Consolidated Financial Statements of

GREENLIGHT CAPITAL RE, LTD.

December 31, 2017 and 2016

GREENLIGHT CAPITAL RE, LTD.

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Greenlight Capital Re, Ltd. (the Company) and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, 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 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2006.

BDO USA, LLP

February 20, 2018

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Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Greenlight Capital Re, Ltd.'s (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

BDO USA, LLP

February 20, 2018

GREENLIGHT CAPITAL RE, LTD.
CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2017	2016
Assets		
Investments		
Debt instruments, trading, at fair value	$ 7,180	$ 22,473
Equity securities, trading, at fair value	1,203,672	844,001
Other investments, at fair value	152,132	156,063
Total investments	1,362,984	1,022,537
Cash and cash equivalents	27,285	39,858
Restricted cash and cash equivalents	1,503,813	1,202,651
Financial contracts receivable, at fair value	12,893	76,381
Reinsurance balances receivable	301,762	219,126
Loss and loss adjustment expenses recoverable	29,459	2,704
Deferred acquisition costs, net	62,350	61,022
Unearned premiums ceded	25,120	2,377
Notes receivable, net	28,497	33,734
Other assets	3,230	4,303
Total assets	$ 3,357,393	$ 2,664,693
Liabilities and equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 912,797	$ 859,902
Financial contracts payable, at fair value	22,222	2,237
Due to prime brokers and other financial institutions	672,700	319,830
Loss and loss adjustment expense reserves	464,380	306,641
Unearned premium reserves	255,818	222,527
Reinsurance balances payable	144,058	41,415
Funds withheld	23,579	5,927
Other liabilities	10,413	14,527
Total liabilities	2,505,967	1,773,006
Redeemable non-controlling interest in related party joint venture	7,169	5,884
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, 31,104,830 (2016: 31,111,432): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding, 6,254,715 (2016: 6,254,895))	3,736	3,737
Additional paid-in capital	503,316	500,337
Retained earnings	324,272	370,168
Shareholders' equity attributable to shareholders	831,324	874,242
Non-controlling interest in related party joint venture	12,933	11,561
Total equity	844,257	885,803
Total liabilities, redeemable non-controlling interest and equity	$ 3,357,393	$ 2,664,693

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, 2017, 2016 and 2015
(expressed in thousands of U.S. dollars, except per share and share amounts)

	2017	2016	2015
Revenues			
Gross premiums written	$ 692,651	$ 536,072	$ 502,124
Gross premiums ceded	(56,587)	(10,015)	(9,001)
Net premiums written	636,064	526,057	493,123
Change in net unearned premium reserves	(10,060)	(12,939)	(84,736)
Net premiums earned	626,004	513,118	408,387
Net investment income (loss) [net of related party expenses of $19,863, $24,543 and $19,246]	20,231	76,183	(281,924)
Other income (expense), net	(560)	(935)	(3,413)
Total revenues	645,675	588,366	123,050
Expenses			
Loss and loss adjustment expenses incurred, net	502,404	380,815	317,097
Acquisition costs, net	161,740	134,534	116,207
General and administrative expenses	26,356	25,808	23,434
Total expenses	690,500	541,157	456,738
Income (loss) before income tax	(44,825)	47,209	(333,688)
Income tax (expense) benefit	451	(509)	1,755
Net income (loss) including non-controlling interest	(44,374)	46,700	(331,933)
Loss (income) attributable to non-controlling interest in related party joint venture	(578)	(1,819)	5,508
Net income (loss)	$ (44,952)	$ 44,881	$ (326,425)
Earnings (loss) per share			
Basic	$ (1.21)	$ 1.20	$ (8.90)
Diluted	$ (1.21)	$ 1.20	$ (8.90)
Weighted average number of ordinary shares used in the determination of earnings and loss per share			
Basic	37,002,260	37,267,145	36,670,466
Diluted	37,002,260	37,340,018	36,670,466

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, 2017, 2016 and 2015
(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, 2014	$ 3,738	$ 500,553	$ 660,860	$ 1,165,151	$ 14,233	$ 1,179,384
Issue of Class A ordinary shares, net of forfeitures	26	—	—	26	—	26
Repurchase of Class A ordinary shares	(61)	(8,483)	(9,148)	(17,692)	—	(17,692)
Share-based compensation expense, net of forfeitures	—	4,248	—	4,248	—	4,248
Short-swing sale profit from shareholder	—	83	—	83	—	83
Change in non-controlling interest in related party joint venture	—	—	—	—	(3,115)	(3,115)
Net income (loss)	—	—	(326,425)	(326,425)	—	(326,425)
Balance at December 31, 2015	$ 3,703	$ 496,401	$ 325,287	$ 825,391	$ 11,118	$ 836,509
Issue of Class A ordinary shares, net of forfeitures	34	—	—	34	—	34
Share-based compensation expense, net of forfeitures	—	3,936	—	3,936	—	3,936
Change in non-controlling interest in related party joint venture	—	—	—	—	443	443
Net income (loss)	—	—	44,881	44,881	—	44,881
Balance at December 31, 2016	$ 3,737	$ 500,337	$ 370,168	$ 874,242	$ 11,561	$ 885,803
Issue of Class A ordinary shares, net of forfeitures	13	—	—	13	—	13
Repurchase of Class A ordinary shares	(14)	(1,861)	(944)	(2,819)	—	(2,819)
Share-based compensation expense, net of forfeitures	—	4,840	—	4,840	—	4,840
Change in non-controlling interest in related party joint venture	—	—	—	—	1,372	1,372
Net income (loss)	—	—	(44,952)	(44,952)	—	(44,952)
Balance at December 31, 2017	$ 3,736	$ 503,316	$ 324,272	$ 831,324	$ 12,933	$ 844,257

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, 2017, 2016 and 2015
(expressed in thousands of U.S. dollars)

	2017	2016	2015
Cash provided by (used in) operating activities			
Net income (loss)	$ (44,952)	$ 44,881	$ (326,425)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities			
Net change in unrealized gains and losses on investments and financial contracts	41,444	(209,993)	265,401
Net realized (gains) losses on investments and financial contracts	(87,618)	113,836	(22,227)
Foreign exchange (gains) losses on restricted cash and investments	5,292	3,094	6,225
Income (loss) attributable to total non-controlling interest in related party joint venture	578	1,819	(5,508)
Share-based compensation expense, net of forfeitures	4,853	3,970	4,274
Depreciation expense	368	390	405
Net change in			
Reinsurance balances receivable	(82,636)	(31,186)	(83,113)
Loss and loss adjustment expenses recoverable	(26,755)	664	(916)
Deferred acquisition costs, net	(1,328)	(1,199)	(25,403)
Unearned premiums ceded	(22,743)	874	776
Other assets	705	2,171	(1,791)
Loss and loss adjustment expense reserves	157,739	644	41,754
Unearned premium reserves	33,291	10,573	83,218
Reinsurance balances payable	102,643	23,089	7,524
Funds withheld	17,652	(1,216)	585
Other liabilities	(4,114)	1,802	(2,224)
Net cash provided by (used in) operating activities	94,419	(35,787)	(57,445)
Investing activities			
Purchases of investments, trading	(1,120,549)	(1,310,837)	(1,252,969)
Sales of investments, trading	1,036,665	1,470,118	1,388,162
Payments for financial contracts	(24,714)	(60,414)	(25,765)
Proceeds from financial contracts	82,789	20,426	7,002
Securities sold, not yet purchased	1,120,506	699,237	892,085
Dispositions of securities sold, not yet purchased	(1,253,176)	(792,970)	(1,068,891)
Change in due to prime brokers and other financial institutions	352,870	(76,623)	185,383
Change in restricted cash and cash equivalents, net	(308,241)	36,972	50,400
Change in notes receivable, net	5,237	(8,588)	2,279
Non-controlling interest contribution into (withdrawal from) related party joint venture, net	2,079	(7,756)	—
Net cash provided by (used in) investing activities	(106,534)	(30,435)	177,686
Financing activities			
Short-swing sale profit from shareholder	—	—	83
Repurchase of Class A ordinary shares	(2,819)	—	(17,692)
Net cash provided by (used in) financing activities	(2,819)	—	(17,609)
Effect of foreign exchange rate changes on cash and cash equivalents	2,361	(6,082)	(2,500)
Net increase (decrease) in cash and cash equivalents	(12,573)	(72,304)	100,132
Cash and cash equivalents at beginning of the period	39,858	112,162	12,030
Cash and cash equivalents at end of the period	$ 27,285	$ 39,858	$ 112,162
Supplementary information			
Interest paid in cash	$ 10,062	$ 7,823	$ 21,959
Income tax paid in cash	—	—	—
Non-cash transfer to notes receivable	—	—	25,859

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, Designated Activity Company ("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 Union (Insurance and Reinsurance) Regulations 2015 ("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

Prior to the year ended December 31, 2017, the Company presented the redeemable and non-redeemable portion of the non-controlling interest in the related party joint venture under the permanent equity section of the balance sheet. The United States Securities and Exchange Commission ("SEC") guidance, which is applicable to SEC registrants, requires shares, that are not required to be accounted for in accordance with Financial Accounting Standards Board ("FASB") ASC Topic *Distinguishing Liabilities from Equity*, and having redemption features that are not solely within the control of the issuer, to be classified outside of the permanent equity section and instead presented in the mezzanine section of the consolidated balance sheets.

At December 31, 2017, the Company has presented the redeemable non-controlling interest in the related party joint venture in the mezzanine section on the Company's consolidated balance sheet in accordance with the SEC guidance noted above. The comparative consolidated balance sheet at December 31, 2016 and the consolidated statement of shareholders' equity for the year ended December 31, 2016, have been reclassified to conform to the current period presentation of the redeemable non-controlling interest in the related party joint venture. The reclassification had no impact on shareholders' equity attributable to shareholders or retained earnings. In addition, this change did not impact the consolidated statements of income, earnings per share or consolidated statement of cash flows. The Company has evaluated the effect of the change in presentation, both qualitatively and quantitatively, and concluded that it did not have a material impact on any previously filed annual or quarterly consolidated financial statements. See Note 13 for additional information regarding the non-controlling interests in the related party joint venture.

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 derivatives. Additionally, restricted cash and cash equivalent balances are held to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 4 and 6). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased, and the collateral required by the cedents in the form of trust accounts and letters of credit. 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. Similarly for ceded contracts that do not transfer sufficient risk, deposit accounting is used and the contract is reported as a deposit asset.

