Consolidated Financial Statements of

GREENLIGHT REINSURANCE, LTD.

December 31, 2014 and 2013

GREENLIGHT REINSURANCE, LTD.

Tel: +1 (345) 943-8800
Fax: +1 (345) 943-8801
Email: mail@bdo.ky
www.bdo.ky

PO Box 31118
2nd Floor - Building 3
Governors Square
23 Lime Tree Bay Avenue
Grand Cayman KY1-1205
Cayman Islands

Independent Auditor's Report

The Board of Directors and Shareholder
Greenlight Reinsurance, Ltd.
Grand Cayman, Cayman Islands

We have audited the accompanying consolidated financial statements of Greenlight Reinsurance, Ltd., a wholly owned subsidiary of Greenlight Capital Re, Ltd., as of December 31, 2014 and 2013 and the related consolidated statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2014, and the related notes to the consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing 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.

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

BDO

February 17, 2015

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED BALANCE SHEETS

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

	2014	2013
Assets		
Investments		
Debt instruments, trading, at fair value	$ 49,212	$ 4,312
Equity securities, trading, at fair value	1,266,175	1,282,156
Other investments, at fair value	115,591	107,211
Total investments	1,430,978	1,393,679
Cash and cash equivalents	9,890	1,903
Restricted cash and cash equivalents	1,296,914	1,334,074
Financial contracts receivable, at fair value	47,171	104,048
Reinsurance balances receivable	129,721	147,860
Loss and loss adjustment expenses recoverable	11,523	16,829
Deferred acquisition costs, net	28,943	46,533
Unearned premiums ceded	3,750	2,910
Due from parent company	—	3,808
Due from affiliate	101	627
Other assets	3,208	3,880
Total assets	$ 2,962,199	$ 3,056,151
Liabilities and equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 1,090,731	$ 1,111,690
Financial contracts payable, at fair value	44,592	18,857
Due to prime brokers	211,070	314,702
Loss and loss adjustment expense reserves	236,865	306,940
Unearned premium reserves	103,098	150,991
Reinsurance balances payable	40,150	38,570
Funds withheld	6,045	9,593
Other liabilities	13,938	10,533
Due to parent company	15,276	—
Due to related party	—	375
Total liabilities	1,761,765	1,962,251
Equity		
Ordinary share capital (par value $0.10; authorized, 10,000; issued and outstanding, 1,000 (2013: 1,000)	—	—
Additional paid-in capital	472,379	472,379
Retained earnings	631,586	518,300
Shareholder’s equity attributable to shareholder	1,103,965	990,679
Non-controlling interest in joint venture	96,469	103,221
Total equity	1,200,434	1,093,900
Total liabilities and equity	$ 2,962,199	$ 3,056,151

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF INCOME

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

	2014	2013	2012
Revenues			
Gross premiums written	$ 252,339	$ 464,127	$ 385,764
Gross premiums ceded	(12,654)	(1,334)	24,644
Net premiums written	239,685	462,793	410,408
Change in net unearned premium reserves	47,269	10,800	21,564
Net premiums earned	286,954	473,593	431,972
Net investment income	117,659	223,706	78,878
Other income (expense), net	(88)	(1,200)	(333)
Total revenues	404,525	696,099	510,517
Expenses			
Loss and loss adjustment expenses incurred, net	181,086	284,621	343,022
Acquisition costs, net	90,179	151,544	133,330
General and administrative expenses	15,324	13,069	10,591
Total expenses	286,589	449,234	486,943
Net income including non-controlling interest	117,936	246,865	23,574
Income attributable to non-controlling interest in joint venture	(4,650)	(17,052)	(8,257)
Net income	$ 113,286	$ 229,813	$ 15,317

