

Edgar Filing: Maiden Holdings, Ltd. - Form 10-Q

Maiden Holdings, Ltd.  
Form 10-Q  
November 10, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-34042

MAIDEN HOLDINGS, LTD.  
(Exact name of registrant as specified in its charter)

Bermuda  
(State or other jurisdiction of  
incorporation or organization)

98-0570192  
(IRS Employer  
Identification No.)

131 Front Street, Hamilton, Bermuda  
(Address of principal executive offices)

HM12  
(Zip Code)

(441) 298-4900  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act). Yes  No

As of November 3, 2014, the number of the Registrant's Common Stock (\$.01 par value) outstanding was 72,910,082

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INDEX

	Page
PART I - Financial Information	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013 (audited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>63</u>
<u>Item 4. Controls and Procedures</u>	<u>65</u>
PART II - Other Information	
<u>Item 1. Legal Proceedings</u>	<u>65</u>
<u>Item 1A. Risk Factors</u>	<u>65</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>65</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>66</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>66</u>
<u>Item 5. Other Information</u>	<u>66</u>
<u>Item 6. Exhibits</u>	<u>66</u>
<u>Signatures</u>	<u>67</u>

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## MAIDEN HOLDINGS, LTD.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars, except share and per share data)

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
<b>ASSETS</b>		
Investments:		
Fixed maturities, available-for-sale, at fair value (Amortized cost 2014: \$3,372,234; 2013: \$3,127,792)	\$3,450,359	\$3,162,067
Other investments, at fair value (Cost 2014: \$10,746; 2013: \$4,522)	11,489	5,092
Total investments	3,461,848	3,167,159
Cash and cash equivalents	52,382	139,833
Restricted cash and cash equivalents	220,845	77,360
Accrued investment income	26,912	25,238
Reinsurance balances receivable, net (includes \$217,492 and \$299,645 from related parties in 2014 and 2013, respectively)	516,416	560,145
Reinsurance recoverable on unpaid losses (includes \$4,658 and \$7,263 from related parties in 2014 and 2013, respectively)	82,158	84,036
Loan to related party	167,975	167,975
Deferred commission and other acquisition expenses (includes \$274,064 and \$216,508 from related parties in 2014 and 2013, respectively)	369,149	304,908
Goodwill and intangible assets, net	88,155	90,613
Other assets	73,952	96,112
Total assets	\$5,059,792	\$4,713,379
<b>LIABILITIES</b>		
Reserve for loss and loss adjustment expenses (includes \$1,064,081 and \$885,381 from related parties in 2014 and 2013, respectively)	\$2,157,221	\$1,957,835
Unearned premiums (includes \$872,020 and \$711,950 from related parties in 2014 and 2013, respectively)	1,231,417	1,034,754
Accrued expenses and other liabilities	97,064	110,114
Senior notes	360,000	360,000
Junior subordinated debt	—	126,381
Total liabilities	3,845,702	3,589,084
Commitments and Contingencies		
<b>EQUITY</b>		
Preference shares	315,000	315,000
Common shares (\$0.01 par value; 73,877,519 and 73,595,897 shares issued in 2014 and 2013, respectively; 72,909,332 and 72,633,561 shares outstanding in 2014 and 2013, respectively)	739	736
Additional paid-in capital	577,438	574,522
Accumulated other comprehensive income	87,243	25,784
Retained earnings	237,063	211,602
Treasury shares, at cost (968,187 and 962,336 shares in 2014 and 2013, respectively)	(3,867)	(3,801)
Total Maiden shareholders' equity	1,213,616	1,123,843
Noncontrolling interest in subsidiaries	474	452

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Total equity	1,214,090	1,124,295
Total liabilities and equity	\$5,059,792	\$4,713,379