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 the terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of 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 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 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 upon the occurrence of a 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 contract period, are earned over the remaining coverage period. For additional premiums which are due on a contract that has no remaining coverage period, the additional premiums are earned in full when due.

Certain contracts may provide for a penalty to be paid if the contract is terminated and canceled 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), net”.

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, 2017 and 2016, 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, 2017, $11.9 million (2016: $15.2 million) of profit commission reserves were included in reinsurance balances payable on the consolidated balance sheets. For the year ended December 31, 2017, $2.0 million, (2016: $6.5 million, 2015: $7.5 million respectively) of net profit commission expense was included in acquisition costs in the consolidated statements of income.

Funds Withheld

Funds withheld include reinsurance balances retained by the Company on retroceded contracts as collateral in accordance with the contract terms. Any interest expense that the Company incurs while these funds are withheld, are included under net investment income (loss) 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 at least quarterly and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss 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.

Consideration paid by the Company for retroactive reinsurance that meets the conditions for reinsurance accounting (e.g. loss portfolio transfers) are reported as loss and loss adjustment expenses recoverable to the extent those amounts do not exceed the associated liabilities. If the amounts paid for retroactive reinsurance exceed the liabilities, the Company increases the related liabilities at the time the reinsurance contract is effective, and the excess is charged to net income as losses incurred. If the liabilities exceed the amounts paid, the recoverable balance is increased to reflect the difference, and the resulting gain is deferred and amortized over the estimated loss payout period. Changes in the estimated amount of liabilities relating to the underlying reinsured contracts are recognized in net income in the period of the change.

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. Interest income and realized gains or losses on sale of notes receivable are included under net investment income (loss) in the consolidated statements of income.

The Company regularly reviews all notes receivable individually for impairment and records valuation allowance provisions for uncollectible and non-performing notes. The Company places notes on non-accrual status when the recorded value of the note is not considered impaired but there is uncertainty as to the collection of interest in accordance with the terms of the note. For notes receivable placed on non-accrual status, the notes are recorded excluding any accrued interest amount. 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, 2017, $14.4 million of notes receivable (net of any valuation allowance) were on non-accrual status (2016: $18.6 million) and any payments received were applied to reduce the recorded value of the notes.

At December 31, 2017 and 2016, $0.1 million and nil, respectively, of accrued interest was included in the notes receivable balance. Based on management's assessment, the recorded values of the notes receivable, net of valuation allowance, at December 31, 2017 and 2016, were expected to be fully collectible.

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. The deposit method of accounting requires an asset or liability to be recognized based on the consideration paid or received. The deposit asset or liability balance is subsequently adjusted using the interest method with a corresponding income or expense recorded in the consolidated statements of income as other income or expense. The Company's deposit assets and liabilities are recorded in the consolidated balance sheets under reinsurance balances receivable and reinsurance balances payable, respectively. At December 31, 2017, deposit assets and deposit liabilities were $19.4 million and $28.1 million, respectively. For the year ended December 31, 2017, interest expense and interest income on deposit accounted contracts were $0.6 million and $0.2 million, respectively. At December 31, 2016 there were no material deposit assets or deposit liabilities.

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 certain private equity fund investments, the Company has elected to measure the fair value using the net asset value practical expedient allowed under U.S. GAAP, and accordingly these investments are not classified as Level 1, 2 or 3 in the fair value hierarchy.

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 agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off outstanding balances due from the defaulting party against payments owed to the defaulting party or collateral held by the non-defaulting party. The Company may from time to time enter into underwriting contracts such as industry loss warranty contracts ("ILW") that are treated as derivatives for U.S. GAAP purposes.

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 each contract’s current fair value, the Company will be obligated to make payments upon settlement of the contract.

Total return swap agreements, included on the 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 may purchase and sell 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, net of any estimated or expected forfeitures. Effective from the year ended December 31, 2016, the forfeiture rate is estimated based on the Company’s historical actual forfeitures relating to restricted shares and RSUs granted to employees. The forfeiture rate is reviewed annually and adjusted as necessary. No forfeiture rate is used for restricted shares granted to directors which vest over a twelve-month 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. In determining the grant date fair value, 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. 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.

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 "other income (expense), net" 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, 2017, other liabilities included accrued bonus of $6.4 million (2016: $9.0 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 three to five years from the end of the fiscal year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation 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 dividends payable on investments and accruals for 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 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 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		
	2017	**2016**	**2015**
Weighted average shares outstanding - basic	37,002,260	37,267,145	36,670,466
Effect of dilutive employee and director share-based awards	—	72,873	—
Weighted average shares outstanding - diluted	37,002,260	37,340,018	36,670,466
Anti-dilutive stock options outstanding	358,741	435,991	211,821
Participating securities excluded from calculation of loss per share	331,510	—	307,013

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 marginal rate of 21% (2016: 35%). Verdant's tax years 2014 and beyond, remain open and subject to examination by the IRS.

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.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The new guidance is intended to improve the recognition and measurement of financial instruments. ASU 2016-01, among other things, requires equity investments to be measured at fair value with changes in fair value recognized in net income or loss, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. ASU 2016-01 affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of adopting ASU 2016-01 on the Company's consolidated financial statements. However, the adoption of this guidance is not expected to have a significant impact on the Company's net income or loss or retained earnings since the Company's investments are currently classified as "trading" and the unrealized gains and losses are already recognized in net income or loss.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted for any organization in any interim or annual period. The Company currently has two operating leases for its office spaces as disclosed in Note 14 of the consolidated financial statements. The Company is in the process of evaluating the impact of adopting ASU 2016-02 on the Company's consolidated financial statements and anticipates implementing ASU 2016-02 during the first quarter of fiscal year 2019.

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

In November 2016, the FASB issued ASU 2016-18, "Statements of Cash Flows - Restricted Cash (Topic 230)" ("ASU 2016-18"). ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents in the statement of cash flows and disclose the nature of the restrictions on cash and cash equivalents. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company currently presents changes in restricted cash and cash equivalents under investing activities in the consolidated statements of cash flows. Upon adoption of ASU 2016-18, the Company will amend the presentation in the statement of cash flows to include the restricted cash and cash equivalents with cash and cash equivalents in the consolidated statements of cash flows and will retrospectively reclassify all periods presented.

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation - Scope of Modification Accounting (Topic 718) (“ASU 2017-09”). ASU 2017-09 provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. ASU 2017-09 will impact the Company to the extent that there are changes to terms and conditions of the Company’s share-based payment awards after the adoption date. The Company does not anticipate making modifications to its share-based payment awards so the adoption of ASU 2017-09 is not expected to have a material impact on the Company’s consolidated financial statements.

The FASB has issued ASU No. 2014-09, “Revenue from Contracts with Customers”, and related amendments, ASU 2015-14, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-05 and ASU 2017-13, (collectively, “Topic 606”). Topic 606 creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of non-financial assets, unless those contracts are within the scope of other standards, such as insurance contracts. Topic 606 becomes effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company will adopt Topic 606 on the effective date and since all of the Company’s revenues relate to reinsurance contracts and investment income, the adoption of Topic 606 is not expected to have a material impact on the Company’s revenues.

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. The Company mitigates its exposure to counterparty risk by obtaining collateral from its counterparties based on the value of the financial contracts receivable. In addition, the Company is exposed to credit risk on corporate and sovereign debt instruments to the extent that the debtors may default on their debt obligations.

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be 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. The investment advisor may be limited in its ability to trade certain investments on behalf of the Company.

Purchases and sales of investments are disclosed in the consolidated statements of cash flows. Net realized gains on the sale of investments, financial contracts, and investments sold, not yet purchased during 2017 were $87.6 million (2016: $113.8 million losses, 2015: $22.2 million gains). Gross realized gains during 2017 were $267.9 million (2016: $188.7 million, 2015: $350.5 million) and gross realized losses were $180.3 million (2016: $302.5 million, 2015: $328.3 million). For the year ended December 31, 2017, included in net investment income in the consolidated statements of income were $41.4 million of net losses (2016: $210.0 million of net gains, 2015: $265.4 million of net losses) relating to change in unrealized gains and losses on trading securities still held at the balance sheet date.

As of December 31, 2017, cash and investments with a fair value of $200.4 million (2016: $310.9 million) have been pledged as security against letters of credit issued, and $377.9 million (2016: $86.4 million) have been pledged as security relating to regulatory trusts.

As of December 31, 2017, the Company’s investments in General Motors, Brighthouse Financial Inc, gold and gold derivatives, Bayer AG and Mylan NV were in excess of 10% of the Company’s total shareholders’ equity, with fair values of $205.5 million, or 24.3%, $132.4 million or 15.7%, $121.5 million, or 14.4%, $103.6 million or 12.3% and $84.8 million or 10.0%, respectively, of total shareholders’ equity.

As of December 31, 2016, the Company’s investment in gold and gold derivatives and General Motors were the only investments in excess of 10% of the Company’s total shareholders’ equity, with fair values of $137.3 million, or 15.5%, and $92.9 million, or 10.5%, respectively, of total 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, 2017:

	Fair value measurements as of December 31, 2017			
Description	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
		($ in thousands)		
Assets:				
Debt instruments	$ —	$ 6,300	$ 880	$ 7,180
Listed equity securities	1,181,150	22,522	—	1,203,672
Commodities	121,502	—	—	121,502
Private and unlisted equity securities	—	—	6,108	6,108
	$ 1,302,652	$ 28,822	$ 6,988	$ 1,338,462
Unlisted equity funds measured at net asset value [1]				24,522
Total investments				$ 1,362,984
Financial contracts receivable	$ 22	$ 12,871	$ —	$ 12,893
Liabilities:				
Listed equity securities, sold not yet purchased	$ (812,652)	$ —	—	$ (812,652)
Debt instruments, sold not yet purchased	—	(100,145)	—	(100,145)
Total securities sold, not yet purchased	$ (812,652)	$ (100,145)	—	$ (912,797)
Financial contracts payable	$ —	$ (22,222)	—	$ (22,222)