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

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

	Ordinary share capital	Additional paid-in capital	Retained earnings	Shareholder's equity attributable to shareholder	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2011	$ —	$ 472,379	$ 273,170	$ 745,549	$ 88,732	$ 834,281
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(8,059)	(8,059)
Income attributable to non-controlling interest in joint venture	—	—	—	—	8,257	8,257
Net income	—	—	15,317	15,317	—	15,317
Balance at December 31, 2012	$ —	$ 472,379	$ 288,487	$ 760,866	$ 88,930	$ 849,796
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(2,761)	(2,761)
Income attributable to non-controlling interest in joint venture	—	—	—	—	17,052	17,052
Net income	—	—	229,813	229,813	—	229,813
Balance at December 31, 2013	$ —	$ 472,379	$ 518,300	$ 990,679	$ 103,221	$ 1,093,900
Non-controlling interest withdrawal from joint venture, net	—	—	—	—	(11,402)	(11,402)
Income attributable to non-controlling interest in joint venture	—	—	—	—	4,650	4,650
Net income	—	—	113,286	113,286	—	113,286
Balance at December 31, 2014	$ —	$ 472,379	$ 631,586	$ 1,103,965	$ 96,469	$ 1,200,434

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

GREENLIGHT REINSURANCE, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014, 2013 and 2012
(expressed in thousands of U.S. dollars)

	2014	2013	2012
Cash provided by (used in) operating activities			
Net income	$ 113,286	$ 229,813	$ 15,317
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Net change in unrealized gains and losses on investments and financial contracts	172,403	(154,792)	(67,307)
Net realized gains on investments and financial contracts	(348,764)	(141,976)	(60,762)
Foreign exchange (gains) losses on restricted cash and cash equivalents, net	1,684	(19,305)	(3,682)
Income attributable to non-controlling interest in joint venture	4,650	17,052	8,257
Depreciation expense	371	259	185
Net change in			
Reinsurance balances receivable	18,139	4,775	(25,785)
Loss and loss adjustment expenses recoverable	5,306	17,618	(4,897)
Deferred acquisition costs, net	17,590	6,284	11,308
Unearned premiums ceded	(840)	398	24,215
Due from parent company	3,808	(2,438)	(587)
Due from affiliate	526	574	535
Other assets	301	(284)	1,245
Loss and loss adjustment expense reserves	(70,075)	(37,399)	108,968
Unearned premium reserves	(47,893)	(10,913)	(45,143)
Reinsurance balances payable	1,580	3,314	3,089
Funds withheld	(3,548)	(7,510)	(20,769)
Other liabilities	3,405	981	(101)
Due to parent company	15,276	—	—
Due to related company	(375)	375	—
Net cash used in operating activities	$ (113,170)	$ (93,174)	$ (55,914)
Investing activities			
Purchases of investments, trading	(1,603,856)	(931,036)	(830,515)
Sales of investments, trading	1,722,936	933,356	903,344
Purchases of financial contracts	(13,302)	(64,153)	(70,658)
Dispositions of financial contracts	113,011	90,282	39,417
Securities sold, not yet purchased	934,769	940,486	822,718
Dispositions of securities sold, not yet purchased	(952,843)	(766,680)	(645,225)
Change in due to prime brokers	(103,632)	(11,786)	66,129
Change in restricted cash and cash equivalents, net	35,476	(107,932)	(245,693)
Non-controlling interest withdrawal from joint venture, net	(11,402)	(2,761)	(8,059)
Fixed assets additions	—	(1,040)	—
Net cash provided by investing activities	121,157	78,736	31,458
Net increase (decrease) in cash and cash equivalents	7,987	(14,438)	(24,456)
Cash and cash equivalents at beginning of the period	1,903	16,341	40,797
Cash and cash equivalents at end of the period	$ 9,890	$ 1,903	$ 16,341
Supplementary information			
Interest paid in cash	$ 21,482	$ 23,741	$ 23,506
Interest received in cash	562	1,468	1,213

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

GREENLIGHT REINSURANCE, LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014, 2013 and 2012

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Reinsurance, Ltd. (the ‘‘Company’’) was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004 and has a Class ‘‘D’’ insurance 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. The Company provides global specialty property and casualty reinsurance.

The Company is a wholly-owned subsidiary of Greenlight Capital Re, Ltd. (the “Parent”). The Parent’s Class A ordinary shares are listed on the 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 the Company and the joint venture between DME Advisors, LLC. (“DME”), Greenlight Reinsurance Ireland, Ltd. (“GRIL”) and the Company. All significant intercompany transactions and balances have been eliminated on consolidation.