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

3

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## MAIDEN HOLDINGS, LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands of U.S. dollars, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Gross premiums written	\$622,861	\$491,915	\$1,905,251	\$1,742,092
Net premiums written	\$605,456	\$463,418	\$1,856,268	\$1,650,426
Change in unearned premiums	(13,014)	) 44,708	(212,700)	) (140,585)
Net premiums earned	592,442	508,126	1,643,568	1,509,841
Other insurance revenue	2,423	3,271	10,427	11,266
Net investment income	29,520	23,253	85,469	65,977
Net realized gains on investment	310	477	975	3,707
Total other-than-temporary impairment losses	(1,189)	) —	(1,189)	) —
Portion of loss recognized in other comprehensive income (loss)	—	—	—	—
Net impairment losses recognized in earnings	(1,189)	) —	(1,189)	) —
Total revenues	623,506	535,127	1,739,250	1,590,791
Expenses:				
Net loss and loss adjustment expenses	399,815	341,629	1,102,316	1,019,871
Commission and other acquisition expenses	166,246	144,194	469,730	420,096
General and administrative expenses	15,524	13,251	45,844	44,163
Interest and amortization expenses	7,172	9,571	22,408	28,711
Accelerated amortization of junior subordinated debt discount and issuance cost	—	—	28,240	—
Amortization of intangible assets	820	945	2,458	2,835
Foreign exchange and other (gains) losses	(483)	) 23	(1,555)	) (2,573)
Total expenses	589,094	509,613	1,669,441	1,513,103
Income before income taxes	34,412	25,514	69,809	77,688
Income tax expense	486	481	1,907	1,217
Net income	33,926	25,033	67,902	76,471
Less: Income attributable to noncontrolling interest	(43)	) (36)	) (109)	) (95)
Net income attributable to Maiden shareholders	33,883	24,997	67,793	76,376
Dividends on preference shares	(6,085)	) (3,093)	) (18,253)	) (9,281)
Net income attributable to Maiden common shareholders	\$27,798	\$21,904	\$49,540	\$67,095
Basic earnings per share attributable to Maiden common shareholders	\$0.38	\$0.30	\$0.68	\$0.92
Diluted earnings per share attributable to Maiden common shareholders	\$0.36	\$0.30	\$0.67	\$0.91
Dividends declared per common share	\$0.11	\$0.09	\$0.33	\$0.27

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.



## MAIDEN HOLDINGS, LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

(in thousands of U.S. dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Comprehensive income:				
Net income	\$33,926	\$25,033	\$67,902	\$76,471
Other comprehensive (loss) income				
Net unrealized holding gains (losses) on available-for-sale fixed maturities arising during the period (net of tax of \$6 and \$(37) for the three and nine months ended September 30, 2014 and \$(10) and \$23 for the three and nine months ended September 30, 2013, respectively)	(47,728	) 5,743	43,446	(85,415 )
Portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred tax	—	—	—	—
Adjustment for reclassification of net realized losses (gains) recognized in net income, net of tax	26	(397	) 538	(3,657 )
Foreign currency translation adjustment	16,953	(4,744	) 17,430	(3,427 )
Other comprehensive (loss) income	(30,749	) 602	61,414	(92,499 )
Comprehensive income (loss)	3,177	25,635	129,316	(16,028 )
Net income attributable to noncontrolling interest	(43	) (36	) (109	) (95 )
Other comprehensive loss (income) attributable to noncontrolling interest	42	(18	) 45	(12 )
Comprehensive income attributable to noncontrolling interest	(1	) (54	) (64	) (107 )
Comprehensive income (loss) attributable to Maiden shareholders	\$3,176	\$25,581	\$129,252	\$(16,135 )

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.



## MAIDEN HOLDINGS, LTD.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(in thousands of U.S. dollars)

For the Nine Months Ended September 30,	2014	2013
Preference shares		
Beginning balance	\$315,000	\$150,000
Preference shares - Series B subscribed but unissued	—	150,000
Subscription receivable	—	(150,000)
Ending balance	315,000	150,000
Common shares		
Beginning balance	736	733
Exercise of options and issuance of shares	3	3
Ending balance	739	736
Additional paid-in capital		
Beginning balance	574,522	575,869
Exercise of options and issuance of common shares	462	1,633
Share based compensation expense	2,454	1,668
Ending balance	577,438	579,170
Accumulated other comprehensive income		
Beginning balance	25,784	141,130
Change in net unrealized gains (losses) on investments, net of reclassification adjustment	43,984	(89,072)
Foreign currency translation adjustments	17,475	(3,439)
Ending balance	87,243	48,619
Retained earnings		
Beginning balance	211,602	151,308
Net income attributable to Maiden shareholders	67,793	76,376
Dividends on preference shares	(18,253)	(9,281)
Dividends on common shares	(24,079)	(19,607)
Ending balance	237,063	198,796
Treasury shares		
Beginning balance	(3,801)	(3,801)
Shares repurchased for treasury	(66)	—
Ending balance	(3,867)	(3,801)
Noncontrolling interest in subsidiaries		
Beginning balance	452	372
Dividend paid to noncontrolling interest	(42)	(46)
Net income attributable to noncontrolling interest	109	95
Foreign currency translation adjustments	(45)	12
Ending balance	474	433
Total equity	\$1,214,090	\$973,953

