MAIDEN REINSURANCE LTD.

Financial Statements
Years Ended December 31, 2018 and 2017

MAIDEN REINSURANCE LTD.

Contents

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Maiden Reinsurance Ltd.
Hamilton, Bermuda

We have audited the accompanying financial statements of Maiden Reinsurance Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2018 and 2017, and the related statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maiden Reinsurance Ltd. as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do no provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte Ltd.

April 30, 2019

MAIDEN REINSURANCE LTD.
BALANCE SHEETS
As of December 31, 2018 and 2017
(in thousands of U.S. dollars, except share and per share data)

	2018	2017
ASSETS		
Investments:		
Fixed maturities, available-for-sale, at fair value *(amortized cost 2018: $3,098,974; 2017: $2,618,709)*	$ 3,039,132	$ 2,624,801
Fixed maturities, held-to-maturity, at amortized cost *(fair value 2018: $998,012; 2017: $1,125,626)*	1,015,681	1,097,801
Other investments, at fair value	3,833	5,100
Total investments	4,058,646	3,727,702
Cash and cash equivalents	53,692	30,346
Restricted cash and cash equivalents	130,148	94,893
Accrued investment income	27,711	28,522
Reinsurance balances receivable, net	65,626	71,570
Funds withheld	27,181	14,781
Loan to related party	167,975	167,975
Ceded unearned premiums	640	81,385
Deferred commission and other acquisition expenses	392,070	384,150
Receivable from affiliates	230,296	216,516
Other assets	1,794	24,863
Assets held for sale	173,664	668,311
Total assets	$ 5,329,443	$ 5,511,014
LIABILITIES		
Reserve for loss and loss adjustment expenses	$ 3,053,890	$ 2,385,750
Unearned premiums	1,200,196	1,230,438
Reinsurance balances payable	52,291	55,786
Accrued expenses and other liabilities	4,314	9,957
Payable to affiliates	986	1,532
Liabilities held for sale	147,777	621,468
Total liabilities	4,459,454	4,304,931
Commitments and Contingencies		
SHAREHOLDERS' EQUITY		
Common shares *($1 par value; 120,000 shares issued and outstanding)*	120	120
Additional paid-in capital	1,113,214	988,214
Accumulated other comprehensive (loss) income	(63,619)	8,103
(Accumulated deficit) retained earnings	(179,726)	209,646
Total shareholders' equity	869,989	1,206,083
Total liabilities and shareholders' equity	$ 5,329,443	$ 5,511,014

See accompanying notes to Financial Statements.

MAIDEN REINSURANCE LTD.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

For the Year Ended December 31,	2018	2017
Revenues		
Gross premiums written	$ 2,007,508	$ 2,072,322
Net premiums written	$ 2,005,862	$ 2,033,699
Change in unearned premiums	11,408	(45,327)
Net premiums earned	2,017,270	1,988,372
Net investment income	134,800	122,090
Net realized gains on investment	2,447	4,110
Net impairment losses recognized in earnings	(6,578)	—
Total revenues	2,147,939	2,114,572
Expenses		
Net loss and loss adjustment expenses	1,877,838	1,555,175
Commission and other acquisition expenses	658,322	649,187
General and administrative expenses	9,889	9,117
Foreign exchange and other (gains) losses	(6,764)	17,084
Total expenses	2,539,285	2,230,563
Net loss from continuing operations	(391,346)	$ (115,991)
Income (loss) from discontinued operations	1,974	(51,316)
Net loss	(389,372)	(167,307)
Other comprehensive (loss) income		
Net unrealized holdings (losses) gains on investments arising during the period	(72,847)	45,870
Adjustment for reclassification of net realized gains recognized in net loss	(1,398)	(426)
Foreign currency translation adjustment	2,523	(43,117)
Other comprehensive (loss) income	(71,722)	2,327
Comprehensive loss	$ (461,094)	$ (164,980)

See accompanying notes to Financial Statements.

MAIDEN REINSURANCE LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of U.S. dollars)

For the Year Ended December 31,	2018	2017
Common shares		
Beginning balance	$ 120	$ 120
Ending balance	120	120
Additional paid-in capital		
Beginning balance	988,214	988,214
Contribution from shareholders	125,000	—
Ending balance	1,113,214	988,214
Accumulated other comprehensive (loss) income		
Beginning balance	8,103	5,776
Change in net unrealized (losses) gains on investment	(74,245)	45,444
Foreign currency translation adjustment	2,523	(43,117)
Ending balance	(63,619)	8,103
(Accumulated deficit) retained earnings		
Beginning balance	209,646	481,953
Net loss	(389,372)	(167,307)
Dividends paid	—	(105,000)
Ending balance	(179,726)	209,646
Total shareholders' equity	$ 869,989	$ 1,206,083

See accompanying notes to Financial Statements.

MAIDEN REINSURANCE LTD.
STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

For the Year Ended December 31,	**2018**	**2017**
Cash flows from operating activities:		
Net loss	$ (389,372)	$ (167,307)
Add: Net (income) loss from discontinued operations	(1,974)	51,316
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net realized gains on investment	(2,447)	(4,110)
Total other-than-temporary impairment losses	6,578	—
Foreign exchange and other (gains) losses	(6,764)	17,084
Depreciation and amortization	3,320	2,698
Changes in assets – (increase) decrease		
Accrued investment income	592	1,125
Reinsurance balances receivable, net	1,396	77,712
Funds withheld	(13,262)	327
Ceded unearned premiums	80,745	21,641
Deferred commission and other acquisition expenses	(9,228)	(19,679)
Receivable from affiliates	5	31
Other assets	10,638	2,730
Changes in liabilities – increase (decrease):		
Reserve for loss and loss adjustment expenses	692,025	486,030
Unearned premiums	(24,909)	23,410
Reinsurance balances payable	(3,495)	(27,619)
Accrued expenses and other liabilities	(2,271)	3,197
Payable to affiliates	(11,130)	(288)
Net cash provided by operating activities for continuing operations	330,447	468,298
Net cash provided by (used in) operating activities for discontinued operations	(9,026)	10,393
Net cash provided by operating activities	321,421	478,691
Cash flows from investing activities:		
Purchases of fixed-maturity securities – available-for-sale	(966,343)	(818,078)
Proceeds from sales of fixed-maturity securities – available-for-sale	286,128	165,999
Proceeds from maturities and calls of fixed maturity investments - available-for-sale	216,364	322,458
Proceeds from maturities and calls of fixed maturity investments - held-to-maturity	78,241	39,653
Others	2,155	1,321
Net cash used in investing activities for continuing operations	(383,455)	(288,647)
Net cash provided by (used in) investing activities for discontinued operations	9,698	(20,587)
Net cash used in investing activities	(373,757)	(309,234)
Cash flows from financing activities:		
Capital contribution from shareholders	125,000	—
Change in amount due from Parent Company	(13,785)	(22,972)
Dividends paid	—	(105,000)
Net cash provided by (used in) financing activities	111,215	(127,972)
Effect of exchange rate changes on foreign currency cash	(709)	2,182
Net increase in cash and restricted cash and equivalents	58,170	43,667
Cash and restricted cash and equivalents, beginning of year	131,783	88,116
Cash and restricted cash and equivalents, end of year	189,953	131,783
Less: Cash and restricted cash and equivalents of discontinued operations, end of year	(6,113)	(6,544)
Cash and restricted cash and equivalents of continuing operations, end of year	$ 183,840	$ 125,239
Non-cash investing activities		
Investments transferred out related to novation of reinsurance contract	$ 176,865	$ —

See accompanying notes to Financial Statements

1. Organization

Maiden Reinsurance Ltd. (the "Company" or "Maiden Bermuda") was incorporated under the laws of Bermuda on June 29, 2007. Prior to December 26, 2018, all shares issued and outstanding were owned by Maiden Holdings, Ltd. (the "Parent Company" or "Maiden Holdings"), a company incorporated in Bermuda. The Parent Company is listed on the NASDAQ Global Select Market ("NASDAQ") under ticker symbol MHLD. On December 26, 2018, the Parent Company transferred 35% of its share ownership in the Company to Maiden Holdings North America, Ltd. ("Maiden NA").