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

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

Description	Fair value measurements as of December 31, 2016			
	Quoted prices in active markets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	($ in thousands)			
Assets:				
Debt instruments	$ —	$ 21,819	$ 654	$ 22,473
Listed equity securities	823,421	20,580	—	844,001
Commodities	137,296	—	—	137,296
Private and unlisted equity securities	—	—	6,109	6,109
	$ 960,717	$ 42,399	$ 6,763	$ 1,009,879
Unlisted equity funds measured at net asset value [1]				12,658
Total investments				$ 1,022,537
Financial contracts receivable	$ 20	$ 76,361	$ —	$ 76,381
Liabilities:				
Listed equity securities, sold not yet purchased	$ (770,267)	$ —	$ —	$ (770,267)
Debt instruments, sold not yet purchased	—	(89,635)	—	(89,635)
Total securities sold, not yet purchased	$ (770,267)	$ (89,635)	$ —	$ (859,902)
Financial contracts payable	$ —	$ (2,237)	$ —	$ (2,237)

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

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2017		
	Assets		
	Debt instruments	**Private and unlisted equity securities**	**Total**
	($ in thousands)		
Beginning balance	$ 654	$ 6,109	$ 6,763
Purchases	—	1,750	1,750
Sales	—	—	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	226	17	243
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(1,768)	(1,768)
Ending balance	$ 880	$ 6,108	$ 6,988

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

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, 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Year ended December 31, 2016		
	Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$ 505	$ 8,452	$ 8,957
Purchases	—	—	—
Sales	—	(2,539)	(2,539)
Total realized and unrealized gains (losses) and amortization included in earnings, net	149	196	345
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$ 654	$ 6,109	$ 6,763

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

As of December 31, 2017, the Company held investments in unlisted equity funds of $24.5 million (December 31, 2016: $12.7 million) with fair values measured using the unadjusted net asset values and performance estimates as reported by the managers of these funds as a practical expedient. Some of these net asset values were reported from periods prior to December 31, 2017. The unlisted equity funds have varying lock-up periods and, as of December 31, 2017, all of the funds had redemption restrictions. The redemption restrictions have been in place since inception of the investments. One of the unlisted equity funds may be redeemed after December 31, 2018 while the redemption restrictions for the other funds are not expected to lapse in the near future. As of December 31, 2017, the Company had $6.5 million (December 31, 2016: $9.2 million) of unfunded commitments relating to unlisted equity funds whose fair values are determined based on unadjusted net asset values reported by the managers of these funds. These commitments are included in the amounts presented in the schedule of commitments and contingencies in Note 14 of these consolidated financial statements.

For the year ended December 31, 2017, included in net investment income in the consolidated statements of income were net realized losses relating to Level 3 securities of nil (2016: net realized losses of $1.4 million).

For Level 3 securities still held as of the reporting date, the change in net unrealized gains for the year ended December 31, 2017 of $0.2 million (2016: net unrealized gains $0.3 million), were included in net investment income (loss) in the consolidated statements of income.

Investments

Debt instruments, trading

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

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

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

	Cost/ amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$ 21,294	$ 6,509	$ (5,331)	$ 22,472
Corporate debt – Non U.S.	2,109	—	(2,108)	1
Total debt instruments	$ 23,403	$ 6,509	$ (7,439)	$ 22,473

The maturity distribution for debt instruments held at December 31, 2017 and 2016, was as follows:

	2017		2016	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
	($ in thousands)			
Within one year	$ 7,557	$ 441	$ —	$ —
From one to five years	—	—	17,803	19,492
From five to ten years	2,109	52	4,649	2,327
More than ten years	6,782	6,687	951	654
	$ 16,448	$ 7,180	$ 23,403	$ 22,473

Equity securities, trading

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

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

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

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Equities – listed	$ 753,813	$ 115,379	$ (40,706)	$ 828,486
Exchange traded funds	15,056	459	—	15,515
Total equity securities	$ 768,869	$ 115,838	$ (40,706)	$ 844,001

Other Investments

“Other investments” include commodities and private securities and unlisted funds. As of December 31, 2017 and 2016, all commodities were comprised of gold bullion.

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

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Commodities	$ 101,184	$ 20,318	$ —	$ 121,502
Private and unlisted equity funds	25,316	5,314	—	30,630
	$ 126,500	$ 25,632	$ —	$ 152,132

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

	Cost	Unrealized gains	Unrealized losses	Fair value
		($ in thousands)		
Commodities	$ 130,671	$ 6,625	$ —	$ 137,296
Private and unlisted equity funds	14,418	4,375	(26)	18,767
	$ 145,089	$ 11,000	$ (26)	$ 156,063

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 establish a position in a security sold, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealized gain or loss is recorded. At the time the transaction is closed, the Company realizes a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

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

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

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

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$ (690,270)	$ 30,768	$ (110,765)	$ (770,267)
Sovereign debt – Non U.S.	(96,230)	6,595	—	(89,635)
	$ (786,500)	$ 37,363	$ (110,765)	$ (859,902)

Financial Contracts

As of December 31, 2017 and 2016, the Company had entered into total return equity swaps, interest rate swaps, commodity swaps, options, warrants, rights, futures and forward contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these 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, 2017, the fair values of financial contracts outstanding were as follows:

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

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.
[2] Includes options on the Chinese Yuan, denominated in U.S. dollars.

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

Financial Contracts	Listing currency [1]	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts	
		($ in thousands)		
Financial contracts receivable				
Call options	USD	134,495	$	26,508
Commodity Swaps	USD	82,009		13,506
Interest rate swaps	JPY	20,490		218
Put options [2]	USD	115,481		6,703
Total return swaps – equities	EUR/GBP/USD	100,199		29,413
Warrants and rights on listed equities	EUR/USD	67		33
Total financial contracts receivable, at fair value			$	76,381
Financial contracts payable				
Forwards	KRW	6,880		(118)
Put options	USD	815		(172)
Total return swaps – equities	EUR/GBP/KRW/RON/USD	31,257		(1,947)
Total financial contracts payable, at fair value			$	(2,237)

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.
[2] Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

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.

As of December 31, 2017, the Company held no OTC put options (long) (December 31, 2016: $6.7 million) and $0.1 million OTC call options (long) (December 31, 2016: $22.4 million).

During the years ended December 31, 2017, 2016 and 2015, 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		
		2017	2016	2015
		($ in thousands)		
Commodity swaps	Net investment income (loss)	$ (9,293)	$ 10,474	$ (12,061)
Credit default swaps, purchased – corporate debt	Net investment income (loss)	—	—	(156)
Credit default swaps, purchased – sovereign debt	Net investment income (loss)	—	—	(90)
Forwards	Net investment income (loss)	2,507	(302)	1,009
Futures	Net investment income (loss)	(399)	376	(952)
Interest rate swaps	Net investment income (loss)	136	218	(706)
Options, warrants, and rights	Net investment income (loss)	(18,455)	10,261	(13,955)
Total return swaps – equities	Net investment income (loss)	2,281	28,612	(12,590)
Weather derivative swap	Other income (expense), net	—	—	(2,340)
Total		$ (23,223)	$ 49,639	$ (41,841)

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

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

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

For the year ended December 31, 2016, the Company's volume of derivative activities (based on notional amounts) was as follows:

	Year ended December 31, 2016	
Derivatives not designated as hedging instruments (notional amounts)	**Entered**	**Exited**
	($ in thousands)	
Commodity swaps	$ 141,534	$ 100,045
Forwards	6,880	3,128
Futures	1,966,368	1,988,782
Interest rate swaps	20,490	—
Options, warrants and rights [1]	462,429	366,285
Total return swaps	86,688	59,810
Total	$ 2,684,389	$ 2,518,050

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

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

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

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

As of December 31, 2016, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2016	**(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**	**Net amounts of assets (liabilities) presented in the balance**	**Financial instruments available for offset**	**Cash collateral (received) pledged**	**Net amount of asset (liability)**
			($ in thousands)			
Financial contracts receivable	$ 76,381	$ —	$ 76,381	$ (938)	$ (44,572)	$ 30,871
Financial contracts payable	(2,237)	—	(2,237)	938	1,299	—

4. DUE TO PRIME BROKERS AND OTHER FINANCIAL INSTITUTIONS

As of December 31, 2017, the amount due to prime brokers is comprised of margin-borrowing from prime brokers and custodians relating to investments purchased on margin as well as margin-borrowing for providing collateral to support some of the Company's outstanding letters of credit and trust accounts (see Notes 6 and 14). Under term margin agreements with prime brokers and revolving credit facilities with custodians and certain letter of credit facility agreements, the Company pledges certain investment securities to borrow cash. The cash borrowed under letter of credit facility agreements is placed in a custodial account in the name of the Company and this custodial account provides collateral for any letters of credit issued. Similarly for the trust accounts, the Company may borrow cash from prime brokers or custodians which is placed in a trust account for the benefit of the cedent. Since there is no legal right of offset, the Company's liability for the cash borrowed from the prime brokers and custodians is included on the consolidated balance sheets as due to prime brokers and other financial institutions while the cash held in the custodial account and trust accounts are included on the consolidated balance sheets as restricted cash and cash equivalents.

	December 31, 2017	December 31, 2016
	($ in thousands)	
Due to Prime Brokers	$ 647,700	$ 319,830
Due to Other Financial Institutions	25,000	—
	$ 672,700	$ 319,830

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 relating to investing activities for periods of less than 30 days.

5. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
	($ in thousands)	
Cash at banks	$ 27,239	$ 39,368
Cash held with brokers	46	490
Total cash and cash equivalents	$ 27,285	$ 39,858

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 the amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased. Swap counterparties also 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.

Restricted cash and cash equivalents also include amounts held by the Company to provide collateral required by the cedents in the form of trust accounts and letters of credit (see Notes 4 and 14). As of December 31, 2017 and 2016, the restricted cash and cash equivalents were comprised of the following:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Cash held by prime brokers relating to securities sold, not yet purchased	$ 912,796	$ 859,901
Cash collateral relating to letters of credit issued	173,748	234,348
Cash held as collateral in trust accounts	377,932	86,351
Cash and cash equivalents held by swap counterparties	39,337	22,051
Total restricted cash and cash equivalents	$ 1,503,813	$ 1,202,651

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

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

- case reserves resulting from claims notified to the Company by its clients;
- incurred but not reported ("IBNR") losses; and
- estimated loss adjustment expenses.

Case reserves are provided by the clients, and IBNR losses are estimated for each reporting period based on a review of all data available for each individual contract in the portfolio.