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

MAIDEN HOLDINGS, LTD.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
 (in thousands of U.S. dollars)

For the Nine Months Ended September 30,	2014	2013
Cash flows from operating activities:		
Net income	\$67,902	\$76,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	3,590	3,870
Net realized gains on investment	(975)	(3,707)
Net impairment losses recognized in earnings	1,189	—
Foreign exchange and other gains	(1,555)	(2,573)
Amortization of share-based compensation expense, bond premium and discount, subordinated debt discount and accelerated amortization of junior subordinated debt discount and issuance cost, net	34,748	11,641
Changes in assets – (increase) decrease:		
Reinsurance balances receivable, net	35,514	(28,459)
Reinsurance recoverable on unpaid losses	1,857	13,522
Accrued investment income	(1,943)	(2,055)
Deferred commission and other acquisition expenses	(65,235)	(40,023)
Other assets	17,510	(9,668)
Changes in liabilities – increase (decrease):		
Reserve for loss and loss adjustment expenses	224,519	181,171
Unearned premiums	202,624	151,492
Accrued expenses and other liabilities	(12,773)	7,644
Net cash provided by operating activities	506,972	359,326
Cash flows from investing activities:		
Purchases of fixed maturities – available-for-sale	(599,440)	(725,921)
Purchases of other investments	(6,551)	(2,013)
Proceeds from sales of fixed maturities – available-for-sale	114,007	186,957
Proceeds from maturities and calls of fixed maturities	236,372	387,692
Proceeds from redemption of other investments	679	259
Increase in restricted cash and cash equivalents	(143,485)	(137,617)
Proceeds from sale of a business unit	—	1,281
Other, net	(853)	(290)
Net cash used in investing activities	(399,271)	(289,652)
Cash flows from financing activities:		
Repayment of junior subordinated debt	(152,500)	—
Common share issuance	465	1,636
Dividends paid to common shareholders	(24,050)	(13,063)
Dividends paid to preference shareholders	(18,253)	(9,281)
Net cash used in financing activities	(194,338)	(20,708)
Effect of exchange rate changes on foreign currency cash	(814)	787
Net (decrease) increase in cash and cash equivalents	(87,451)	49,753
Cash and cash equivalents, beginning of period	139,833	81,543
Cash and cash equivalents, end of period	\$52,382	\$131,296

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.



MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Maiden Holdings, Ltd. and its subsidiaries (the "Company" or "Maiden") and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP" or "U.S. GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All significant inter-company transactions and accounts have been eliminated.

These interim unaudited Condensed Consolidated Financial Statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim period and all such adjustments are of a normal recurring nature. The results of operations for the interim period are not necessarily indicative, if annualized, of those to be expected for the full year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

These unaudited Condensed Consolidated Financial Statements, including these notes, should be read in conjunction with the Company's audited consolidated financial statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Certain reclassifications have been made for 2013 to conform to the 2014 presentation and have no impact on net income previously reported.

## 2. Significant Accounting Policies

There have been no material changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2013, except as discussed below:

### Recently Adopted Accounting Standards Updates

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists

On July 18, 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11 which provides guidance on the presentation of an unrecognized tax benefit when a net operating loss ("NOL") carry-forward, a similar tax loss, or a tax credit carry-forward exists. Under this ASU, an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a NOL carry-forward, similar tax loss, or a tax credit carry-forward. There are two exceptions to this form of presentation as follows:

☛ To the extent a NOL carry-forward, a similar tax loss, or a tax credit carry-forward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the

disallowance of a tax position; and

•The entity does not intend to use the deferred tax asset for this purpose.

If either of these conditions exists, an entity should present an unrecognized benefit in the financial statements as a liability and should not net the unrecognizable tax benefit with a deferred tax asset.

The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The update was adopted effective January 1, 2014. The adoption of this guidance did not have an impact on our results of operations, financial condition or liquidity.

Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity

In March 2013, FASB issued ASU 2013-05 with the objective of resolving the diversity about whether Accounting Standards Codification ("ASC") 810-10, Consolidation - Overall, or ASC 830-30, Foreign Currency Matters - Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. Under this guidance, when a reporting entity that is also the parent entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in ASC 830-30 to release any related cumulative translation adjustment into net income.

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 2. Significant Accounting Policies (continued)

Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Additionally, for an equity method investment that is a foreign entity, the partial sale guidance in ASC 830-30-40 continues to be applicable. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment.