Maiden Bermuda is a specialty reinsurer whose primary focus is serving the needs of regional and specialty customers in Europe and select other global markets who rely on reinsurance for capital support and/or to reduce their risk. Maiden Bermuda does not underwrite any direct insurance business. Maiden Bermuda is presently running off the liabilities associated with its largest client, AmTrust Financial Services, Inc. ("AmTrust"), whose contracts were terminated in early 2019 as described in *"Note 13. Subsequent Events"*.

Strategic Review

The Company's business has undergone significant changes within the last year. The Parent Company's Board of Directors initiated a review of strategic alternatives (the "Strategic Review") in the first quarter of 2018 to evaluate ways to increase shareholder value as a result of continuing significant operating losses and lower returns on equity than planned. As part of the Strategic Review, a series of transactions were entered into which are described herein and in *"Note 13. Subsequent Events"*, which includes additional information related to these events.

As of September 30, 2018 and December 31, 2018, the Company failed to meet its requirements to hold sufficient capital to cover its economic capital requirement ("ECR"). The Parent Company had communicated such conditions to the Bermuda Monetary Authority ("BMA") and via its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on November 9, 2018 and is following the guidelines of a reportable "event" as stipulated by Bermuda insurance law. The Company has taken the following actions to remediate the breach including: (1) Maiden Holdings and Maiden NA made capital injections of $125,000 on December 31, 2018 and $70,000 in January 2019 to the Company; (2) entered into a partial termination amendment ("Partial Termination Amendment") with AmTrust effective January 1, 2019; and (3) entered into amendments which terminated the AmTrust Quota Share Reinsurance Agreement ("AmTrust Quota Share") and the AmTrust European Hospital Liability Quota Share Agreement ("European Hospital Liability Quota Share") effective January 1, 2019.

As a result of these actions and pending finalization and regulatory approval of the loss portfolio transfer and adverse development cover ("New LPT/ADC MTA") entered into by Maiden Bermuda and Enstar Group Limited ("Enstar") on March 1, 2019, Maiden Bermuda estimates that it will have sufficient capital in excess of the ECR requirements and that this position should improve throughout 2019.

Discontinued Operations

As part of the Strategic Review initiated by the Parent Company's Board of Directors earlier in 2018, during the third quarter of 2018, Maiden NA made the strategic decision to divest its U.S. treaty reinsurance operations, which also affected all U.S. treaty reinsurance business written by Maiden Bermuda. Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to the Company's continuing operations, except for net loss.

The sale of the U.S. treaty reinsurance business by Maiden NA occurred on December 27, 2018. Pursuant to the terms of the sale, Maiden Bermuda was involved in the following transactions: (i) Cavello Bay Reinsurance Limited ("Cavello"), Enstar's Bermuda reinsurance affiliate, and Maiden Bermuda entered into an agreement pursuant to which certain quota share reinsurance contracts between Maiden Reinsurance North America, Inc. ("Maiden US") and Maiden Bermuda were novated to Cavello for a ceding commission payable by Maiden Bermuda of $12,250; (ii) Cavello and Maiden Bermuda also entered into a retrocession agreement pursuant to which certain assets and liabilities associated with the Company's U.S. treaty reinsurance business held by Maiden Bermuda were retroceded to Cavello in exchange for a $1,750 ceding commission; and (iii) Maiden Bermuda provided Enstar with a reinsurance cover for loss reserve development, up to a maximum of $25,000, when losses are more than $100,000 in excess of the net loss and loss adjustment expenses recorded as of June 30, 2018, for no additional consideration.

The Company has determined that the sale of the U.S. treaty reinsurance operations represents a strategic shift that will have a major effect on its ongoing operations and financial results and that all of the held for sale criteria have been met. Accordingly, all transactions related to the U.S. treaty reinsurance operations are reported and presented as part of discontinued operations. Please refer to *"Note 2. Significant Accounting Policies"* and *"Note 3. Discontinued Operations"* for additional information regarding the effect of the reclassifications on the Company's Financial Statements.

2. Significant Accounting Policies

Basis of Reporting — The Financial Statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These Financial Statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the period and all such adjustments are of a normal recurring nature. Certain prior year comparatives have been reclassified to conform to the current year presentation. The effect of these reclassifications had no impact on previously reported shareholders' equity or net income (loss).

As part of the strategic review initiated by the Parent Company's Board of Directors earlier in 2018, the strategic decision to divest its U.S. treaty reinsurance operations was made during 2018 which had a major effect on the Company's ongoing operations and financial results. Accordingly, all of the assets and liabilities related to the sale of the U.S. treaty reinsurance operations are removed from the Balance Sheets of the Company and any remaining assets and liabilities related to the retrocession agreement are classified as held for sale in the Balance Sheets as at December 31, 2018. All of the assets and liabilities related to the U.S. treaty reinsurance operations were reclassified as held for sale as at December 31, 2017. The operations of the Company's U.S. treaty reinsurance business up to the date of sale have been reported as part of income from discontinued operations in the Statements of Income and Comprehensive Income for the year ended December 31, 2018. The operations of the Company's U.S. treaty reinsurance business for the year ended December 31, 2017 have been reclassified as part of loss from discontinued operations in the Statements of Income and Comprehensive Income.

Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to the Company's continuing operations except for net loss. Please see *"Note 3. Discontinued Operations"* for additional information related to discontinued operations. All prior years presented in the Financial Statements have been reclassified to conform to this new presentation.

Estimates — The preparation of U.S GAAP Financial Statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates. The significant estimates include, but are not limited to, reserve for loss and loss adjustment expenses ("loss and LAE"); recoverability of reinsurance balances receivable and deferred commission and other acquisition expenses; valuation of financial instruments; and determination of other-than-temporary impairment ("OTTI") of investments.

During the years ended December 31, 2018 and 2017, the Company significantly increased the reserve for loss and LAE in its reinsurance agreements with AmTrust. The Company recorded unfavorable reserve development which reduced its net income by approximately $399,200 and $239,896, respectively, for the years ended December 31, 2018 and 2017.

Investments — The Company currently classifies its fixed maturity investments as either available-for-sale ("AFS") or held-to-maturity ("HTM"). The AFS portfolio is reported at fair value. The HTM portfolio includes securities for which the Company has the ability and intent to hold to maturity or redemption. The HTM portfolio is reported at amortized cost. When a security is transferred from AFS to HTM, the fair value at the time of transfer, adjusted for subsequent amortization, becomes the security's amortized cost. The fair value of fixed maturity investments is generally determined from quotations received from nationally recognized pricing services ("Pricing Service"), or when such prices are not available, by reference to broker or underwriter bid indications.