Management has evaluated subsequent events through February 17, 2015, the date these consolidated financial statements were available to be issued. See Note 15 for subsequent events.

Reclassifications

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

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash and Cash Equivalents

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

Premium Revenue Recognition

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

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

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

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

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

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

Reinsurance Premiums Ceded

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

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

Deferred Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to, and vary with, the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortized over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognized. At December 31, 2014 and 2013, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

Acquisition costs also include profit commissions which are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms. As of December 31, 2014, $10.8 million (2013: $10.4 million) of profit commission reserves were included in reinsurance balances payable on the consolidated balance sheets. For the year ended December 31, 2014, $2.6 million (2013: $3.6 million and 2012: $1.5 million) of net profit commission expense was included in acquisition costs, respectively, on the consolidated statements of income.

Funds Withheld

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

Loss and Loss Adjustment Expense Reserves and Recoverable

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR"). These estimated ultimate reserves are based on the Company’s own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company periodically on a contract by contract basis and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss and loss adjustment expenses recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company’s actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately recover the loss and loss adjustment expense recoverable amounts due to the retrocessionaires’ inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

Deposit Assets and Liabilities

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

Fixed Assets

Fixed assets are included in other assets on the consolidated balance sheets and are recorded at cost when acquired. Fixed assets are comprised of computer software, furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for both computer software, and furniture and fixtures. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or remaining lease term. The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows. For the years ended December 31, 2014, 2013 and 2012 there were no impairments in fixed assets.

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

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (277)	$ 279
Furniture and fixtures	430	(312)	118
Leasehold improvements	1,732	(873)	859
Total	$ 2,718	$ (1,462)	$ 1,256

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

	Cost	Accumulated depreciation	Net book value
		($ in thousands)	
Computer software	$ 556	$ (206)	$ 350
Furniture and fixtures	430	(248)	182
Leasehold improvements	1,732	(637)	1,095
Total	$ 2,718	$ (1,091)	$ 1,627

Financial Instruments

Investments in Securities and Investments in Securities Sold, Not Yet Purchased

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

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

For securities classified as "trading securities", and "other investments", any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in net investment income (loss) in the consolidated statements of income.

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

Derivative Financial Instruments

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

Financial Contracts

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

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

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

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

Foreign Exchange

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

Other Assets

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

Other Liabilities

Other liabilities consist primarily of dividends payable on securities sold, not yet purchased, and employee bonus accruals. At December 31, 2014, other liabilities included accrued bonus of $6.7 million (2013: $4.3 million). Under the Company's bonus program, each employee's target bonus consists of two components: a discretionary component based on a qualitative assessment of each employee's performance and a quantitative component based on the return on deployed equity ("RODE") for each underwriting year relating to reinsurance operations. The qualitative portion of an employee's annual bonus is accrued at each employee's target amount, which may differ significantly from the actual amount approved and awarded annually by the Compensation Committee. The quantitative portion of each employee's annual bonus is accrued based on the expected RODE for each underwriting year and adjusted for changes in the expected RODE and actual investment return each quarter until all losses are settled and the underwriting year is declared closed. The quantitative bonus is calculated and paid, with the approval of the Compensation Committee, in annual installments between two to five years from the end of the fiscal year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation utilizes proprietary models which require significant estimation and judgment. Actual RODE may vary significantly from the expected RODE and any adjustments to the quantitative bonus estimates, which may be material, are recorded in the period in which they are determined.

Also included in other liabilities are accruals for professional fees and other general expenses.

Non-controlling Interest

Non-controlling interest in joint venture on the consolidated balance sheets represents DME's and GRIL's share of assets in the joint venture whereby DME is a participant in the joint venture as disclosed in Note 12. DME's and GRIL's share of investment income or loss is included in the consolidated statements of income as income attributable to non-controlling interest in joint venture.

Comprehensive Income (Loss)

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

Segment Information

Under U.S. GAAP, operating segments are based on the internal information that management uses for allocating resources and assessing performance as the source of the Company's reportable segments. The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance, in accordance with the qualitative and quantitative criteria established by U.S. GAAP.