The Company establishes loss reserves based on estimates of the ultimate cost of all losses including IBNR. These estimated ultimate reserves are based on internal actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company at least quarterly and adjusted when necessary. Since reserves are estimates, the setting of appropriate reserves is an inherently uncertain process. The estimates are based upon actuarial and statistical projections, an assessment of currently available data, predictions of future developments and estimates of future trends and other factors. The final settlement of losses may vary, perhaps materially, from the reserves recorded. All adjustments to the estimates are recorded in the period in which they are determined. U.S. GAAP does not permit establishing loss reserves, which include case reserves and IBNR loss reserves, until the occurrence of an event which may give rise to a claim. As a result, only loss reserves applicable to losses incurred up to the reporting date are established, with no allowance for the establishment of loss reserves to account for expected future loss events.

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

For all non-natural peril business, initial reserves for each individual contract are based on the expected loss and loss expense ratio calculated at the time the business was originally priced. In the pricing analysis, the Company utilizes a significant amount of information both from the individual client and from industry data. This typically includes, but is not limited to, data related to premiums, losses, exposure, business mix, industry performance and associated trends covering as much history as deemed appropriate. The level of detail within the data obtained varies greatly depending on the underlying contract, line of business, client and/or coverage provided. For example, the Company may receive more detailed data on a workers' compensation quota share contract with a single counterparty than on a global professional liability book where it takes a small following share of the risk ceded to the reinsurance marketplace. In all cases, the Company requests each client to provide data for each reporting period, which, depending on the contract, could be on a monthly or quarterly basis. The exact data reporting requirements are specified in the terms and conditions of each contract. Where practical, historic reserving data that is received from a client is compared to publicly available financial statements of the client to identify, confirm and monitor the accuracy and completeness of the data. To the extent that relevant client and/or industry data is not available, the Company places reliance on the judgment and experience of its underwriters and actuaries in determining appropriate reserves to hold.

Generally, the Company obtains regular updates of premium and loss related information for the current period and historical periods, which are utilized to update the initial expected loss and loss expense ratio. There may be a time lag from when claims are reported by the underlying insured to the client and subsequently when the client reports the claims to the Company. This time lag may impact the Company's loss reserve estimates from period to period. Client reports have pre-determined reporting dates of when they are due (for example, fifteen days after month end). As such, the time lag in the client's reporting depends upon the terms of the specific contract. The timing of the reporting requirements is designed so that the Company receives premium and loss information as soon as practicable once the client has closed its books. Accordingly, there should be a short lag in such reporting. Additionally, most of the contracts that have the potential for large single event losses have provisions that such loss notifications need to be received immediately upon the occurrence of an event. Once the updated information is received, the Company uses a variety of standard actuarial methods for its analysis each quarter. Such methods may include the:

- ***Paid Loss Development Method.*** Ultimate losses are estimated by calculating past paid loss development factors and applying them to exposure periods with further expected paid loss development. The paid loss development method assumes that losses are paid in a consistent pattern. It provides an objective test of reported loss projections because paid losses contain no reserve estimates.
- ***Reported Loss Development Method.*** Ultimate losses are estimated by calculating past reported loss development factors and applying them to exposure periods with further expected reported loss development. Since reported losses include payments and case reserves, changes in both of these amounts are incorporated in this method.
- ***Expected Loss Ratio Method.*** Ultimate losses are estimated by multiplying earned premiums by an expected loss ratio. The expected loss ratio is selected using industry data, historical company data and actuarial professional judgment. This method is typically used for lines of business and contracts where there are no historical losses or where past loss experience is not credible.
- ***Bornhuetter-Ferguson Paid Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent that paid losses experienced to date differ from what would have been expected to have been paid based upon the selected paid loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of paid losses to calculate ultimate losses.
- ***Bornhuetter-Ferguson Reported Loss Method.*** Ultimate losses are estimated by modifying expected loss ratios to the extent reported losses experienced to date differ from what would have been expected to have been reported based upon the selected reported loss development pattern. This method avoids some of the distortions that could result from a large development factor being applied to a small base of reported losses to calculate ultimate losses.
- ***Frequency / Severity Method.*** Ultimate losses are estimated under this method by multiplying the ultimate number of claims (i.e. the frequency multiplied by the exposure base on which the frequency has been determined), by the estimated ultimate average cost per claim (i.e. the severity). By analyzing claims experience by its frequency and severity components, the Company can examine trends and patterns in the rates of claims emergence (i.e. reporting) and settlement (i.e. closure) as well as in the average cost of claims. The approach is valuable because sometimes there is more inherent stability in the frequency and severity data when viewed separately rather than in the total

In addition, the Company may supplement its analysis with other reserving methodologies that are deemed to be relevant to specific contracts.

For each contract, the Company utilizes reserving methodologies that are deemed appropriate to calculate a best estimate, or point estimate, of reserves. The decision of whether to use a single methodology or a combination of multiple methodologies depends upon the segment of the portfolio being analyzed and the judgment of the actuaries. The Company's reserving methodology does not require a fixed weighting of the various methods used. Certain methods are considered more appropriate depending on the type and structure of the contract, the age and maturity of the contract, and the duration of the expected paid losses on the contract. For example, the data estimation for contracts that are relatively new and therefore, have little paid loss development, is more appropriately considered using the Bornhuetter-Ferguson Reported Loss Method than a paid loss development method.

The Company's gross aggregate reserves are the sum of the point estimate reserves of all portfolio exposures. Generally, IBNR loss reserves are calculated by estimating the ultimate incurred losses at any point in time and subtracting cumulative paid claims and case reserves, which incorporate specific exposures, loss payment and reporting patterns and other relevant factors. Each quarter, the reserving committee, which is lead by of the Chief Operating Officer meets to assess the adequacy of our loss reserves based on the reserve analysis and recommendations prepared by the Company’s reserving department. The reserving committee reviews, discusses and approves or revises the stated reserves.

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

There were no significant changes in the actuarial methodology or assumptions relating to the Company’s loss and loss adjustment expense reserves for the year ended December 31, 2017.

At December 31, 2017 and 2016, loss and loss adjustment expense reserves were comprised of the following:

	2017	2016
	($ in thousands)	
Case reserves	$ 178,088	$ 98,815
IBNR	286,292	207,826
Total	$ 464,380	$ 306,641

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

Consolidated	2017	2016	2015
		($ in thousands)	
Gross balance at January 1	$ 306,641	$ 305,997	$ 264,243
Less: Losses recoverable	(2,704)	(3,368)	(11,523)
Net balance at January 1	303,937	302,629	252,720
Incurred losses related to:			
Current year	466,247	345,303	266,796
Prior years	36,157	35,512	50,301
Total incurred	502,404	380,815	317,097
Paid losses related to:			
Current year	(220,298)	(156,181)	(132,017)
Prior years	(154,183)	(216,489)	(132,846)
Total paid	(374,481)	(372,670)	(264,863)
Foreign currency revaluation	3,061	(6,837)	(2,325)
Net balance at December 31	434,921	303,937	302,629
Add: Losses recoverable	29,459	2,704	3,368
Gross balance at December 31	$ 464,380	$ 306,641	$ 305,997

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

Health	2017	2016	2015
		($ in thousands)	
Gross balance at January 1	$ 18,993	$ 21,533	$ 14,137
Less: Losses recoverable	—	—	—
Net balance at January 1	18,993	21,533	14,137
Incurred losses related to:			
Current year	44,539	38,726	34,136
Prior years	3,739	(1,477)	(2,680)
Total incurred	48,278	37,249	31,456
Paid losses related to:			
Current year	(23,814)	(22,039)	(14,090)
Prior years	(21,276)	(17,750)	(9,970)
Total paid	(45,090)	(39,789)	(24,060)
Foreign currency revaluation	—	—	—
Net balance at December 31	22,181	18,993	21,533
Add: Losses recoverable	—	—	—
Gross balance at December 31	$ 22,181	$ 18,993	$ 21,533

Loss development

Year ended December 31, 2017

For the year ended December 31, 2017, the net losses incurred included $36.2 million related to net adverse loss development on reserves relating to accident years prior to 2017. During the year ended December 31, 2017, the loss development on prior year contracts primarily related to the following:

- $10.7 million of adverse loss development associated with various classes of professional liability exposure, driven by additional reporting on individual claims, as well as the Company's assessment of industry wide loss ratio performance;
- $4.3 million of adverse loss development associated with motor contracts based on re-projection of ultimate losses using client reporting patterns;
- $4.1 million of adverse loss development relating to Florida homeowners' insurance contracts, largely driven by "assignment of benefits" issues in the state whereby homeowners assign their rights for filing and settling claims to attorneys and public adjusters;
- $3.7 million of adverse loss development associated with specialty health contracts arising from frequency of medical claims reported; and
- $2.2 million of adverse loss development due to large claims reported on a surety contract.

The remaining $11.2 million of adverse development for the year ended December 31, 2017, was due to development across various other casualty and multi-line contracts. There were no other significant developments of prior period loss reserves during the year ended December 31, 2017.

For the year ended December 31, 2016, the net losses incurred included $35.5 million related to net adverse loss development on reserves relating to accident years prior to 2016. During the year ended December 31, 2016, the loss development on prior year contracts primarily related to the following:

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

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

- $6.7 million of adverse loss development relating to our private passenger motor contracts. While the loss indications are close to our expectations, the volume and frequency of unmerited suits served to the cedent by attorneys and medical clinics has resulted in an increase in loss adjustment expenses to defend such claims; and

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

There were no other significant developments of prior period loss reserves during the year ended December 31, 2016.

For the year ended December 31, 2015, the net losses incurred included $50.3 million related to net adverse loss development on reserves relating to accident years prior to 2015. During the year ended December 31, 2015, the loss development on prior year contracts primarily related to the following:

- $36.9 million of adverse loss development relating to a general liability contract originally written from 2008 to 2011. This contract contains underlying construction defect liability coverage predominantly on single family homes. During the third quarter of 2015, we completed an in-depth analysis, with the assistance of a third party expert, of the construction defect claims reported and the potential for claims not yet reported on this contract. Based on this assessment, we revised the actuarial methodology used for reserving the construction defect claims on this contract, which resulted in an increase in incurred but not reported losses;

- $14.7 million of adverse loss development relating to a general liability contract originally written in 2010. This contract contains underlying construction defect liability coverage. Based on updated data received from the insured, we conducted additional actuarial analysis and updated our actuarial input parameters based on consultation with external industry experts. As a result, the average estimated cost per claim was increased;

- $9.3 million of adverse loss development relating to our Florida homeowners' insurance contracts as a result of deterioration of sinkhole losses and higher than anticipated water damage claims from rainstorms and increase in the practice of assignment of benefits;

- $2.4 million of net adverse loss development relating to our solicitors' professional indemnity contracts as a result of multiple large claims reported during the period and an increase in incurred losses;

- $5.1 million of favorable loss development relating to an excess of loss property contract resulting in the elimination of loss reserves based on updated loss information received from the insured during the period indicating that no losses will breach into our layer of coverage;

- $4.5 million of favorable loss development relating to private passenger motor contracts during the period;

- $2.3 million of favorable loss development relating to the employer medical stop-loss business as a result of better than expected claims frequency reported by the cedent; and

- $1.3 million of loss reserves released upon commutation of a private passenger motor contract during the period.