The Company's other investments comprise of unquoted investments.The Company accounts for its unquoted other investments at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 944, *"Financial Services - Insurance"* ("ASC 944"). Unquoted other investments comprise investments in limited partnerships, which are reported at fair value based on the financial information received from the fund managers and other information available to management.

Unrealized gains or losses on fixed maturity are reported as a component of accumulated other comprehensive (loss) income ("AOCI"). The net unrealized holding gains of securities transferred from AFS to HTM at the designation date continue to be reported in the carrying value of the HTM securities and are amortized through Other Comprehensive Income over the remaining life of the securities using the effective yield method in a manner consistent with the amortization of any premium or discount.

Purchases and sales of investments are recorded on a trade date basis. Realized gains or losses on sales of investments are determined based on the first in first out cost method. Net investment income is recognized when earned and includes interest and dividend income together with amortization of market premiums and discounts using the effective yield method and is net of investment management fees. For the Company's U.S. government agency mortgage-backed securities ("Agency MBS") and any other holdings for which there is a prepayment risk, prepayment assumptions are evaluated and revised as necessary. Any adjustments required due to the change in effective yields and maturities are recognized on a prospective basis through yield adjustments.

A security is potentially impaired when its fair value is below its amortized cost. On a quarterly basis, the Company reviews all impaired securities to determine if the impairment is OTTI. OTTI assessments are inherently judgmental, especially where securities have experienced severe declines in fair value in a short period. The review process begins with a quantitative analysis to identify securities to be further evaluated for potential OTTI. For all identified securities, further fundamental analysis is performed that considers, but not limited to, the following quantitative and qualitative factors: (i) historic and implied volatility of the security; (ii) length of time and extent to which the fair value has been less than amortized cost; (iii) adverse conditions specifically related to the security or to specific conditions in an industry or geographic area; (iv) failure, if any, of the issuer of the security to make scheduled payments; and (v) recoveries or additional declines in fair value subsequent to the balance sheet date.

2. Significant Accounting Policies (continued)

The Company recognizes OTTI in earnings for its impaired fixed maturity securities (i) for which the Company has the intent to sell the security or (ii) it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery and (iii) for those securities which have a credit loss. In assessing whether a credit loss exists, the Company compares the present value of the cash flows expected to be collected from the security with the amortized cost basis of the security. In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into (i) the amount of the total impairment related to the credit loss and (ii) the amount of the total impairment related to all other factors. The amount of the total OTTI related to the credit loss is recognized in earnings. The amount of the total OTTI related to all other factors is recognized in other comprehensive income. In periods after the recognition of OTTI on the Company's fixed maturity securities, the Company accounts for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For fixed maturity securities in which OTTI was recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be amortized into net investment income.

As the Company's investment portfolio is the largest component of total assets, OTTI on fixed maturity securities could be material to the Company's financial condition and results particularly during periods of dislocation in the financial markets.

Fair Value Measurements — ASC Topic 820, *"Fair Value Measurements and Disclosures"* ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- *Level 1* — valuations based on unadjusted quoted market prices for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples of assets and liabilities utilizing Level 1 inputs include: U.S. Treasury bonds;
- *Level 2* — valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data. Examples of assets and liabilities utilizing Level 2 inputs include: U.S. government-sponsored agency securities; non-U.S. government and supranational obligations; commercial mortgage-backed securities ("CMBS"); collateralized loan obligations ("CLO"); corporate and municipal bonds; and
- *Level 3* — valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about assumptions that market participants would use.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. The Company uses prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in the Level 1 hierarchy. The Company receives the quoted market prices from a third party nationally recognized provider, the Pricing Service. When quoted market prices are unavailable, the Company utilizes the Pricing Service to determine an estimate of fair value. The fair value estimates are included in the Level 2 hierarchy. The Company will challenge any prices for its investments which are considered not to be representation of fair value. If quoted market prices and an estimate from the Pricing Service are unavailable, the Company produces an estimate of fair value based on dealer quotations for recent activity in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. The Company determines whether the fair value estimate is in the Level 2 or Level 3 hierarchy depending on the level of observable inputs available when estimating the fair value. The Company bases its estimates of fair values for assets on the bid price as it represents what a third party market participant would be willing to pay in an orderly transaction.

Cash and Cash Equivalents — The Company maintains its cash accounts in several banks and brokerage institutions. Cash equivalents consist of investments in money market funds and short-term investments with an original maturity of 90 days or less and are stated at cost, which approximates fair value. Restricted cash and cash equivalents are separately reported in the Balance Sheets. The Company maintains certain cash and investments in trust accounts to be used primarily as collateral for unearned premiums and loss and LAE reserves owed to insureds. Please see *"Note 4. Investments (d) Restricted Cash and Investments"* for additional details.

Premiums and Related Expenses — For pro-rata contracts and excess-of-loss contracts where no deposit or minimum premium is specified in the contract, premium written is recognized based on estimates of ultimate premiums provided by the ceding companies. Initial estimates of premium written are recognized in the period in which the underlying risks are incepted. Subsequent adjustments, based on reports of actual premium by the ceding companies, or revisions in estimates, are recorded in the period in

2. Significant Accounting Policies (continued)

which they are determined. Reinsurance premiums assumed are generally earned on a pro-rata basis over the terms of the underlying policies or reinsurance contracts. Contracts and policies written on a "losses occurring" basis cover claims that may occur during the term of the contract or policy, which is typically 12 months. Accordingly, the premium is earned evenly over the term. Contracts which are written on a "risks attaching" basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned over a 24-month period. Reinsurance premiums on specialty risk and extended warranty are earned based on the estimated program coverage period. These estimates are based on the expected distribution of coverage periods by contract at inception, because a single contract may contain multiple coverage period options, and these estimates are revised based on the actual coverage period selected by the original insured. Unearned premiums represent the portion of premiums written which is applicable to the unexpired term of the contract or policy in force. These premiums can be subject to estimates based upon information received from ceding companies and any subsequent differences arising on such estimates are recorded in the period in which they are determined.

The unexpired portion of reinsurance purchased by the Company (retrocession or reinsurance premiums ceded) is amortized over the contract period in proportion to the amount of insurance protection provided. The ultimate amount of premiums, including adjustments, is recognized as premiums ceded, and amortized over the applicable contract period to which they apply. Losses recoverable are recorded as an asset called reinsurance recoverable on unpaid losses which is included in other assets. Premiums earned are reported net of reinsurance in the Statements of Income and Comprehensive Income.

Assumed and ceded reinsurance contracts that lack a significant transfer of risk are treated as deposits. No deposit contracts are held as at December 31, 2018 and 2017.

Acquisition expenses represent the costs of writing business that vary with, and are primarily related to, the production of the business. Policy and contract acquisition expenses, including assumed commissions and other direct operating expenses that are related to successful contracts are deferred and recognized as expense as related premiums are earned.