Recently Adopted Accounting Pronouncements

None.

3. FINANCIAL INSTRUMENTS

In the normal course of its business, the Company purchases and sells various financial instruments which include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased.

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

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

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

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

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

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments

Debt instruments, trading

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

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

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

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

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

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

Equity securities, trading

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

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

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

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

Other Investments

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

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

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

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

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

As of December 31, 2014, included in private and unlisted equity securities are investments in private equity funds with a fair value of $12.3 million (December 31, 2013: $41.6 million) determined based on unadjusted net asset values reported by the managers of these securities. Some of these values were reported from periods prior to December 31, 2014. The private equity funds have varying lock-up periods and as of December 31, 2014, all of the funds had redemption restrictions, and therefore have been categorized within Level 3 of the fair value hierarchy. The redemption restrictions have been in place since inception of the investments and are not expected to lapse in the near future. As of December 31, 2014, the Company had $8.9 million (2013: $6.3 million) of unfunded commitments relating to private equity funds whose fair values are determined based on unadjusted net asset values reported by the managers of these securities. These commitments are included in the amounts presented in the schedule of commitments and contingencies in Note 13 of these consolidated financial statements.

Investments in Securities Sold, Not Yet Purchased

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

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

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

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

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

Financial Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. DUE TO PRIME BROKERS

As of December 31, 2014, the amount due to prime brokers is comprised of margin-borrowing from prime brokers relating to investments purchased on margin as well as the margin-borrowing for providing collateral to support some of the Company's outstanding letters of credit (see Notes 6 and 13). Under term margin agreements and certain letter of credit facility agreements, the Company pledges certain investment securities to borrow cash from the prime brokers. The borrowed cash is placed in a custodial account in the name of the Company and this custodial account provides collateral for any letters of credit issued. Since there is no legal right of offset, the Company's liability for the cash borrowed from the prime brokers is included on the consolidated balance sheets as due to prime brokers while the cash held in the custodial account is included on the consolidated balance sheets as restricted cash and cash equivalents. At December 31, 2014, the amounts due to prime brokers included $135.0 million (2013: $202.2 million) of cash borrowed under the term margin agreements to provide collateral for letters of credit facilities and $76.1 million (2013: $112.5 million) of borrowing relating to investment purchases.

The Company's investment guidelines, among other stipulations in the guidelines, allow for up to 15% net margin leverage for extended periods of time and up to 30% net margin leverage for periods of less than 30 days.

5. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
	($ in thousands)	
Cash at banks	$ 1,286	$ 1,855
Cash held with brokers	8,604	48
Total cash and cash equivalents	$ 9,890	$ 1,903

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

6. RESTRICTED CASH AND CASH EQUIVALENTS

The Company is required to maintain certain cash in segregated accounts with prime brokers and swap counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased, and for collateralizing the letters of credit issued under a certain letter of credit facility (see Notes 4 and 13). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased and letters of credit issued. Swap counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying security.

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

7. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

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

	2014	2013	2012
	($ in thousands)		
Gross balance at January 1	$ 306,940	$ 344,339	$ 235,371
Less: Losses recoverable	(16,829)	(34,447)	(29,550)
Net balance at January 1	290,111	309,892	205,821
Incurred losses related to:			
Current year	164,882	289,708	285,270
Prior years	16,204	(5,087)	57,752
Total incurred	181,086	284,621	343,022
Paid losses related to:			
Current year	(139,007)	(145,985)	(124,526)
Prior years	(105,068)	(158,844)	(114,799)
Total paid	(244,075)	(304,829)	(239,325)
Foreign currency revaluation	(1,780)	427	374
Net balance at December 31	225,342	290,111	309,892
Add: Losses recoverable	11,523	16,829	34,447
Gross balance at December 31	$ 236,865	$ 306,940	$ 344,339

For the year ended December 31, 2014, the net losses incurred included $16.2 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2014, the loss development on prior year contracts primarily related to the following:

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

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

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

- $3.0 million of favorable loss development relating to private passenger automobile business, primarily as a result of better than expected loss development noted on our private passenger automobile contracts after a detailed review of existing claims data received from the clients, audits of claim files and actuarial analysis based on all available information. Since these contracts included sliding scale ceding commission rates, the decrease in loss reserves was offset by a $1.6 million increase in ceding commissions recorded as acquisition costs.