There were no other significant developments of prior period loss reserves during the year ended December 31, 2015.

Disclosures about Short Duration Contracts

The Company manages its business on the basis of one operating segment, property & casualty reinsurance. Within the property and casualty reinsurance segment, management analyzes the underwriting operations using two categories: frequency business; and severity business. Frequency business is generally characterized as contracts containing a potentially large number of small losses emanating from multiple events. Severity business is generally characterized as contracts with the potential for significant losses emanating from one event or multiple events.

For each of the frequency and severity categories, the following tables presents the incurred and paid claims development as of December 31, 2017, net of retrocession, as well as the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amount. As required by U.S. GAAP, health claims have been disaggregated and presented separately.

The information in the tables below about incurred and paid claims development for the years ended December 31, 2008 to 2016, is presented as unaudited supplementary information.

Frequency - Health

	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2017
	For the years ended December 31,										Total IBNR plus expected development on reported claims
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2008	$ 10,593	$ 11,677	$ 11,432	$ 11,361	$ 12,150	$ 11,249	$ 11,249	$ 11,247	$ 11,279	$ 11,247	$ —
2009	—	24,905	23,884	23,393	23,402	23,402	23,402	23,401	23,401	23,401	—
2010	—	—	36,066	35,968	49,492	36,120	36,120	36,107	36,107	36,107	—
2011	—	—	—	36,088	36,145	35,755	35,737	35,533	35,540	35,533	—
2012	—	—	—	—	10,494	9,781	9,723	9,621	9,621	9,621	—
2013	—	—	—	—	—	43,895	46,969	47,301	47,045	47,032	—
2014	—	—	—	—	—	—	32,845	30,154	29,455	29,042	—
2015	—	—	—	—	—	—	—	34,136	33,576	34,201	—
2016	—	—	—	—	—	—	—	—	37,726	41,305	1,456
2017	—	—	—	—	—	—	—	—	—	44,539	20,725
									Total	$ 312,028	

Frequency - Health

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2008	$ 4,199	$ 10,890	$ 11,294	$ 11,277	$ 11,415	$ 11,249	$ 11,249	$ 11,247	$ 11,247	$ 11,247
2009	—	8,617	23,088	23,392	23,402	23,402	23,402	23,401	23,401	23,401
2010	—	—	17,771	35,609	41,477	36,120	36,120	36,107	36,107	36,107
2011	—	—	—	27,104	35,615	35,755	35,737	35,533	35,533	35,533
2012	—	—	—	—	9,342	9,670	9,723	9,621	9,621	9,621
2013	—	—	—	—	—	34,515	46,969	47,112	47,045	47,032
2014	—	—	—	—	—	—	19,040	28,486	29,159	29,042
2015	—	—	—	—	—	—	—	14,561	32,043	34,201
2016	—	—	—	—	—	—	—	—	20,601	39,850
2017	—	—	—	—	—	—	—	—	—	23,814
									Total	289,848
	All outstanding liabilities before 2008, net of reinsurance									—
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Health)									$ 22,181

Frequency - Non-Health

Accident year	Incurred claims and allocated claim adjustment expenses, net of reinsurance										December 31, 2017
	For the years ended December 31,										Total IBNR plus expected development on reported
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
	(Unaudited - Supplementary Information)										
	($ in thousands)										
2008	$ 38,126	$ 34,675	$ 35,893	$ 38,669	$ 40,523	$ 40,518	$ 41,620	$ 42,078	$ 41,707	$ 41,785	$ 33
2009	—	79,796	91,523	101,259	109,936	106,040	107,323	112,312	111,741	111,812	31
2010	—	—	130,449	144,489	162,112	161,414	165,504	173,764	176,608	176,594	392
2011	—	—	—	173,216	189,690	200,216	212,697	235,787	254,723	254,984	1,563
2012	—	—	—	—	268,511	271,334	270,409	287,025	286,548	287,482	2,192
2013	—	—	—	—	—	309,833	305,919	306,524	308,783	309,694	3,912
2014	—	—	—	—	—	—	178,117	178,247	181,753	183,986	11,151
2015	—	—	—	—	—	—	—	225,244	230,745	236,109	37,080
2016	—	—	—	—	—	—	—	—	291,180	304,962	82,755
2017	—	—	—	—	—	—	—	—	—	367,342	185,910
									Total	$ 2,274,75	

Frequency - Non-Health

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, (Unaudited - Supplementary Information for 2008–2016) ($ in thousands)

Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$ 10,345	$ 25,145	$ 31,686	$ 36,587	$ 39,151	$ 40,269	$ 41,190	$ 41,310	$ 41,707	$ 41,752
2009	—	26,518	62,220	81,055	94,851	99,832	103,833	105,493	111,741	111,781
2010	—	—	50,177	100,334	127,823	143,989	156,396	161,725	176,146	176,201
2011	—	—	—	78,846	134,140	168,209	185,591	203,255	252,684	253,421
2012	—	—	—	—	121,538	236,556	253,949	262,086	283,653	285,290
2013	—	—	—	—	—	145,593	264,730	291,231	301,772	305,782
2014	—	—	—	—	—	—	82,244	149,445	161,064	172,834
2015	—	—	—	—	—	—	—	109,376	179,725	199,029
2016	—	—	—	—	—	—	—	—	132,142	222,207
2017	—	—	—	—	—	—	—	—	—	181,431
									Total	1,949,728
All outstanding liabilities before 2008, net of reinsurance										—
Liabilities for claims and claims adjustment expenses, net of reinsurance (Frequency)										$ 325,021

Severity

Incurred claims and allocated claim adjustment expenses, net of reinsurance — For the years ended December 31, (Unaudited - Supplementary Information for 2008–2016) ($ in thousands)

Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	December 31, 2017 Total IBNR plus expected development on reported claims
2008	$ 16,466	$ 19,329	$ 18,026	$ 18,028	$ 17,469	$ 19,583	$ 19,582	$ 17,843	$ 20,212	$ 20,212	$ 4,810
2009	—	19,093	15,372	14,970	14,329	14,183	14,010	10,820	10,796	10,844	6,381
2010	—	—	4,522	5,147	14,079	14,042	14,291	14,194	14,507	14,358	2,570
2011	—	—	—	5,071	5,069	5,068	5,079	5,074	5,081	5,082	28
2012	—	—	—	—	15,000	—	—	—	—	—	—
2013	—	—	—	—	—	2,885	1,807	1,507	1,501	1,502	—
2014	—	—	—	—	—	—	4,749	4,750	4,624	4,745	1,772
2015	—	—	—	—	—	—	—	8,204	8,354	10,161	5,753
2016	—	—	—	—	—	—	—	—	17,265	20,108	16,005
2017	—	—	—	—	—	—	—	—	—	58,659	43,606
									Total	$ 145,67	

Severity

Accident year	Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance									
	For the years ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(Unaudited - Supplementary Information)									
	($ in thousands)									
2008	$ —	$ —	$ 3,148	$ 6,391	$ 10,320	$ 10,356	$ 10,356	$ 10,504	$ 15,243	$ 15,402
2009	—	276	2,582	3,364	3,753	3,902	3,952	4,172	4,194	4,463
2010	—	—	281	862	1,112	1,237	5,899	6,069	11,588	11,788
2011	—	—	—	24	5,033	5,038	5,044	5,047	5,048	5,054
2012	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	94	729	1,224	1,491	1,502
2014	—	—	—	—	—	—	1,558	2,457	2,933	2,974
2015	—	—	—	—	—	—	—	473	1,306	4,408
2016	—	—	—	—	—	—	—	—	876	4,103
2017	—	—	—	—	—	—	—	—	—	15,053
									Total	64,747
	All outstanding liabilities before 2008, net of reinsurance									2,486
	Liabilities for claims and claims adjustment expenses, net of reinsurance (Severity)									$ 83,412

For any incurred and paid claims denominated in a currency other than U.S. dollars, the above tables are presented using the foreign exchange rate in effect as of the current year end date. As a result, all prior year information has been restated to reflect the exchange rates as of December 31, 2017. This removes any changes in foreign currency exchange rates from distorting the claims development between the years presented.

For assumed contracts the Company does not generally receive claims information by accident year from the ceding insurers, but instead receives claims information by the treaty year of the contract. Claims reported by the ceding insurer to the Company may have the covered losses occurring in an accident year other than the treaty year. For the purpose of the loss development tables, the incurred and paid claims have been allocated to the accident years based on the proportion of premiums earned for each contract during such accident year.

For example, a one-year treaty incepting on October 1, 2010 (with underlying policies each having a one-year duration), would have a 24-month period over which the premiums would be earned. Therefore, claims would be allocated to accident years 2010, 2011 and 2012 based on the proportion of the premiums earned during each accident year. For illustration of this contract, any claims reported during 2010 would be allocated to the 2010 accident year. For losses reported during 2011, the claims would be allocated between 2010 and 2011 based on the percentage of premiums earned during 2010 and 2011. Similarly, for losses reported during 2012 and thereafter, the losses would be allocated to the 2010, 2011 and 2012 accident years based on the proportion of premiums earned during each of those years. However, natural catastrophe losses are treated separately and losses arising from such events are allocated to the specific accident year in which they occurred.

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated balance sheet is as follows:

	December 31, 2017	December 31, 2016
	($ in thousands)	
Net outstanding liabilities		
Health	$ 22,181	$ 18,993
Frequency - non-health	325,021	239,151
Severity	83,412	42,178
Liabilities for claims and claims adjustment expenses, net of reinsurance	430,614	300,322
Add: Reinsurance recoverable on unpaid claims	29,459	2,704
Add: Unallocated claims adjustment expenses	4,307	3,615
Total gross liabilities for unpaid claims and claim adjustment expense	$ 464,380	$ 306,641

The average historical annual percentage payout of net incurred claims (excluding health) as of the year ended December 31, 2017 is as follows:

Years	1	2	3	4	5	6	7	8	9	10
	(Unaudited - Supplementary Information)									
Frequency - Non-health	37.3%	30.5%	9.5%	5.7%	5.0%	6.8%	2.9%	1.9%	0.3%	0.1%
Severity	3.1%	11.8%	9.5%	8.5%	18.0%	4.0%	10.1%	0.8%	16.1%	18.1%

The historical annual percentage payout pattern for health claims is excluded from the table above because health claims have short settlement periods and including it would skew the results presented. In addition, the payout percentages for the severity business are expected to fluctuate, sometimes significantly, due to the volatile nature of the loss experience emerging on such contracts.