Only certain expenses incurred in the successful acquisition of new and renewal insurance contracts are capitalized. Those expenses include incremental direct costs of contract acquisition that result directly from and are essential to the contract transaction and would not have been incurred had the contract transaction not occurred. All other acquisition-related expenses, such as costs incurred for soliciting business, administration, and unsuccessful acquisition or renewal efforts are charged to expense as incurred. Administrative expenses, including rent, depreciation, occupancy, equipment, and all other general overhead expenses are considered indirect and are expensed as incurred.

The Company considers anticipated investment income in determining the recoverability of these costs and believes they are fully recoverable. A premium deficiency is recognized if the sum of anticipated losses and loss adjustment expenses, unamortized acquisition expenses and anticipated investment income exceed unearned premium.

Loss and Loss Adjustment Expenses Incurred — Loss and LAE represent the estimated ultimate net costs of all reported and unreported losses incurred through December 31. The reserve for loss and LAE is estimated using statistical analysis of actuarial data and is not discounted. Although considerable variability is inherent in the estimates of reserves for loss and LAE, management believes that the reserve for loss and LAE is adequate. In estimating reserves, the Company utilizes a variety of standard actuarial methods. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

Reinsurance — Reinsurance premiums and loss and LAE ceded to other companies are accounted for on a basis consistent with those used in accounting for original policies issued and pursuant to the terms of the reinsurance contracts. The Company records premiums earned and loss and LAE incurred and ceded to other companies as reduction of premium revenue and loss and LAE. The Company accounts for commissions allowed by reinsurers on business ceded as ceding commission, which is a reduction of acquisition costs and other underwriting expenses. The Company earns commissions on reinsurance premiums ceded in a manner consistent with the recognition of the premium earned on the underlying insurance policies, on a pro-rata basis over the terms of the policies reinsured. Reinsurance recoverable relate to the portion of reserves and paid loss and LAE that are ceded to other companies. The Company remains contingently liable for all loss payments in the event of failure to collect from reinsurers.

Ceding Commissions on Reinsurance Transactions — Ceding commissions on reinsurance transactions are commissions the Company receives from ceding gross premiums written to third party reinsurers. The ceding commissions the Company receives cover a portion of its capitalized acquisition costs and a portion of other underwriting expenses. Ceding commissions received from reinsurance transactions that represent recovery of capitalized direct acquisition costs are recorded as a reduction of deferred acquisition costs and the net amount is charged to expense in proportion to net premium revenue recognized. Ceding commissions received from reinsurance transactions that represent the recovery of other underwriting expenses are recognized in the statement of income over the insurance contract period in proportion to the insurance protection provided and classified as a reduction of acquisition costs and other underwriting expenses. Ceding commissions received, but not yet earned, that represent the recovery of other underwriting expenses are classified as a component of accrued expenses and other current liabilities.

Foreign Currency Transactions — The functional currency of the Company is the U.S. dollar. The Company translates monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, with the resulting foreign exchange gains and losses recognized in the Statements of Income and Comprehensive Income. Revenues and expenses in foreign currencies are converted at average exchange rates during the year. Monetary assets and liabilities include cash and cash equivalents, reinsurance balances receivable, reserve for loss and LAE and accrued expenses and other liabilities. Accounts that are classified as non-monetary, such as deferred commission and other acquisition expenses and unearned premiums, are not revalued.

2. Significant Accounting Policies (continued)

Assets and liabilities of divisions, whose functional currency is not the U.S. dollar, are translated at year-end exchange rates. Revenues and expenses of these entities are translated at average exchange rates during the year. The effects of the translation adjustments for foreign entities are included in AOCI. The amount of cumulative translation adjustment at December 31, 2018 was \$(2,329) (2017 - \$(4,852)).

Recently Adopted Accounting Standards Updates

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01 that has changed how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. Under the new guidance, entities measure many equity investments at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. This includes investments in partnerships, unincorporated joint ventures and limited liability companies that do not result in consolidation and are not accounted for under the equity method. Entities are no longer able to recognize unrealized holding gains and losses on equity securities they currently classify as AFS in AOCI. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this guidance on January 1, 2018 resulted in the recognition of \$502 of net unrealized losses on our investments in limited partnerships within net earnings during the year ended December 31, 2018. Our investments in limited partnerships do not have a readily determinable fair value and therefore, the new guidance was adopted prospectively. Please refer to "*Note 4. Investments (c) - Realized Gains on Investment*" for additional information.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15 guidance to clarify how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance amends ASC 230 Statement of Cash Flows, a principles based requiring judgment to determine the appropriate classification of cash flow as operating, investing or financing activities which created diversity in how certain cash receipts and cash payments were classified. The new guidance clarifies that if a receipt or payment has aspects of more than one class of cash flows and cannot be separated, the classification will depend on the predominant source or use. While the new guidance attempts to clarify how the predominance principle should be applied, judgment will still be required. The guidance is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods therein. For all other entities, the amendments are effective for annual periods beginning after December 15, 2018 and interim periods within fiscal periods beginning after December 15, 2019. The Company adopted this guidance early on January 1, 2018. Entities will have to apply the guidance retrospectively, but if it is impracticable to do so for an issue, the amendments related to that issue would be applied prospectively. The adoption of this guidance on January 1, 2018 did not have any impact on the Company's results of operations, financial position or liquidity.

Presentation of Restricted Cash in the Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18 guidance that require entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. The Company adopted this guidance early on January 1, 2018. The adoption of this guidance did not have a material effect on the Company's financial condition, results of operations and disclosures, other than the presentation of restricted cash and cash equivalents in the statement of cash flows. The financial impact in the statements of cash flows has eliminated the presentation of changes in restricted cash and cash equivalents from cash flows from investing activities. Therefore, changes that result from transfers between cash, cash equivalents, and restricted cash and cash equivalents are no longer presented as cash flow activities in the statement of cash flows. Additionally, a reconciliation between the statement of financial position and the statement of cash flows has been disclosed to show the movement in cash and cash equivalents and restricted cash and cash equivalents from the prior period.

Recently Issued Accounting Standards Not Yet Adopted

Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13 for changes to the disclosure framework related to Topic 820 which amends the disclosure requirements for fair value measurement. The following disclosure requirements were removed from Topic 820: (i) amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) policy for timing of transfers between levels, and (iii) valuation processes for Level 3 fair value measurements. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The following disclosure requirements were added to Topic 820: (i) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and (ii) range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

2. Significant Accounting Policies (continued)

The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. These amendments only impact disclosures made in "*Note 5. Fair Value Measurements*" therefore, the adoption of this standard will not impact the Company's balance sheets, results of operations or cash flows.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU 2017-08 to amend the amortization period for certain purchased callable debt securities held at a premium. Current GAAP excludes certain callable debt securities from consideration of early repayment of principal even if the holder is certain that the call will be exercised. As a result, upon the exercise of a call on a callable debt security held at a premium, the unamortized premium is recorded as a loss in earnings.

The amendments in ASU 2017-08 affect all entities that hold investments in callable debt securities that have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date. The amendments shorten the amortization period for certain callable debt securities held at a premium and require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. An entity should apply the amendments on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Additionally, in the period of adoption, an entity should provide disclosures about a change in accounting principle.

