Year	Segment	Deferred acquisition costs, net	Reserves for losses and loss adjustment expenses – gross	Unearned premiums – gross	Net premiums earned	Net investment income (loss)	Net losses, and loss adjustment expenses	Amortization of deferred acquisition costs	Other operating expenses	Gross premiums written
2014	Property & Casualty	$ 34,420	$ 264,243	$ 128,736	$ 354,240	$ 122,575	$ 234,986	$ 107,665	$ 21,926	$ 324,023
2013	Property & Casualty	$ 51,797	$ 329,894	$ 173,057	$ 547,899	$ 218,140	$ 338,493	$ 171,872	$ 21,718	$ 535,702
2012	Property & Casualty	$ 59,177	$ 356,470	$ 188,185	$ 466,714	$ 78,941	$ 366,601	$ 142,721	$ 17,539	$ 427,844

SCHEDULE IV

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY REINSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(expressed in thousands of U.S. dollars)

Year	Segment	Direct gross premiums	Premiums ceded to other companies	Premiums assumed from other companies	Net amount	Percentage of amount assumed to net
2014	Property & Casualty	$ —	$ 13,493	$ 324,023	$ 310,530	104%
2013	Property & Casualty	$ —	$ 2,780	$ 535,702	$ 532,922	101%
2012	Property & Casualty	$ —	$ (24,275)	$ 427,844	$ 452,119	95%