As a reinsurance entity, the Company does not consistently receive detailed claims frequency information or claims counts, from ceding insurers and third party claim handlers. Due to the nature of the reinsurance contracts, the underlying insured reports claims to the insurer who cedes losses to the Company. The Company is contractually obligated to reimburse the ceding insurer for its share of the losses. While the Company has the right to conduct audits of the ceding insurer’s claims files, the insurer is generally not obligated to provide detailed listing of claims counts or other claims frequency information to the Company. Therefore it is impracticable for the Company to present the cumulative number of reported claims by accident year.

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 coverage that provides 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, 2017, the Company’s earned ceded premiums were $33.8 million (2016: $10.9 million and 2015: $9.8 million).

For the year ended December 31, 2017, loss and loss adjustment expenses incurred of $502.4 million (2016: $380.8 million and 2015: $317.1 million) reported on the consolidated statements of income are net of loss and loss expenses recovered and recoverable of $31.8 million (2016: $0.9 million and 2015: $1.7 million).

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, 2017, the Company had losses receivable and loss reserves recoverable of $26.3 million (2016: $2.2 million) from unrated retrocessionaires which were secured by cash and collateral held in trust accounts for the benefit of the Company. At December 31, 2017, $3.1 million (2016: $0.5 million) of losses recoverable were from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honor their respective obligations. At December 31, 2017 and 2016, 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, 2017, 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 be 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, 2017, the Company has an effective Form S-3 registration statement, on file with the SEC, for an aggregate principal amount of $200.0 million in securities.

Shares authorized for issuance are comprised of 300,000 (2016: 300,000) Class A ordinary shares in relation to share purchase options granted to a service provider and 5,000,000 (2016: 3,500,000) Class A ordinary shares authorized for the Company’s stock incentive plan for eligible employees, directors and consultants. On April 26, 2017, our shareholders approved an amendment to our stock incentive plan to increase the number of Class A ordinary shares available for issuance by 1.5 million shares from $3.5 million to $5.0 million. As of December 31, 2017 and 2016, there were no remaining Class A ordinary shares available for future issuance relating to share purchase options granted to the service provider as all options granted to service providers had been exercised. As of December 31, 2017 1,271,154 (2016: 424,787) 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, through privately negotiated transactions or Rule 10b5-1 stock trading plans. 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, 2017, 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. During the year ended December 31, 2017, 136,312 Class A ordinary shares were repurchased by the Company. As of December 31, 2017, 1,863,688 shares remained available for repurchase 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:

	2017		2016		2015	
	Class A	Class B	Class A	Class B	Class A	Class B
Balance – beginning of year	31,111,432	6,254,895	30,772,572	6,254,895	31,129,648	6,254,895
Issue of ordinary shares, net of forfeitures	129,530	—	338,860	—	256,464	—
Repurchase of ordinary shares	(136,312)	—	—	—	(613,540)	—
Class B shares converted to Class A shares	180	(180)	—	—	—	—
Balance – end of year	31,104,830	6,254,715	31,111,432	6,254,895	30,772,572	6,254,895

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 $329.7 million on Greenlight Re as of December 31, 2017 (2016: $276.0 million). As of December 31, 2017, Greenlight Re's statutory capital and surplus of $762.2 million exceeded the Minimum Capital Requirement as well as the Prescribed Capital Requirement. For the years ended December 31, 2017, 2016 and 2015, Greenlight Re's net income (loss) was $(38.2) million, $44.8 million, and $(309.5) 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, 2017 and 2016.

As of December 31, 2017, the Company was not 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. During the year ended December 31, 2017, $33.0 million of dividends (2016: nil, 2015: $5.0 million) were declared and paid by Greenlight Re to the Company. As of December 31, 2017 and 2016, $432.5 million and $557.2 million, respectively, of Greenlight Re's capital and surplus was available for distribution as dividends.

GRIL is obligated to maintain a minimum level of capital. As of December 31, 2017 and 2016, GRIL met such requirements. As of December 31, 2017 and 2016, GRIL's statutory capital and surplus was $52.9 million and $52.4 million, respectively. As of December 31, 2017, GRIL's statutory minimum capital required under Solvency II was approximately $9.9 million (2016: $9.9 million). GRIL's statutory net income (loss) was $(3.7) million, $3.2 million and $(12.8) million for the years ended December 31, 2017, 2016 and 2015, respectively. 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, 2017 and 2016, none of GRIL's capital and surplus was available for distribution as dividends.

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.

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 applicable vesting period, net of any estimated forfeitures.

For the year ended December 31, 2017, 125,371 (2016: 153,648, 2015: 78,685) Class A ordinary shares were issued to employees pursuant to the Company's stock incentive plan. The majority of these shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. The restricted shares 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, 2017, the Company also issued to non-employee directors an aggregate of 41,396 (2016: 39,288, 2015: 28,215) 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 date 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, 2017, 46,943 (2016: 11,897, 2015: 9,621) restricted shares were forfeited by employees who left the Company prior to the expiration of the applicable vesting periods. For the year ended December 31, 2017, in accordance with U.S. GAAP, no stock compensation expense (2016: $0.5 million, 2015: $0.1 million) relating to the forfeited restricted shares was reversed. The restricted shares forfeited during the year ended December 31, 2017 included 46,319 restricted shares relating to the Company's former Chief Executive Officer (the "former CEO") who resigned from the Company prior to the expiration of the applicable vesting periods. For the year ended December 31, 2017, no stock compensation expense was reversed relating to the former CEO's forfeited shares since $0.4 million of stock compensation expense was reversed during the fourth quarter of 2016, when it was deemed likely that these restricted shares would be forfeited.

The Company recorded $3.3 million of share-based compensation expense, net of the reversal for forfeitures, relating to restricted shares for the year ended December 31, 2017 (2016: $3.1 million, 2015: $3.6 million). As of December 31, 2017, there was $3.5 million (2016: $2.9 million, 2015: $3.7 million) of unrecognized compensation cost relating to non-vested restricted shares which are expected to be recognized over a weighted average period of 1.6 years (2016: 1.6 years, 2015: 1.6 years). For the year ended December 31, 2017, the total fair value of restricted shares vested was $4.5 million (2016: $3.1 million, 2015: $3.2 million).

The following table summarizes the activity for unvested outstanding restricted share awards during the years ended December 31, 2017 and 2016:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance at December 31, 2015	307,013	$ 29.74
Granted	192,936	21.53
Vested	(122,620)	25.66
Forfeited	(11,897)	29.97
Balance at December 31, 2016	365,432	26.76
Granted	166,767	21.60
Vested	(153,746)	28.97
Forfeited	(46,943)	24.57
Balance at December 31, 2017	331,510	$ 23.45

Employee and Director Stock Options

For the year ended December 31, 2017, 480,000 Class A ordinary share purchase options were granted to the Company's CEO, pursuant to his employment contract (2016 and 2015: 57,386 and 40,683, respectively, to the former CEO). These options vest 16.7% each on the anniversary thereof in 2018, 2019, 2020, 2021, 2022 and 2023, and expire 10 years after the grant date. The grant date fair value of these options was $9.60 per share (2016: $8.71 per share, 2015: $12.29), based on the Black-Scholes option pricing model.

For the year ended December 31, 2017, 42,250 Class A ordinary share purchase options were granted to the Company's former interim Chief Executive Officer, pursuant to his consulting agreement. These options vested 100% on the date of the grant. The weighted average grant date fair value of these options was $9.90 per share based on the Black-Scholes option pricing model.

The estimate of expected volatility for options granted during 2017, 2016 and 2015 was based on the daily historical trading data of the Company's Class A ordinary shares from the date that these shares commenced trading on May 24, 2007 to July 31, 2017.

The Company uses the Black-Scholes option pricing model to determine the valuation of its options and has applied the following weighted average assumptions:

	2017	2016	2015
Risk free rate	2.32%	1.54%	2.15%
Estimated volatility	31.4%	32.4%	32.8%
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, 2017 was $1.3 million (2016: $0.9 million, 2015: $0.5 million) which was solely related to the options granted to the CEO. At December 31, 2017, the total compensation cost related to non-vested options not yet recognized was $3.7 million (2016: $0.0 million) to be recognized over a weighted average period of 3.3 years (2016: 0.0 years) assuming the employees complete their service period for vesting of the options.

For the year ended December 31, 2017, 50,000 stock options were exercised by directors and employees (2016: 421,000, 2015: 250,000) resulting in 5,011 Class A ordinary shares being issued, net of shares surrendered as a result of the cashless exercise of stock options (2016: 156,022, 2015: 158,925). 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.

Employee and director stock option activity during the years ended December 31, 2017, 2016 and 2015 was as follows:

	Number of options		Weighted average exercise price		Weighted average grant date fair value		Intrinsic value ($ in millions)	Weighted average remaining contractual term
Balance at December 31, 2014	1,116,308	$	17.58	$	7.73	$	16.8	3.0 years
Granted	40,683		26.67		12.29			
Exercised	(250,000)		11.10		5.57	$	4.8	
Balance at December 31, 2015	906,991		19.78		8.53	$	2.6	2.9 years
Granted	57,386		19.87		8.71			
Exercised	(421,000)		12.53		6.44	$	3.1	
Balance at December 31, 2016	543,377		25.40		10.17	$	0.5	4.7 years
Granted	522,250		21.25		9.63			
Exercised	(50,000)		19.60		10.18	$	0.1	
Balance at December 31, 2017	1,015,627	$	23.55	$	9.89	$	—	6.9 years

The following table summarizes information about options exercisable for the periods indicated:

		December 31, 2017		December 31, 2016		December 31, 2015
Number of options exercisable		535,627		472,042		851,020
Weighted average exercise price	$	25.66	$	25.73	$	19.22
Weighted average remaining contractual term		4.6		4.1		2.6
Intrinsic value ($ in millions)	$	—	$	0.4	$	2.6

During the year ended December 31, 2017, 113,585 (2016: 42,022, 2015: 38,998) options vested which had a weighted average grant date fair value of $10.29 (2016: $11.90, 2015: $12.82).