The Company holds a number of securities with callable features on its Balance Sheet and this includes certain securities that have been purchased at a premium that are being amortized to their contractual maturity dates. The Company is currently evaluating the impact of this guidance on the Company's results of operations, financial position or liquidity; however, it is not expected to have a material impact at the date of adoption.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02 which provides a new comprehensive model for lease accounting. Topic 842 requires lessees to put most leases on their balance sheets as a right-of-use asset representing its right to use the underlying asset for the lease term, recognize a liability to make lease payments but continue to recognize leasing expenses within net income. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods thereafter. Early adoption is permitted for all entities. In July 2018, the FASB issued ASU 2018-11 for targeted improvements related to Update 2016-02 which provides entities with an additional transition method to apply the new standard. Under the new optional transition method, an entity initially applies ASC 842 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Updates related to Topic 842 become effective for the Company on January 1, 2019 and will be applied using a modified retrospective approach. The Company intends to elect the new transition method permitted by ASU 2018-11 at the date of adoption.

The Company's future minimum lease payments, which represent minimum annual rental commitments excluding taxes, insurance and other operating costs for non-cancellable operating leases, and which will be subject to this new guidance, will be recorded on the Company's Balance Sheets as a lease liability with a corresponding right-of-use asset. However, under this guidance, the Company shall continue to recognize the related leasing expense within net income. Therefore, the adoption of this standard will impact the Company's Balance Sheets but is not expected to have a material impact on its results of operations or cash flows.

Accounting for Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13 guidance that changes the impairment model for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost and require entities to record allowances for AFS debt securities rather than reduce the carrying amount, as is practiced under the current OTTI model. The allowance for credit losses is a valuation account that is deducted from the amortized cost of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. It also simplifies the accounting model for purchased credit-impaired debt securities and loans with credit deterioration since their origination. Entities will apply the standard's provisions as a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its results of operations, financial condition and liquidity.

3. Discontinued Operations

Effective January 1, 2018, in light of tax law changes in the U.S. effective that date, the Company and Maiden US agreed to terminate the existing quota share reinsurance agreement. The Company remained responsible for all existing loss liabilities under the agreements as at December 31, 2017 on a modified run-off basis such that no more premium written was ceded, up until the novation and retrocession agreements were entered into with Cavello on December 27, 2018 as discussed in *"Note 1. Organization"*. Please see below for the history on the quota share agreements that the Company had with Maiden US prior to its termination on January, 1, 2018.

Quota Share Agreement With Maiden US

Effective December 23, 2008, the Company entered into a 70% quota share reinsurance agreement (amended to 40% effective January 1, 2012) with Maiden US, a wholly owned indirect subsidiary of the Parent Company. Pursuant to the quota share reinsurance agreement, the Company assumed 70% of the net premiums written, incurred losses, including any retroactive loss reserves of Maiden US assumed after December 23, 2008, and acquisition expenses. In addition, the Company pays a 6% ceding commission (amended to 9% effective January 1, 2015) to Maiden US based on the assumed net premiums written.

Effective January 1, 2016, this agreement was further amended and the Company agreed to reinsure 100% of all incurred losses arising or related to losses occurring prior to January 1, 2016 in excess of $505,000 provided that the Company's limit of liability shall not exceed $25,000 in aggregate. Additional premium of $3,660 was received by the Company. During the year ended December 31, 2018, the Company reached its $25,000 limit of liability in aggregate.

Effective January 1, 2017, the Company entered into a new quota share reinsurance agreement with Maiden US to assume 35% of net premiums written, incurred losses and acquisition expenses, with respect to new and renewal business only (the "35% Quota Share agreement"). In addition, the Company pays a 9% ceding commission to Maiden US based on the assumed net premiums written.

Effective January 1, 2018, in light of tax law changes in the U.S. effective that date, the Company and Maiden US agreed to terminate the 35% Quota Share agreement. The Company remained responsible for all existing loss liabilities under the agreements as at December 31, 2017 on a modified run-off basis such that no more premium written was ceded. As discussed in *"Note 1. Organization"*, on December 27, 2018, Cavello and Maiden Bermuda entered into a novation agreement pursuant to which the quota share reinsurance contracts between Maiden US and Maiden Bermuda were novated to Cavello in exchange for a ceding commission.

As also discussed in "*Note 1. Organization"*, on December 27, 2018, Cavello and Maiden Bermuda entered into a retrocession agreement pursuant to which certain assets and liabilities associated with the Motors Insurance business held by Maiden Bermuda were retroceded to Cavello in exchange for a ceding commission. The balance of reinsurance recoverable on unpaid losses due from Cavello under this retrocession agreement at December 31, 2018 was $70,158 which is presented as part of the total assets held for sale in the table below and in the Balance Sheet.

The novation of the quota share reinsurance agreement with Maiden US and the subsequent transactions with Cavello in conjunction with the sale of Maiden US represented a substantial portion of the Company's business. The Company concluded that these transactions represent a strategic shift that will have a major effect on its ongoing operations and financial results and that all of the held for sale criteria have been met. Accordingly, all transactions related to the U.S. treaty reinsurance operations are reported and presented as part of discontinued operations.

Therefore, all of the assets and liabilities related to the novation of the U.S. treaty reinsurance operations are removed from the Balance Sheets of the Company and any remaining assets and liabilities related to the retrocession agreement are classified as held for sale in the Balance Sheet as at December 31, 2018. All of the assets and liabilities related to retrocession and novation of the U.S. treaty reinsurance operations were reclassified as held for sale as at December 31, 2017. The operations of the Company's U.S. treaty reinsurance business up to the date of sale have been reported as part of income from discontinued operations in the Statement of Income and Comprehensive Income for the year ended December 31, 2018. The operations of the Company's U.S. treaty reinsurance business for the year ended December 31, 2017 have been reclassified as part of loss from discontinued operations in the Statements of Income and Comprehensive Income.

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

3. Discontinued Operations (continued)

The Company estimated the fair value of the net assets held for sale to be based on the estimated selling price less costs to sell and was classified as Level 2 within the fair value hierarchy as of December 31, 2018. The following table summarizes the components of assets and liabilities classified as held for sale on the Company's Balance Sheet as at December 31, 2018 and 2017:

	2018	2017
ASSETS		
Fixed maturities, available-for-sale, at fair value	$ 63,560	$ 272,695
Restricted cash and cash equivalents	6,113	6,544
Reinsurance balances receivable, net	689	41,563
Funds withheld	—	295,897
Ceded unearned premiums	—	837
Receivable from affiliates	—	7,689
Deferred commission and other acquisition expenses	—	25,955
Reinsurance recoverable on unpaid losses	70,158	17,131
Other assets	33,144	—
Total assets held for sale	$ 173,664	$ 668,311
LIABILITIES		
Reserve for loss and loss adjustment expenses	$ 76,521	$ 530,556
Unearned premiums	—	86,852
Reinsurance balances payable	70,568	4,020
Accrued expenses and other liabilities	688	40
Total liabilities held for sale	$ 147,777	$ 621,468

The following table summarizes the major classes of line items constituting the net income (loss) from discontinued operations for the years ended December 31, 2018 and 2017:

For the Year Ended December 31,	2018	2017
Gross premiums written	$ (39,394)	$ 263,730
Net premiums written	$ (39,060)	$ 256,346
Net premiums earned	$ 46,925	$ 265,569
Net investment income	14,393	21,873
Net loss and loss adjustment expenses	(49,937)	(250,518)
Commission and other acquisition expenses	(9,407)	(88,240)
Income (loss) from discontinued operations	$ 1,974	$ (51,316)