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

For the year ended December 31, 2013, the net losses incurred included $5.1 million related to net favorable loss development on reserves relating to prior years. During the year ended December 31, 2013, the loss development on prior year contracts primarily related to the following:

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

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

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

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

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

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

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

For the year ended December 31, 2012, the net losses incurred included $57.7 million related to net adverse loss development on reserves relating to prior years. During the year ended December 31, 2012, the loss development on prior year contracts primarily related to the following:

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

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

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

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

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

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

	2014	2013
	($ in thousands)	
Case reserves	$ 108,600	$ 127,549
IBNR	128,265	179,391
Total	$ 236,865	$ 306,940

8. RETROCESSION

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

For the year ended December 31, 2014, loss and loss adjustment expenses incurred of $181.1 million (2013: $284.6 million and 2012: $343.0 million) reported on the consolidated statements of income are net of loss and loss expenses recovered and recoverable of $4.4 million (2013: $(10.2) million and 2012: $13.0 million). The negative loss and loss adjustment expenses recovered for the year ended December 31, 2013, were due to reversal of loss reserves on retrocession contracts that were novated during 2013.

Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At December 31, 2014, the Company had losses receivable and loss reserves recoverable of $11.5 million (December 31,2013: $16.8 million) with unrated retrocessionaires. At December 31, 2014 and 2013, $2.8 million and $4.0 million, respectively, of losses recoverable from unrated retrocessionaires were secured by cash collateral held by the Company, while $6.7 million and nil, respectively, were secured through a trust account and the remainder was secured by other collateral in the form of guarantees.

At December 31, 2014, the uncollateralized losses receivable and loss reserves recoverable of $8.9 million was related to an unrated retrocessionaire who is contractually obligated to post collateral for the entire balance but the retrocessionaire disputed its obligation and only provided partial collateral. During 2013, an arbitration panel ruled in favor of the Company. The retrocessionaire challenged the arbitration award, seeking to set it aside. A judge in the Grand Court in Grand Cayman subsequently ordered the retrocessionaire to post security in the amount of the arbitration award pending a hearing on the merits, whereupon the retrocessionaire challenged the posting of security. During 2014, the retrocession contract was novated to an affiliate of the retrocessionaire, which partially funded a trust account with collateral for the benefit of the Company.

Additionally, at December 31, 2014, an affiliate of the retrocessionaire was also delinquent in its payment to the Company of $10.3 million (December 31, 2013: $12.0 million) relating to ceding commission adjustments which are included in reinsurance balances receivable. The Company initiated legal proceedings in order to enforce its contractual rights. By Opinion and Order dated July 28, 2014, the United States District Court for the Southern District of New York (the "Court") granted, in part, the Company's summary judgment motion. Subsequently, on October 15, 2014, the Court entered the judgment in the Company's favor. Subsequent to the year ended December 31, 2014, the Company entered into a settlement agreement with the retrocessionaire and its affiliate in order to collect the outstanding balances. See Note 15 - Subsequent Events for further details.

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

9. SHARE CAPITAL

The holders of all ordinary shares are entitled to share equally in dividends declared by the Board of Directors. In the event of a winding-up or dissolution of the Company, the ordinary shareholders share equally and ratably in the assets of the Company, after payment of all debts and liabilities of the Company and after liquidation of any issued and outstanding preferred shares. The Board of Directors is authorized to establish the rights and restrictions for preferred shares as they deem appropriate.

The Amended and Restated Memorandum and Articles of Association (the "Articles") provides that the holders of ordinary shares generally are entitled to one vote per share. The Company 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 million and a Prescribed Capital Requirement on the Company of $443.5

million as of December 31, 2014. The Company’s statutory capital and surplus of $1,102.4 million exceeded the Minimum Capital Requirement as well as the Prescribed Capital Requirement.