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 cost 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, 2017, 11,559 (2016: 7,444, 2015: 6,821) 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 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 $0.2 million of share-based compensation expense (recovery), net of forfeitures, relating to RSUs for the year ended December 31, 2017 (2016: $(0.1) million, 2015: $0.2 million). The recovery for the year ended December 31, 2016 was due to reversal of share-based compensation expense previously recorded on RSUs that were forfeited during 2016.

Employee RSU activity during the years ended December 31, 2017 and 2016 was as follows:

	Number of non-vested RSUs	Weighted average grant date fair value
Balance at December 31, 2015	22,170	$ 30.55
Granted	7,444	21.56
Vested	(1,799)	26.48
Forfeited	(11,881)	29.60
Balance at December 31, 2016	15,934	27.52
Granted	11,559	21.65
Vested	(4,695)	32.60
Balance at December 31, 2017	22,798	$ 23.50

For the years ended December 31, 2017, 2016 and 2015, the general and administrative expenses included stock compensation expense (net of forfeitures) of $4.9 million, $4.0 million and $4.3 million, respectively, for the expensing of the fair value of stock options, restricted stock and RSUs granted to employees and directors, net of forfeitures.

11. NET INVESTMENT INCOME

A summary of net investment income (loss) for the years ended December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
		($ in thousands)	
Realized gains (losses)	$ 87,618	$ (113,836)	$ 22,227
Change in unrealized gains and losses	(41,444)	209,993	(265,401)
Investment related foreign exchange gains (losses)	(7,653)	2,988	(3,725)
Interest and dividend income, net of withholding taxes	25,510	23,915	15,313
Interest, dividend and other expenses	(23,937)	(22,334)	(31,092)
Investment advisor compensation	(19,863)	(24,543)	(19,246)
Net investment income (loss)	$ 20,231	$ 76,183	$ (281,924)

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, 2017, investment income, net of all fees and expenses, resulted in a gain of 1.5% on the investment portfolio. This compares to a gain of 7.2% and a loss of (20.2)% reported for the years ended December 31, 2016 and 2015, 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. The Company and Greenlight Re each intend 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 a marginal tax rate of 21%. 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, 2017, a deferred tax asset of $1.7 million, primarily relating to GRIL's net operating losses carried forward (2016: $1.3 million). At December 31, 2017, GRIL had a net operating loss carry forward of $13.9 million which can be carried forward indefinitely. At December 31, 2017 and 2016, no taxes recoverable were included in the consolidated balance sheets. Based on the likelihood of GRIL 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, 2017, Verdant had a net operating loss carry forward of $1.7 million which can be carried forward for a period of 20 years from the year the loss occurred and therefore will expire in 2033. The deferred tax asset associated with the net operating loss carried forward, has been offset by a valuation allowance as management does not anticipate that the carried forward amount will be realized.

The following table sets forth our current and deferred income tax benefit (expense) on a consolidated basis for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
		($ in thousands)	
Current tax (expense) benefit	$ 465	$ (492)	$ 15
Deferred tax (expense) benefit	(14)	(17)	1,740
Income tax (expense) benefit	$ 451	$ (509)	$ 1,755

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 2017, 2016 and 2015, the Company incurred approximately $5.0 million, $3.9 million and $3.3 million, respectively, of federal excise taxes, net of any refunds received. These amounts are reflected as acquisition costs in the Company's consolidated statements of income.

13. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

The Company and its reinsurance subsidiaries are party to a joint venture agreement with DME Advisors, LP ("DME Advisors") under which the Company, its reinsurance subsidiaries and DME Advisors LLC ("DME") are participants of a joint venture for the purpose of managing certain jointly held assets, as may be amended from time to time (the "venture agreement"). In addition, the Company, its reinsurance subsidiaries and DME have entered into a separate investment advisory agreement with DME Advisors, as may be amended from time to time (the "advisory agreement"). Effective January 1, 2017, the venture agreement and the advisory agreements were amended and restated to replace the previous agreements dated January 1, 2014, and will expire on December 31, 2019 and renew automatically for successive three-year periods. DME and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company's Board of Directors.

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 requires DME to earn a reduced performance allocation of 10% on net investment income in any year subsequent to the year in which the investment account 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, 2017, $2.1 million performance allocation (2016: $8.2 million, 2015: $0.0 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 (loss) for the year ended December 31, 2017 were management fees of $17.8 million (2016: $16.3 million, 2015: $19.2 million). The management fees have been fully paid as of December 31, 2017.

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, 2017, there were no indemnification payments payable or paid by the Company.

Non-controlling Interest in Related Party Joint Venture

Non-controlling interests in related party joint venture represents DME's share of the jointly held assets under the venture agreement. The joint venture created through the venture agreement has been consolidated in accordance with ASC 810, Consolidation (ASC 810). The Company has recorded DME's minority interests as redeemable non-controlling interests in related party and non-controlling interests in related party in the consolidated balance sheets. A portion of the non-controlling interest is subject to contractual withdrawal rights of DME whereas DME, at its sole discretion, can withdraw its interest above the minimum capital required to be maintained in its capital accounts. This additional capital is therefore recorded on the Company's consolidated balance sheets within the mezzanine section as redeemable non-controlling interest in related party joint venture whereas the required minimum capital is recorded as non-controlling interests in related party joint venture within the equity section on the Company's consolidated balance sheet since it does not have withdrawal rights.

The following table is a reconciliation of the beginning and ending carrying amounts of redeemable non-controlling interests in related party, non-controlling interests in related party and total non-controlling interests in related party for the years ended December 31, 2017, 2016 and 2015 (see Note 1 for additional information on changes in the presentation of non-controlling interests):

	Redeemable non-controlling interest in related party joint venture			Non-controlling interest in related party joint venture			Total non-controlling interest in related party joint venture		
	Year ended December 31			Year ended December 31			Year ended December 31		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Opening balance	$ 5,884	$ 12,265	$ 14,657	$ 11,561	$ 11,118	$ 14,233	$ 17,445	$ 23,382	$ 28,890
Income (loss) attributed to non-controlling interest	201	1,375	(2,392)	378	443	(3,115)	578	1,819	(5,508)
Net contribution into (withdrawal from) non-controlling interest	1,084	(7,756)	—	994	—	—	2,079	(7,756)	—
Ending balance	$ 7,169	$ 5,884	$ 12,265	$ 12,933	$ 11,561	$ 11,118	$ 20,102	$ 17,445	$ 23,382

Green Brick Partners, Inc.

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners, Inc. ("GRBK"), a publicly traded company. As of December 31, 2017, $39.2 million (2016: $34.8 million) of GRBK listed equities were included on the balance sheet as "equity securities, trading, at fair value". The Company along with certain affiliates of DME Advisors, collectively own 49% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

Service Agreement

The Company has entered into a service agreement with DME Advisors, pursuant to which DME Advisors provides certain 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 and Trusts

At December 31, 2017, the Company had the following letter of credit facilities, which automatically renew each year unless terminated by either party in accordance with the applicable required notice period:

	Facility	Termination Date	Notice period required for termination
	($ in thousands)		
Butterfield Bank (Cayman) Limited	100,000	June 30, 2018	90 days prior to termination date
Citibank Europe plc	400,000	October 11, 2018	120 days prior to termination date
JP Morgan Chase Bank N.A.	100,000	January 27, 2018	120 days prior to termination date
	$ 600,000		

On September 26, 2017, the Company provided a notice of cancellation to JP Morgan Chase Bank N.A. to terminate the letter of credit facility of $100.0 million effective on January 27, 2018. As of December 31, 2017, an aggregate amount of $188.5 million (2016: $255.4 million) in letters of credit were issued under the above facilities. Under the facilities, the Company provides collateral that may consist of equity securities, restricted cash and cash and cash equivalents. As of December 31, 2017, total equity securities, restricted cash, and cash and cash equivalents with a fair value in the aggregate of $200.4 million (2016: $310.9 million) were pledged as collateral 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, 2017 and 2016.

In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of December 31, 2017, collateral of $377.9 million (2016: $86.4 million) was provided to cedents in the form of regulatory trust accounts.

Revolving Credit Facility

During the year ended December 31, 2017, the Company entered into a secured revolving credit facility with The Bank of Nova Scotia (the "credit facility"), to provide funding for its investment activities. At December 31, 2017, the Company had the ability to borrow $50.0 million (the "commitment") under the credit facility and had borrowed $25.0 million at an interest rate of 2.47%. The Company had pledged $37.7 million of its physical gold holdings as collateral against the borrowed funds. For the year ended December 31, 2017, interest expense pursuant to the credit facility was $0.01 million and was included in net investment income (loss) in the consolidated statements of income. The credit facility matures on November 8, 2018 and can be extended for one year by the Company upon providing 120 days' notice to the lender. The Company may terminate or reduce the commitment by giving 10-days' notice prior to the effective date of termination or reduction and prepaying the applicable principal obligation and all interest accrued thereon. The credit facility contains 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 and restricts issuance of any debt without the consent of the credit facility provider. The Company was in compliance with all the covenants of each of these facilities as of December 31, 2017.

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, 2017.

GRIL has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, GRIL is committed to minimum annual rent payments denominated in Euros approximating €0.1 million until May 2021, and adjusted to the prevailing market rates for each of the two subsequent five-year terms. GRIL has the option to terminate the lease agreement in 2021. Included in the schedule below are the net minimum lease payment obligations relating to this lease as of December 31, 2017.

The total rent expense related to leased office space for the year ended December 31, 2017 was $0.6 million, (2016: $0.6 million, 2015: $0.5 million).

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, 2017, the Company had commitments to invest an additional $6.5 million (2016: $9.2 million) in private equity investments. Included in the schedule below are the minimum payment obligations relating to these investments as of December 31, 2017.

Schedule of Commitments and Contingencies

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

	2018	2019	2020	2021	2022	Thereafter	Total
				($ in thousands)			
Operating lease obligations	$ 388	$ 155	$ 155	$ 58	$ —	$ —	$ 756
Private equity and limited partnerships [1]	6,522	—	—	—	—	—	6,522
	$ 6,910	$ 155	$ 155	$ 58	$ —	$ —	$ 7,278

(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 ending December 31, 2018.