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

4. Investments

(a) Fixed Maturities

The original or amortized cost, estimated fair value, and gross unrealized gains and losses of fixed maturities at December 31, 2018 and 2017 are as follows:

December 31, 2018	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS fixed maturities:				
U.S. treasury bonds	$ 138,625	$ 448	$ (1)	$ 139,072
U.S. agency bonds – mortgage-backed	1,486,111	3,452	(36,429)	1,453,134
U.S. agency bonds – other	129,741	40	(548)	129,233
Non-U.S. government and supranational bonds	11,212	66	(1,206)	10,072
Asset-backed securities	216,072	425	(1,415)	215,082
Corporate bonds	1,117,213	5,836	(30,510)	1,092,539
Total AFS fixed maturities	3,098,974	10,267	(70,109)	3,039,132
HTM fixed maturities:				
Corporate bonds	957,845	3,872	(20,990)	940,727
Municipal bonds	57,836	—	(551)	57,285
Total HTM fixed maturities	1,015,681	3,872	(21,541)	998,012
Total fixed maturity investments	$ 4,114,655	$ 14,139	$ (91,650)	$ 4,037,144

December 31, 2017	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS fixed maturities:				
U.S. treasury bonds	$ 126	$ —	$ (1)	$ 125
U.S. agency bonds – mortgage-backed	1,449,103	6,137	(13,220)	1,442,020
U.S. agency bonds – other	19,868	—	(149)	19,719
Non-U.S. government and supranational bonds	32,381	231	(1,713)	30,899
Asset-backed securities	221,610	3,457	(73)	224,994
Corporate bonds	895,621	25,990	(14,567)	907,044
Total AFS fixed maturities	2,618,709	35,815	(29,723)	2,624,801
HTM fixed maturities:				
Corporate bonds	1,037,464	28,694	(913)	1,065,245
Municipal bonds	60,337	128	(84)	60,381
Total HTM fixed maturities	1,097,801	28,822	(997)	1,125,626
Total fixed maturity investments	$ 3,716,510	$ 64,637	$ (30,720)	$ 3,750,427

During 2018, the Company did not designate any additional fixed maturities as HTM. During 2017, the Company designated additional fixed maturities with a total fair value of $391,934 as HTM reflecting its intent to hold these securities to maturity. The net unrealized holding gain of $4,313 as at the designation date in 2017 continues to be reported in the carrying value of the HTM securities and is amortized through other comprehensive income over the remaining life of the securities using the effective yield method in a manner consistent with the amortization of any premium or discount.

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

4. Investments (continued)

The contractual maturities of the Company's fixed maturities are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AFS fixed maturities		HTM fixed maturities	
December 31, 2018	**Amortized cost**	**Fair value**	**Amortized cost**	**Fair value**
Maturity				
Due in one year or less	$ 130,857	$ 130,756	$ 2,020	$ 2,021
Due after one year through five years	708,802	696,075	394,875	391,709
Due after five years through ten years	557,132	544,085	618,786	604,282
	1,396,791	1,370,916	1,015,681	998,012
U.S. agency bonds – mortgage-backed	1,486,111	1,453,134	—	—
Asset-backed securities	216,072	215,082	—	—
Total fixed maturities	$ 3,098,974	$ 3,039,132	$ 1,015,681	$ 998,012

The following tables summarize fixed maturities in an unrealized loss position and the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

	Less than 12 months		12 months or more		Total	
December 31, 2018	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Fixed maturities:						
U.S treasury bonds	$ —	$ —	$ 125	$ (1)	$ 125	$ (1)
U.S. agency bonds – mortgage-backed	415,855	(6,622)	843,485	(29,807)	1,259,340	(36,429)
U.S. agency bonds - other	24,978	(1)	19,322	(547)	44,300	(548)
Non–U.S. government and supranational bonds	4,024	(252)	3,770	(954)	7,794	(1,206)
Asset-backed securities	74,801	(1,196)	5,793	(219)	80,594	(1,415)
Corporate bonds	1,072,311	(30,781)	290,773	(20,719)	1,363,084	(51,500)
Municipal bonds	20,379	(261)	36,906	(290)	57,285	(551)
Total temporarily impaired fixed maturities	$ 1,612,348	$ (39,113)	$ 1,200,174	$ (52,537)	$ 2,812,522	$ (91,650)

At December 31, 2018, there were approximately 353 securities in an unrealized loss position with a fair value of $2,812,522 and unrealized losses of $91,650. Of these securities, there were 108 securities that have been in an unrealized loss position for 12 months or greater with a fair value of $1,200,174 and unrealized losses of $52,537.

	Less than 12 months		12 months or more		Total	
December 31, 2017	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Fixed maturities:						
U.S. treasury bonds	$ —	$ —	$ 125	$ (1)	$ 125	$ (1)
U.S. agency bonds – mortgage-backed	629,910	(5,297)	317,719	(7,923)	947,629	(13,220)
U.S. agency bonds - other	19,718	(149)	—	—	19,718	(149)
Non–U.S. government and supranational bonds	1,909	(2)	25,192	(1,711)	27,101	(1,713)
Asset-backed securities	9,010	(24)	3,017	(49)	12,027	(73)
Corporate bonds	169,250	(1,520)	292,112	(13,960)	461,362	(15,480)
Municipal bonds	39,492	(84)	—	—	39,492	(84)
Total temporarily impaired fixed maturities	$ 869,289	$ (7,076)	$ 638,165	$ (23,644)	$ 1,507,454	$ (30,720)

At December 31, 2017, there were approximately 155 securities in an unrealized loss position with a fair value of $1,507,454 and unrealized losses of $30,720. Of these securities, there were 92 securities that have been in an unrealized loss position for 12 months or greater with a fair value of $638,165 and unrealized losses of $23,644.

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

4. Investments (continued)

OTTI

The Company performs quarterly reviews of its fixed maturities in order to determine whether declines in fair value below the amortized cost basis were considered other-than-temporary in accordance with applicable guidance. At December 31, 2018, the Company has determined that the unrealized losses on fixed maturities were primarily due to interest rates rising as well as the impact of foreign exchange rate changes on certain foreign currency denominated AFS fixed maturities since their date of purchase. All fixed maturity securities in the investment portfolio continue to pay the expected coupon payments under the contractual terms of the securities. Any credit-related impairment related to fixed maturity securities that the Company does not intend to sell and for which the Company is not more likely than not to be required to sell is recognized in net earnings, with the non-credit related impairment recognized in comprehensive earnings. Based on the Company's analysis, the fixed maturity portfolio is of high credit quality and it believes the amortized cost basis of the fixed maturity securities will be recovered. The Company continually monitors the credit quality of its fixed maturity investments to assess if it is probable that the contractual or estimated cash flows in the form of principal and interest will be received.