Any dividends declared and paid from the Company to its shareholder would require approval of CIMA. As of December 31, 2014 and 2013, $658.8 million and $539.3 million, respectively, of the Company's capital and surplus was available for distribution as dividends. No dividend was declared or paid during the years ended December 31, 2014 and 2013.

Additional paid-in capital includes the premium per share paid by the subscribing shareholder for Class A and B ordinary shares which have a par value of $0.10 each.

10. NET INVESTMENT INCOME

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

	2014	2013	2012
	($ in thousands)		
Realized gains	$ 348,764	$ 141,976	$ 60,762
Change in unrealized gains	(172,402)	154,791	67,569
Investment related foreign exchange gains (losses)	(1,684)	19,305	3,682
Interest and dividend income	30,876	21,569	20,701
Interest, dividend and other expenses	(38,762)	(41,403)	(38,178)
Investment advisor compensation	(49,133)	(72,532)	(35,658)
Net investment income	$ 117,659	$ 223,706	$ 78,878

Interest and dividend income in the above table are net of any withholding taxes. Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended December 31, 2014, investment income, net of all fees and expenses, resulted in a gain of 8.7% on the investment portfolio. This compares to a gain of 19.6% and a gain of 7.1% reported for the years ended December 31, 2013 and 2012, respectively.

11. TAXATION

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

Federal Excise Taxes

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

12. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

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

Pursuant to the venture agreement, performance allocation equal to 20% of the net investment income of the Company's share of the account managed by DME Advisors is allocated, subject to a loss carry forward provision, to DME's account. The loss carry forward provision allows DME to earn a reduced performance allocation of 10% on net investment income in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn a performance allocation in a year in which the investment portfolio incurs a loss. For the year ended December 31, 2014, performance allocation of $28.5 million (2013: $54.2 million, 2012: $18.8 million) was netted against gross investment income.

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

Pursuant to the venture and advisory agreements, the Company has agreed to indemnify DME and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company's investment advisor. The Company will reimburse DME and DME Advisors for reasonable costs and expenses of investigating and/or defending such claims provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME or DME Advisors. For the year ended December 31, 2014, there were no indemnification payments made by the Company.

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

Due to / from Parent

At December 31, 2014 the amount to parent related to non-interest bearing, unsecured loans and was repayable on demand.

At December 31, 2013 the amount due from parent related to non-interest bearing, unsecured loans and was repayable on demand.

Due to / from Affiliates

At December 31, 2014, the Company had $0.1 million due from an affiliate which is non-interest bearing, unsecured and is repayable on demand.

The Company has entered into a quota share retrocession agreement with GRIL whereby the Company assumes from GRIL a quota share portion of certain specified reinsurance contracts written by GRIL. For the year ended December 31, 2014, the Company assumed $6.8 million (2013: $1.9 million) of written premiums from GRIL.

The Company has entered into an retrocession agreement with GRIL whereby the Company provides an aggregate stop loss protection to GRIL in return for premiums ceded by GRIL to the company. For the year ended December 31, 2014, GRIL ceded $1.7 million (2013: $1.6 million) of written premiums to the Company. During the year ended December 31, 2014, the threshold for coverage was breached which resulted in $0.5 million of losses paid by the Company to GRIL.

Prior to January 1, 2014, the Company had entered into a service level agreement with GRIL whereby the Company provided underwriting and various insurance related business and management services to GRIL. At December 31, 2013, included in amounts due from affiliate were $0.3 million related to management fees due from GRIL and $0.3 million related to amounts due from GRIL for reimbursement of certain expenses incurred by the Company on behalf of GRIL. For the year ended December 31, 2013, $2.3 million of management fee income was included in the consolidated statements of income as other income (expense), net. The service level agreement with GRIL was mutually terminated effective January 1, 2014.