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					
	2017		2016		2015	
	($ in thousands)					
Largest broker	$ 366,390	52.9%	$ 274,816	51.3%	$ 278,003	55.4%
2nd largest broker	125,320	18.1	104,684	19.5	110,246	22.0
	$ 491,710	71.0%	$ 379,500	70.8%	$ 388,249	77.4%

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					
	2017		2016		2015	
	($ in thousands)					
Property						
Commercial	$ 18,388	2.7%	$ 16,180	3.0%	$ 15,633	3.1%
Motor	73,481	10.6	39,551	7.4	34,529	6.9
Personal	50,045	7.2	47,893	8.9	57,495	11.5
Total Property	141,914	20.5	103,624	19.3	107,657	21.5
Casualty						
General Liability	33,519	4.8	34,450	6.4	27,620	5.5
Motor	287,749	41.5	227,030	42.4	203,624	40.6
Professional	44,910	6.5	37,847	7.1	65,607	13.1
Workers' Compensation	47,761	6.9	25,456	4.7	12,646	2.5
Total Casualty	413,939	59.7	324,783	60.6	309,497	61.7
Specialty						
Accident & Health	69,803	10.1	52,114	9.7	56,784	11.3
Financial	48,448	7.0	34,658	6.5	6,699	1.3
Marine	6,574	1.0	9,127	1.7	9,283	1.8
Other	11,973	1.7	11,766	2.2	12,204	2.4
Total Specialty	136,798	19.8	107,665	20.1	84,970	16.8
	$ 692,651	100.0%	$ 536,072	100.0%	$ 502,124	100.0%

Gross Premiums Written by Geographic Area of Risks Insured

	Year ended December 31					
	2017		2016		2015	
	($ in thousands)					
U.S. and Caribbean	$ 606,510	87.6%	$ 432,144	80.6%	$ 383,236	76.3%
Worldwide [1]	86,714	12.5	97,810	18.2	104,336	20.8
Europe [2]	(612)	(0.1)	6,250	1.2	14,085	2.8
Asia [2]	39	—	(132)	—	467	0.1
	$ 692,651	100.0%	$ 536,072	100.0%	$ 502,124	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.

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

16. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

The following table presents the quarterly financial results for each of the quarters ended during 2017:

	2017 Quarter ended			
	March 31	June 30	September 30	December 31
	($ in thousands, except per share amounts)			
Revenues				
Gross premiums written	$ 197,214	$ 174,889	$ 181,588	$ 138,960
Gross premiums ceded	(3,426)	(2,523)	(7,931)	(42,707)
Net premiums written	193,788	172,366	173,657	96,253
Change in net unearned premium reserves	(41,886)	(12,042)	(964)	44,832
Net premiums earned	151,902	160,324	172,693	141,085
Net investment income (loss)	11,618	(39,149)	63,976	(16,214)
Other income (expense), net	(7)	303	(520)	(336)
Total revenues	163,513	121,478	236,149	124,535
Expenses				
Loss and loss adjustment expenses incurred, net	104,812	106,016	168,918	122,658
Acquisition costs, net	43,211	45,429	38,011	35,089
General and administrative expenses	6,743	6,347	8,202	5,064
Total expenses	154,766	157,792	215,131	162,811
Income (loss) before income tax expense	8,747	(36,314)	21,018	(38,276)
Income tax (expense) benefit	(121)	295	(65)	342
Net income (loss) including non-controlling interest	8,626	(36,019)	20,953	(37,934)
Loss (income) attributable to non-controlling interest in related party joint venture	(252)	550	(1,078)	202
Net income (loss)	$ 8,374	$ (35,469)	$ 19,875	$ (37,732)
Earnings (loss) per share				
Basic	$ 0.22	$ (0.96)	$ 0.53	$ (1.02)
Diluted	$ 0.22	$ (0.96)	$ 0.53	$ (1.02)
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	37,341,338	37,025,703	37,345,985	37,023,895
Diluted	37,376,649	37,042,506	37,375,273	37,023,895

The following table presents the quarterly financial results for each of the quarters ended during 2016:

	2016 Quarter ended			
	March 31	**June 30**	**September 30**	**December 31**
	($ in thousands)			
Revenues				
Gross premiums written	$ 166,792	$ 92,237	$ 128,205	$ 148,838
Gross premiums ceded	(2,107)	(3,522)	(2,119)	(2,267)
Net premiums written	164,685	88,715	126,086	146,571
Change in net unearned premium reserves	(26,573)	36,867	(13,294)	(9,939)
Net premiums earned	138,112	125,582	112,792	136,632
Net investment income (loss)	28,435	(38,054)	32,945	52,857
Other income (expense), net	(271)	282	(192)	(754)
Total revenues	166,276	87,810	145,545	188,735
Expenses				
Loss and loss adjustment expenses incurred, net	90,668	111,376	81,467	97,304
Acquisition costs, net	38,963	35,484	25,844	34,243
General and administrative expenses	6,999	4,994	6,937	6,878
Total expenses	136,630	151,854	114,248	138,425
Income (loss) before income tax	29,646	(64,044)	31,297	50,310
Income tax (expense) benefit	(204)	258	(305)	(258)
Net income (loss) including non-controlling interest	29,442	(63,786)	30,992	50,052
Loss (income) attributable to non-controlling interest in related party joint venture	(773)	791	(981)	(856)
Net income (loss)	$ 28,669	$ (62,995)	$ 30,011	$ 49,196
Earnings (loss) per share				
Basic	$ 0.77	$ (1.69)	$ 0.80	$ 1.32
Diluted	$ 0.77	$ (1.69)	$ 0.80	$ 1.31
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	37,107,039	37,281,392	37,323,575	37,381,714
Diluted	37,422,921	37,281,392	37,385,481	37,414,570

17. SUBSEQUENT EVENTS

For the month ended January 31, 2018, the Company’s investments in the related party joint venture managed by DME Advisors generated a net loss of 5.5%, or approximately $69.3 million, net of loss attributable to the non-controlling interest.

GREENLIGHT CAPITAL RE, LTD.
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2017

(expressed in thousands of U.S. dollars)

Type of Investment	Cost	Fair Value	Balance Sheet Value
		($ in thousands)	
Debt instruments, trading, at fair value	$ 16,448	$ 7,180	$ 7,180
Equity securities, trading, at fair value			
Equities – listed	1,014,426	1,203,672	1,203,672
Total investments, trading	$ 1,030,874	$ 1,210,852	$ 1,210,852
Other investments, at fair value			
Commodities	$ 101,184	$ 121,502	$ 121,502
Private and unlisted equity funds	25,316	30,630	30,630
Total other investments, at fair value	126,500	152,132	152,132
Total investments	$ 1,157,374	$ 1,362,984	$ 1,362,984

SCHEDULE II

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

(expressed in thousands of U.S. dollars)

	December 31, 2017	December 31, 2016
	($ in thousands)	
Assets		
Cash and cash equivalents	$ 84	$ 6
Investment in subsidiaries	815,009	888,095
Notes receivable	15,355	15,164
Due from subsidiaries	876	—
Total assets	$ 831,324	$ 903,265
Liabilities and equity		
Liabilities		
Due to subsidiaries	$ —	$ 29,023
Total liabilities	—	29,023
Shareholders' equity		
Share capital	3,736	3,737
Additional paid-in capital	503,316	500,337
Retained earnings	324,272	370,168
Total shareholders' equity	831,324	874,242
Total liabilities and equity	$ 831,324	$ 903,265

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		
	2017	2016	2015
	($ in thousands)		
Revenue			
Investment income	$ 34,487	$ 952	$ 5,962
Total revenues	34,487	952	5,962
Expenses			
General and administrative expenses	4,691	4,042	4,048
Net income (loss) before equity in earnings of consolidated subsidiaries	29,796	(3,090)	1,914
Equity in earnings of consolidated subsidiaries	(74,748)	47,971	(328,339)
Consolidated net income (loss)	$ (44,952)	$ 44,881	$ (326,425)

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		
	2017	**2016**	**2015**
	($ in thousands)		
Cash provided by (used in) operating activities			
Net income (loss)	$ (44,952)	$ 44,881	$ (326,425)
Adjustments to reconcile net income (loss) to cash provided by operating activities			
Equity in earnings of consolidated subsidiaries	74,748	(47,971)	328,339
Share-based compensation expense	4,691	4,042	4,048
Net change in			
Due from subsidiaries	(876)	—	15,276
Due to subsidiaries	(29,023)	12,037	16,986
Net cash (used in) provided by operating activities	4,588	12,989	38,450
Investing activities			
Change in note receivable	(191)	(12,989)	(609)
Contributed surplus to subsidiaries, net	(1,500)	—	(20,000)
Net cash (used in) provided by investing activities	(1,691)	(12,989)	(20,836)
Financing activities			
Short-swing sale profit from shareholder	—	—	83
Repurchase of Class A ordinary shares	(2,819)	—	(17,692)
Net cash (used in) provided by financing activities	(2,819)	—	(17,609)
Net increase (decrease) in cash and cash equivalents	78	—	5
Cash and cash equivalents at beginning of the year	6	6	1
Cash and cash equivalents at end of the year	$ 84	$ 6	$ 6
Supplementary information			
Non cash consideration from (to) subsidiaries, net	$ (162)	$ 72	$ (227)

SCHEDULE III

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY INSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(expressed in thousands of U.S. dollars)

Year	Segment	Deferred acquisition costs, net	Reserves for losses and loss adjustment expenses	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
2017	Property & Casualty	$ 62,350	$ 464,380	$ 255,818	$ 626,004	$ 20,231	$ 502,404	$ 161,740	$ 26,356	$ 692,651
2016	Property & Casualty	$ 61,022	$ 306,641	$ 222,527	$ 513,118	$ 76,183	$ 380,815	$ 134,534	$ 25,808	$ 536,072
2015	Property & Casualty	$ 59,823	$ 305,997	$ 211,954	$ 408,387	$ (281,924)	$ 317,097	$ 116,207	$ 23,434	$ 502,124

GREENLIGHT CAPITAL RE, LTD.
SUPPLEMENTARY REINSURANCE INFORMATION
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(expressed in thousands of U.S. dollars)

Year	Segment	Direct gross premiums	Premiums ceded to other companies	Premiums assumed from other companies	Net written premiums	Percentage of amount assumed to net
2017	Property & Casualty	$ —	$ 56,587	$ 692,651	$ 636,064	109%
2016	Property & Casualty	$ —	$ 10,015	$ 536,072	$ 526,057	102%
2015	Property & Casualty	$ —	$ 9,001	$ 502,124	$ 493,123	102%