The Company recognized $6,578 in OTTI losses in earnings for the year ended December 31, 2018. Comparatively, there were no OTTI losses recognized through earnings on the fixed maturity portfolio for the year ended December 31, 2017. The following summarizes the credit ratings of the Company's fixed maturities:

Ratings* at December 31, 2018	Amortized cost	Fair value	% of total fair value
U.S. treasury bonds	$ 138,625	$ 139,072	3.5%
U.S. agency bonds	1,615,852	1,582,367	39.2%
AAA	136,644	134,609	3.3%
AA+, AA, AA-	182,830	178,101	4.4%
A+, A, A-	1,122,880	1,103,545	27.3%
BBB+, BBB, BBB-	865,605	847,160	21.0%
BB+ or lower	52,219	52,290	1.3%
Total	$ 4,114,655	$ 4,037,144	100.0%

Ratings* at December 31, 2017	Amortized cost	Fair value	% of total fair value
U.S. treasury bonds	$ 126	$ 125	—%
U.S. agency bonds	1,468,971	1,461,739	39.0%
AAA	152,832	155,728	4.1%
AA+, AA, AA-	146,502	147,054	3.9%
A+, A, A-	1,078,494	1,094,500	29.2%
BBB+, BBB, BBB-	819,606	839,504	22.4%
BB+ or lower	49,979	51,777	1.4%
Total	$ 3,716,510	$ 3,750,427	100.0%

* Based on S&P's, or equivalent, ratings

(b) Net Investment Income

Net investment income was derived from the following sources:

For the Year Ended December 31,	2018	2017
Fixed maturities	$ 128,508	$ 121,643
Cash and cash equivalents	1,967	1,031
Funds withheld and other	1,371	1,833
Loan to related party	6,442	3,447
	138,288	127,954
Investment expenses	(3,488)	(5,864)
Total	$ 134,800	$ 122,090

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

4. Investments (continued)

(c) Realized Gains on Investment

Realized gains or losses on the sale of investments are determined on the basis of the first-in, first-out cost method.The following provides an analysis of net realized gains on investment included in the Statements of Income and Comprehensive Income:

For the Year Ended December 31, 2018	Gross gains	Gross losses	Net
AFS fixed maturities	$ 8,394	$ (8,222)	$ 172
Other investments	2,275	—	2,275
Net realized gains on investment	$ 10,669	$ (8,222)	$ 2,447

For the Year Ended December 31, 2017	Gross gains	Gross losses	Net
AFS fixed maturities	$ 3,918	$ (543)	$ 3,375
Other investments	735	—	735
Net realized gains on investment	$ 4,653	$ (543)	$ 4,110

Proceeds from sales of AFS fixed maturities were $286,128 and $165,999 for the years ended December 31, 2018 and 2017, respectively. Net unrealized (losses) gains on investments, including those allocated to discontinued operations and classified as held for sale, were as follows:

December 31,	2018	2017
Fixed maturities	$ (61,290)	$ 11,574
Other investments	—	1,381
Total net unrealized gains (losses)	$ (61,290)	$ 12,955
Change in net unrealized gains	$ (74,245)	$ 45,444

The portion of unrealized gains recognized in net income for the years ended December 31, 2018 and 2017 that are related to other investments still held at the end of the reporting period were as follows:

For the Year Ended December 31,	2018	2017
Net gains recognized in net income on other investments during the year	$ 2,275	$ 735
Net realized gains recognized on other investments divested during the year	(2,777)	(735)
Net unrealized losses recognized on other investments still held at end of year	$ (502)	$ —

(d) Restricted Cash and Cash Equivalents and Investments

The Company is required to maintain assets on deposit to support its reinsurance operations and to serve as collateral for its reinsurance liabilities under various reinsurance agreements. The Company also utilizes trust accounts to collateralize business with its reinsurance counterparties. These trust accounts generally take the place of letter of credit requirements. The assets in trust as collateral are primarily cash and highly rated fixed maturities. The fair value of the Company's restricted assets was as follows:

December 31,	2018	2017
Restricted cash and cash equivalents – third party agreements	$ 21,420	$ 21,876
Restricted cash and cash equivalents – related party non-affiliate agreements	108,728	73,017
Total restricted cash and cash equivalents	130,148	94,893
Restricted investments AFS – in trust for third party agreements at fair value (*Amortized cost: 2018 – $88,841; 2017 – $212,541*)	89,596	211,331
Restricted investments AFS – in trust for related party non-affiliate agreements at fair value *(Amortized cost: 2018 – $2,856,744; 2017 – $2,283,410)*	2,806,203	2,294,367
Restricted investments HTM – in trust for related party non-affiliate agreements at fair value (*Amortized cost: 2018 - $1,015,681; 2017 – $1,097,801)*	998,012	1,125,626
Total restricted investments	3,893,811	3,631,324
Total restricted cash and cash equivalents and investments	$ 4,023,959	$ 3,726,217

5. Fair Value Measurements

(a) Fair Values of Financial Instruments

ASC 825, *"Disclosure About Fair Value of Financial Instruments"*, requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held at December 31, 2018 and 2017.

U.S. government and U.S. agency — Bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury bonds are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy. The Company believes the market for U.S. treasury bonds is an actively traded market given the high level of daily trading volume. The fair values of U.S. agency bonds are determined using the spread above the risk-free yield curve. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values of U.S. agency bonds are included in the Level 2 fair value hierarchy.

Non-U.S. government and supranational bonds — These securities are generally priced by independent pricing services. The Pricing Service may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the Pricing Service typically uses analytical models which may incorporate spreads, interest rate data and market/sector news. As the significant inputs used to price non-U.S. government and supranational bonds are observable market inputs, the fair values of non-U.S. government and supranational bonds are included in the Level 2 fair value hierarchy.

Asset-backed securities — These securities comprise CMBS and CLO originated by a variety of financial institutions that on acquisition are rated BBB-/Baa3 or higher. These securities are priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. As the significant inputs used to price the CMBS and CLO are observable market inputs, the fair value of the CMBS and CLO securities are included in the Level 2 fair value hierarchy.

Corporate bonds — Bonds issued by corporations that on acquisition are rated BBB-/Baa3 or higher. These securities are generally priced by independent pricing services. The spreads are sourced from broker/dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers. As the significant inputs used to price corporate bonds are observable market inputs, the fair values of corporate bonds are included in the Level 2 fair value hierarchy.

Municipal bonds — Bonds issued by U.S. state and municipality entities or agencies. The fair values of municipal bonds are generally priced by independent pricing services. The pricing services typically use spreads obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price the municipal bonds are observable market inputs, municipal bonds are included in the Level 2 fair value hierarchy.

Other investments — Other investments are unquoted and comprise of investments in limited partnerships. The fair values of the limited partnerships are determined by the fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. The fair value of these investments are measured using the NAV practical expedient and therefore have not been categorized within the fair value hierarchy. If there is a reporting lag between the current period end and reporting date of the latest available fund valuation, the Company estimates fair values by starting with the most recently available valuation and adjusting for return estimates as well as any subscriptions and distributions that took place during the current period.

C*ash and cash equivalents (including restricted amounts), accrued investment income, reinsurance balances receivable, and certain other assets and liabilities* — The carrying values reported in the accompanying balance sheets for these financial instruments approximate their fair value due to their short term nature and are classified as Level 2.

Loan to related party — The carrying value reported in the accompanying balance sheets for this financial instrument approximates its fair value and it is included in the Level 2 fair value hierarchy.

(b) Fair Value Hierarchy

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in ASC 820. The framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions.