13. COMMITMENTS AND CONTINGENCIES

Letters of Credit

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

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

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

The Company issues letters of credit on behalf of GRIL, from the above facilities, for the benefit of GRIL's insureds. The collateral pledged as security relating to these letters of credit is also provided by the Company. In the event that GRIL's insureds draw upon any letters of credit, GRIL shall be obligated to reimburse the Company the amount of the letters of credit drawn by the insured. As of December 31, 2014, $23.9 million of letters of credit were issued by the Company on behalf of GRIL (2013: $6.6 million) and no letters of credits were drawn by GRIL's insureds for the years ended December 31, 2014 and 2013.

Operating Lease Obligations

The Company has entered into lease agreements for office space in the Cayman Islands. Under the terms of the lease agreements, The Company 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 The Company has the option to renew the leases for a further five year term. Included in the schedule below are the minimum lease payment obligations relating to these leases as of December 31, 2014.

The total rent expense related to leased office space for the year ended December 31, 2014 was $440,214 (2013: $384,355, 2012: $253,539).

Private Equity and Limited Partnerships

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

Schedule of Commitments and Contingencies

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

	2015	2016	2017	2018	2019	Thereafter	Total
				($ in thousands)			
Operating lease obligations	$ 466	$ 466	$ 466	$ 233	$ —	$ —	$ 1,631
Private equity and limited partnerships (1)	8,929	—	—	—	—	—	8,929
	$ 9,395	$ 466	$ 466	$ 233	$ —	$ —	$ 10,560

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

Litigation

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

14. SEGMENT REPORTING

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

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

	Year ended December 31					
	2014		2013		2012	
Largest broker	$ 132,235	52.4%	$ 245,323	52.9%	$ 232,553	60.3%
2nd largest broker	40,773	16.2	119,117	25.7	63,044	16.3
3rd largest broker	—	—	—	—	38,405	10.0
	$ 173,008	68.6%	$ 364,440	78.6%	$ 334,002	86.6%

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

	Gross Premiums Written by Line of Business Year ended December 31					
	2014		2013		2012	
Property						
Aviation	$ 336	0.1%	$ 134	—%	$ —	—%
Commercial	11,319	4.5	9,985	2.2	15,110	3.9
Energy	1,705	0.7	527	0.1	—	—
Motor physical damage	19,615	7.8	54,250	11.7	59,251	15.4
Personal	64,479	25.6	145,807	31.4	81,662	21.2
Total Property	97,454	38.7	210,703	45.4	156,023	40.5
Casualty						
General liability (1)	11,689	4.6	(815)	(0.2)	22,462	5.8
Marine liability	4,257	1.7	1,657	0.4	2,240	0.6
Motor liability	103,080	40.8	220,386	47.5	169,104	43.8
Professional liability	26,799	10.6	29,932	6.5	16,813	4.4
Total Casualty	145,825	57.7	251,160	54.2	210,619	54.6
Specialty						
Financial (1)	5,247	2.1	3,498	0.8	(256)	(0.1)
Health	3,087	1.2	2,981	0.6	2,393	0.6
Workers' compensation (1)	726	0.3	(4,215)	(1.0)	16,985	4.4
Total Specialty	9,060	3.6	2,264	0.4	19,122	4.9
	$ 252,339	100.0%	$ 464,127	100.0%	$ 385,764	100.0%

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

	Gross Premiums Written by Geographic Area of Risks Insured Year Ended December 31					
	2014		2013		2012	
			($ in thousands)			
U.S. and Caribbean	$ 203,805	80.8%	$ 423,315	91.2%	$ 357,817	92.7%
Worldwide (1)	29,422	11.7	9,342	2.0	11,134	2.9
Europe	19,029	7.5	31,471	6.8	16,813	4.4
Asia	83	—	—	—	—	—
	$ 252,339	100.0%	$ 464,128	100.0%	$ 385,764	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.

15. SUBSEQUENT EVENTS

As described in Note 8 - Retrocession, the Company had previously successfully litigated and had been awarded a judgment to collect certain amounts owing to it from a third party retrocessionaire and an affiliate of the retrocessionaire. Subsequent to year end, the Company entered into a settlement agreement whereby scheduled payments would be made to the Company such that the Company would receive in full, with interest, all amounts owing. Provided that there is no default on the scheduled payments the judgment will be stayed, however, in the event of a default the judgment will once again be enforceable.