

MAIDEN REINSURANCE LTD.

Ideation House, 2nd Floor
94 Pitts Bay Road
Pembroke, Bermuda
HM08

DECLARATION OF COMPLIANCE

(Prepared in accordance with section 15A of the Insurance Act 1978)

For the Year-Ending – December 31, 2018

We, the undersigned Directors of Maiden Reinsurance Ltd. ("the Company") declare that to the best of our knowledge and belief that the Company has:

- (a) complied with all requirements of the minimum criteria applicable to it;
- (b) complied with the minimum margin of solvency;
- (c) has not complied with the applicable enhanced capital requirement;
- (d) complied with all applicable regulatory conditions, directions, restrictions and approvals imposed on the insurer; and
- (e) complied with the minimum liquidity ratio for general business .

At December 31, 2018 the Enhanced Capital Requirement of \$959.7 million was not met. Total statutory economic capital and surplus of \$802.8 million was deficient by \$156.9 million. The Company has taken actions to remediate the breach including:

- (a) capital injections by the Company's shareholders of \$125.0 million of \$70.0 million in January 2019;
- (b) effective January 1, 2019, a Partial Termination Amendment (the "Partial Termination Amendment") with AmTrust, through its wholly owned subsidiary AmTrust International Insurance, Ltd. ("All"), to amend the Amended and Restated Quota Share Agreement between the Company and All, originally entered into on July 1, 2007 (the "AmTrust Quota Share") and subsequently amended, that is currently in-force and was set to expire on June 30, 2019. The Partial Termination Amendment provides for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business (specifically workers' compensation, general liability, umbrella liability, professional liability and cyber liability insurance coverages) and U.S. Specialty Risk and Extended Warranty as of December 31, 2018, with the remainder of the AmTrust Quota Share remaining in place. The Partial Termination Amendment resulted in the Company returning approximately \$716.1 million in unearned premium to AmTrust, which nets to approximately \$480.0 million after consideration of ceding commission and brokerage, subject to adjustment;
- (c) effective January 1, 2019, termination on a run-off basis of the AmTrust Quota Share and the Quota Share Reinsurance Contract among the Company, AmTrust Europe Limited ("AEL") and AmTrust International Underwriters Limited DAC ("AIU DAC"), originally entered into on April 1, 2011, by which AEL cedes 20% and AIU DAC cedes 40% to the Company of AmTrust's European Hospital Liability business ("European Hospital Liability Quota Share"); and

(d) effective March 1, 2019, the Company signed a Master Transaction Agreement ("LPT/ADC MTA") with Enstar Group Limited ("Enstar") pursuant to which an Enstar subsidiary will assume liabilities for loss reserves as of December 31, 2018 associated with the quota share reinsurance agreements between the Company and AmTrust in excess of a \$2.44 billion retention up to \$675.0 million. The \$2.44 billion retention will be subject to adjustment for paid losses since December 31, 2018. The LPT/ADC MTA and associated pending reinsurance agreement, which is subject to regulatory approval, will provide the Company with \$175.0 million in adverse development cover over its carried AmTrust reserves at December 31, 2018.

As a result of the actions taken in the Strategic Review during 2018 and 2019, and pending finalization of the New LPT/ADC MTA and associated reinsurance agreement, we estimate that the Company will have sufficient capital in excess of the enhanced capital requirement.

DIRECTORS:



Director: Andrew M. Gibbs



Date



Director: Patrick J. Haveron



Date