Furthermore, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment); and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events.

The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The update was adopted effective January 1, 2014. The adoption of this guidance did not have an impact on our results of operations, financial condition or liquidity.

### Recently Issued Accounting Standards Not Yet Adopted

#### Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

On April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of a discontinued operation in ASC 205-20 and requires entities to provide additional disclosures about disposal transactions that both meet and do not meet the discontinued-operations criteria. Under the previous guidance, the results of operations of a component of an entity were classified as a discontinued operation if all of the following conditions were met:

- The component has been disposed of or is classified as held for sale;
- The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction; and
- The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction.

The revised guidance will change how entities identify disposal transactions under U.S. GAAP by eliminating the second and third criteria above for classifying operations as discontinued. The new guidance instead requires classification of a component or group of components as discontinued operations if it represents a strategic shift that has or will have a major impact on an entity's operations or financial results.

The amendments in this ASU are effective prospectively to all disposals (or classifications as held for sale) that occur in annual periods (and interim periods therein) beginning on or after December 15, 2014. Early adoption is permitted. Entities are prohibited from applying the new ASU to any component that is classified as held for sale before the adoption date. The Company is currently evaluating the impact of the adoption of this new guidance on its consolidated results of operations and financial condition.

#### Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

On June 19, 2014, FASB issued ASU 2014-12 to clarify how entities should treat performance targets that can be met after the requisite service period of a share-based payment award. The ASU states that the share-based payment award should be treated as a performance condition that affects vesting and therefore, an entity would not record compensation expense (measured as of the grant date without taking into account the effect of the performance target) related to an award for which transfer to the employee is contingent on the entity's satisfaction of a performance target until it becomes probable that the performance target will be met. No new disclosures are required under the ASU.

ASU 2014-12 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015. Early adoption is permitted. In addition, all entities will have the option of applying the guidance either prospectively (i.e. only to awards granted or modified on or after the effective date of the issue) or retrospectively. Retrospective application would only apply to awards with performance targets outstanding at or after the beginning of the first annual period presented (i.e. the earliest presented comparative period). The adoption of this guidance is not expected to have an impact on our results of operations, financial condition or liquidity.

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

### 3. Segment Reporting

The Company currently has two reportable segments: Diversified Reinsurance and AmTrust Reinsurance (previously titled AmTrust Quota Share Reinsurance segment).

As of September 30, 2014, the Company revised the structure of its reportable segments following a review which concluded that the former segment, NGHC Quota Share, currently in run-off, no longer met the reportable segment criteria under FASB ASC 280 Segment Reporting. As a result, the Company determined that it no longer requires separate disclosure of the NGHC Quota Share as a reportable segment. Furthermore, it was concluded that the remnants of the excess & surplus ("E&S") business, which is also in run-off, no longer meets the aggregation criteria under FASB ASC 280 Segment Reporting and therefore is no longer aggregated with the other operating segments of the Diversified Reinsurance reportable segment. Due to these presentation revisions, the results of operations of the former NGHC Quota Share segment and the remnants of the E&S business have been included in "Other" category, and all prior periods presented herein have been reclassified to conform with the current year presentation.

The Company evaluates segment performance based on segment profit separately from the results of our investment portfolio. Other operating expenses allocated to the segments are called General and Administrative expenses which are allocated on an actual basis except salaries and benefits where management's judgment is applied. The Company does not allocate general corporate expenses to the segments. In determining total assets by reportable segment, the Company identifies those assets that are attributable to a particular segment such as reinsurance balances receivable, reinsurance recoverable on unpaid losses, deferred commission and other acquisition expenses, loans, goodwill and intangible assets, restricted cash and cash equivalents and investments, and prepaid reinsurance premiums, reinsurance recoverable on paid losses and funds withheld (which are presented as part of other assets in the unaudited Condensed Consolidated Balance Sheets). All remaining assets are allocated to Corporate.

Fee-generating business, which is included in the Diversified Reinsurance segment, is considered part of the underwriting operations of the Company. To the extent that the fees are generated on underlying insurance contracts sold to third parties that are then ceded under quota share reinsurance contracts with Maiden Reinsurance Ltd. ("Maiden Bermuda", formerly known as Maiden Insurance Company Ltd.), a proportionate share of the fee is offset against the related acquisition expense. To the extent that fee business is not directly associated with premium revenue generated under the applicable reinsurance contracts, that fee revenue is separately reported on the line captioned "Other insurance revenue" in the Company's unaudited Condensed Consolidated Statements of Income.



## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

The following tables summarize our reporting segment's underwriting results and the reconciliation of our reportable segments and Other category to net income:

For the Three Months Ended September 30, 2014	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Net premiums written	\$219,576	\$385,923	\$(43)	\$605,456	)
Net premiums earned	\$233,022	\$359,065	\$355	\$592,442	)
Other insurance revenue	2,423	—	—	2,423	)
Net loss and loss adjustment expenses	(166,342)	(233,166)	(307)	(399,815)	)
Commission and other acquisition expenses	(56,878)	(109,241)	(127)	(166,246)	)
General and administrative expenses	(9,812)	(538)	(193)	(10,543)	)
Underwriting income (loss)	\$2,413	\$16,120	\$(272)	\$18,261	)
Reconciliation to net income					
Net investment income and realized gains on investment				29,830	)
Net impairment losses recognized in earnings				(1,189)	)
Amortization of intangible assets				(820)	)
Foreign exchange and other gains				483	)
Interest and amortization expenses				(7,172)	)
Other general and administrative expenses				(4,981)	)
Income tax expense				(486)	)
Net income				\$33,926	)
Net loss and loss adjustment expense ratio*	70.7	% 64.9	% 86.5	% 67.2	%
Commission and other acquisition expense ratio**	24.2	% 30.4	% 35.8	% 27.9	%
General and administrative expense ratio***	4.1	% 0.2	% 54.3	% 2.7	%
Combined ratio****	99.0	% 95.5	% 176.6	% 97.8	%

## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

For the Three Months Ended September 30, 2013	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Net premiums written	\$187,864	\$259,633	\$15,921	\$463,418	
Net premiums earned	\$198,328	\$243,408	\$66,390	\$508,126	
Other insurance revenue	3,271	—	—	3,271	
Net loss and loss adjustment expenses	(135,324)	(160,378)	(45,927)	(341,629)	)
Commission and other acquisition expenses	(52,600)	(71,869)	(19,725)	(144,194)	)
General and administrative expenses	(9,688)	(504)	(177)	(10,369)	)
Underwriting income	\$3,987	\$10,657	\$561	\$15,205	
Reconciliation to net income					
Net investment income and realized gains on investment				23,730	
Amortization of intangible assets				(945)	)
Foreign exchange and other losses				(23)	)
Interest and amortization expenses				(9,571)	)
Other general and administrative expenses				(2,882)	)
Income tax expense				(481)	)
Net income				\$25,033	
Net loss and loss adjustment expense ratio*	67.1	% 65.9	% 69.2	% 66.8	%
Commission and other acquisition expense ratio**	26.1	% 29.5	% 29.7	% 28.2	%
General and administrative expense ratio***	4.8	% 0.2	% 0.3	% 2.6	%
Combined ratio****	98.0	% 95.6	% 99.2	% 97.6	%

## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

For the Nine Months Ended September 30, 2014	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Net premiums written	\$681,690	\$1,176,957	\$(2,379)	\$1,856,268	)
Net premiums earned	\$635,251	\$988,913	\$19,404	\$1,643,568	)
Other insurance revenue	10,427	—	—	10,427	)
Net loss and loss adjustment expenses	(439,329)	(645,358)	(17,629)	(1,102,316)	)
Commission and other acquisition expenses	(164,850)	(298,236)	(6,644)	(469,730)	)
General and administrative expenses	(31,207)	(1,600)	(580)	(33,387)	)
Underwriting income (loss)	\$10,292	\$43,719	\$(5,449)	\$48,562	)
Reconciliation to net income					
Net investment income and realized gains on investment				86,444	)
Net impairment losses recognized in earnings				(1,189)	)
Amortization of intangible assets				(2,458)	)
Foreign exchange and other gains				1,555	)
Interest and amortization expenses				(22,408)	)
Accelerated amortization of junior subordinated debt discount and issuance costs				(28,240)	)
Other general and administrative expenses				(12,457)	)
Income tax expense				(1,907)	)
Net income				\$67,902	)
Net loss and loss adjustment expense ratio*	68.0	% 65.3	% 90.9	% 66.6	%
Commission and other acquisition expense ratio**	25.5	% 30.2	% 34.2	% 28.4	%
General and administrative expense ratio***	4.9	% 0.1	% 3.0	% 2.8	%
Combined ratio****	98.4	% 95.6	% 128.1	% 97.8	%

## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

For the Nine Months Ended September 30, 2013	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Net premiums written	\$589,612	\$895,029	\$165,785	\$1,650,426	
Net premiums earned	\$565,148	\$725,100	\$219,593	\$1,509,841	
Other insurance revenue	11,266	—	—	11,266	
Net loss and loss adjustment expenses	(392,370)	(478,722)	(148,779)	(1,019,871)	)
Commission and other acquisition expenses	(141,740)	(213,199)	(65,157)	(420,096)	)
General and administrative expenses	(31,639)	(1,498)	(530)	(33,667)	)
Underwriting income	\$10,665	\$31,681	\$5,127	\$47,473	
Reconciliation to net income					
Net investment income and realized gains on investment				69,684	
Amortization of intangible assets				(2,835)	)
Foreign exchange and other gains				2,573	
Interest and amortization expenses				(28,711)	)
Other general and administrative expenses				(10,496)	)
Income tax expense				(1,217)	)
Net income				\$76,471	
Net loss and loss adjustment expense ratio*	68.1	% 66.0	% 67.8	% 67.0	%
Commission and other acquisition expense ratio**	24.6	% 29.4	% 29.7	% 27.6	%
General and administrative expense ratio***	5.4	% 0.2	% 0.2	% 3.0	%
Combined ratio****	98.1	% 95.6	% 97.7	% 97.6	%

\* Calculated by dividing net loss and loss adjustment expenses by the sum of net premiums earned and other insurance revenue.

\*\* Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.

\*\*\* Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.

\*\*\*\* Calculated by adding together net loss and loss adjustment expense ratio, commission and other acquisition expense ratio and general and administrative expense ratio.

## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

The following table summarizes our reportable segments' identifiable assets reconciled to total assets as of September 30, 2014 and December 31, 2013:

September 30, 2014	Diversified Reinsurance	AmTrust Reinsurance	Total
Reinsurance balances receivable, net	\$299,310	\$211,721	\$511,031
Reinsurance recoverable on unpaid losses	35,328	—	35,328
Deferred commission and other acquisition expenses	95,081	274,070	369,151
Loan to related party	—	167,975	167,975
Goodwill and intangible assets, net	88,155	—	88,155
Restricted cash and cash equivalents and investments	1,131,883	1,579,684	2,711,567
Other assets	53,266	—	53,266
Total assets - reportable segments	1,703,023	2,233,450	3,936,473
Corporate assets	—	—	1,123,319
Total Assets	\$1,703,023	\$2,233,450	\$5,059,792
December 31, 2013	Diversified Reinsurance	AmTrust Reinsurance	Total
Reinsurance balances receivable, net	\$261,317	\$278,573	\$539,890
Reinsurance recoverable on unpaid losses	31,519	—	31,519
Deferred commission and other acquisition expenses	88,755	209,439	298,194
Loan to related party	—	167,975	167,975
Goodwill and intangible assets, net	90,613	—	90,613
Restricted cash and cash equivalents and investments	1,025,629	1,102,317	2,127,946
Other assets	60,652	—	60,652
Total assets - reportable segments	1,558,485	1,758,304	3,316,789
Corporate assets	—	—	1,396,590
Total Assets	\$1,558,485	\$1,758,304	\$4,713,379

## MAIDEN HOLDINGS, LTD.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands of U.S. dollars, except share and per share data)

## 3. Segment Reporting (continued)

The following tables set forth financial information relating to net premiums written and earned by major line of business and reportable segment for the three and nine months ended September 30, 2014 and 2013:

For the Three Months Ended September 30,	2014		2013		
Net premiums written	Total	% of Total	Total	% of Total	
Diversified Reinsurance					
Property	\$36,991	6.1	% \$29,027	6.3	%
Casualty	149,067	24.6	% 122,600	26.4	%
Accident and Health	7,061	1.2	% 9,040	2.0	%
International	26,457	4.4	% 27,197	5.9	%
Total Diversified Reinsurance	219,576	36.3	% 187,864	40.6	%
AmTrust Reinsurance					
Small Commercial Business	211,986	35.0	% 136,725	29.5	%
Specialty Program	57,035	9.4	% 41,698	9.0	%
Specialty Risk and Extended Warranty	116,902	19.3	% 81,210	17.5	%
Total AmTrust Reinsurance	385,923	63.7	% 259,633	56.0	%
Other	(43	) —	% 15,921	3.4	%
	\$605,456	100.0	% \$463,418	100.0	%
For the Three Months Ended September 30,	2014		2013		
Net premiums earned	Total	% of Total	Total	% of Total	
Diversified Reinsurance					