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

5. Fair Value Measurements (continued)

At December 31, 2018 and 2017, the Company classified its financial instruments measured at fair value on a recurring basis in the following valuation hierarchy:

December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Based on NAV Practical Expedient	Total Fair Value
AFS fixed maturities				
U.S. treasury bonds	$ 139,072	$ —	$ —	$ 139,072
U.S. agency bonds – mortgage-backed	—	1,453,134	—	1,453,134
U.S. agency bonds – other	—	129,233	—	129,233
Non-U.S. government and supranational bonds	—	10,072	—	10,072
Asset-backed securities	—	215,082	—	215,082
Corporate bonds	—	1,092,539	—	1,092,539
Other investments	—	—	3,833	3,833
Total	$ 139,072	$ 2,900,060	$ 3,833	$ 3,042,965
As a percentage of total assets	2.6%	54.4%	0.1%	57.1%

December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Based on NAV Practical Expedient	Total Fair Value
AFS fixed maturities				
U.S. treasury bonds	$ 125	$ —	$ —	$ 125
U.S. agency bonds – mortgage-backed	—	1,442,020	—	1,442,020
U.S. agency bonds – other	—	19,719	—	19,719
Non-U.S. government and supranational bonds	—	30,899	—	30,899
Asset-backed securities	—	224,994	—	224,994
Corporate bonds	—	907,044	—	907,044
Other investments	—	—	5,100	5,100
Total	$ 125	$ 2,624,676	$ 5,100	$ 2,629,901
As a percentage of total assets	—%	47.6%	0.1%	47.7%

The Company utilizes a Pricing Service to assist in determining the fair value of its fixed maturity investments; however management is ultimately responsible for all fair values presented in the Company's financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices and pricing of assets and liabilities and pricing sources. The Company analyzes and reviews the information and prices received from the Pricing Service to ensure that the prices represent a reasonable estimate of the fair value.

The Pricing Service was utilized to estimate fair value measurements for approximately 99.9% and 99.4% of its fixed maturities at December 31, 2018 and 2017, respectively. The Pricing Service utilizes market quotations for fixed maturity securities that have quoted market prices in active markets. Since fixed maturities other than U.S. treasury bonds generally do not trade actively on a daily basis, the Pricing Service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing and these have been classified as Level 2.

At December 31, 2018 and 2017, 0.1% and 0.6%, respectively, of the fixed maturities are valued using the market approach. At December 31, 2018, one security, or approximately $5,676 (2017 - two securities or $24,299) of Level 2 fixed maturities, were priced using a quotation from a broker and/or custodian as opposed to the Pricing Service due to lack of information available. At December 31, 2018 and 2017, the Company has not adjusted any pricing provided to it based on the review performed by the investment managers. There have not been any transfers between Level 1 and Level 2 and there has not been any transfers to or from Level 3 during the periods represented by these Financial Statements.

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

5. Fair Value Measurements (continued)

(c) Level 3 Financial Instruments

At December 31, 2018 and 2017, the Company holds no investments in Level 3 securities. During the years ended December 31, 2018 and 2017, there were no transfers into or out of Level 3 financial instruments.

(d) Financial Instruments not measured at Fair Value

The following table presents the fair value and carrying value of the financial instrument not measured at fair value:

	December 31, 2018		December 31, 2017	
Financial Assets	Carrying Value	Fair Value	Carrying Value	Fair Value
HTM - corporate bonds	$ 957,845	$ 940,727	$ 1,037,464	$ 1,065,245
HTM - municipal bonds	57,836	57,285	60,337	60,381
Total financial assets	$ 1,015,681	$ 998,012	$ 1,097,801	$ 1,125,626

6. Reinsurance

The Company uses reinsurance and retrocessional agreements ("ceded reinsurance") to mitigate volatility, reduce exposure to certain risks and to provide capital support. Additionally, effective January 1, 2015, the Company entered into a retrocessional quota share agreement with a highly rated global insurer to cede certain lines of business. Effective July 1, 2018, Maiden Bermuda commuted all of these retrocessional quota share agreements.

Each of these agreements provide for recovery from reinsurers or retrocessionaires of a portion of loss and LAE under certain circumstances without relieving the Company of its obligations to the policyholders. The Company remains liable to the extent that any of its reinsurers or retrocessionaires fails to meet their obligations. Loss and LAE incurred and premiums earned are reported after deduction for reinsurance and retrocession. In the event that one or more of the reinsurers or retrocessionaires are unable to meet their obligations under these reinsurance or retrocessional agreements, the Company would not realize the full value of the reinsurance recoverable balances.

At December 31, 2018, the Company's ceded unearned premiums were $640 (2017 - $81,385) and reinsurance recoverable on unpaid losses was $1,677 (2017 - $24,754). The Company includes the reinsurance recoverable on unpaid losses as part of other assets in its Balance Sheets. At December 31, 2018 and 2017, 100.0% of the reinsurance recoverable on unpaid losses was due from reinsurers and retrocessionaires with credit ratings from A.M Best of A+ (Superior) or better. At December 31, 2018 and 2017, the Company had no valuation allowance against reinsurance recoverable on unpaid losses.

The effect of ceded reinsurance on net premiums written and earned and on net loss and LAE for the years ended December 31, 2018 and 2017 was as follows:

For the Year Ended December 31,	2018	2017
Premiums written		
Assumed	$ 2,007,508	$ 2,072,322
Ceded	(1,646)	(38,623)
Net	$ 2,005,862	$ 2,033,699
Premiums earned		
Assumed	$ 2,032,407	$ 2,048,635
Ceded	(15,137)	(60,263)
Net	$ 2,017,270	$ 1,988,372
Loss and loss adjustment expenses		
Gross loss and LAE	$ 1,882,875	$ 1,600,629
Loss and LAE ceded	(5,037)	(45,454)
Net	$ 1,877,838	$ 1,555,175

Please see *"Note 13. Subsequent Events"* for a discussion related to the loss portfolio transfer and adverse development cover entered into by Maiden Bermuda and Enstar on March 1, 2019 affecting the quota share reinsurance agreements between Maiden Bermuda and AmTrust.

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

7. Reserve for Loss and Loss Adjustment Expenses

The Company uses both historical experience and industry-wide loss development factors to provide a reasonable basis for estimating future losses. In the future, certain events may be beyond the control of management, such as changes in law, judicial interpretations of law, and inflation, which may favorably or unfavorably impact the ultimate settlement of the Company's loss and LAE reserves.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated changes in claim costs due to inflation are considered in estimating the ultimate claim costs, changes in the average severity of claims are caused by a number of factors that vary with the individual type of policy written. Ultimate losses are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

The reserving process begins with the collection and analysis of paid losses and incurred claims data for each of our contracts. While reserves are reviewed on a contract by contract basis, paid losses and incurred claims data is also aggregated into reserving segments. The segmental data is disaggregated by reserving class and further disaggregated by either accident year (i.e. the year in which the loss event occurred) or by underwriting year (i.e. the year in which the contract generating the premium and losses incepted). The Company in some cases uses underwriting year information to analyze our Diversified Reinsurance segment and subsequently allocate reserves to the respective accident years. The Company's reserve for loss and LAE comprises:

December 31,	**2018**	**2017**
Reserve for reported loss and LAE	$ 1,571,177	$ 1,393,537
Reserve for losses incurred but not reported	1,482,713	992,213
Reserve for loss and loss adjustment expenses	$ 3,053,890	$ 2,385,750

The following table represents a reconciliation of the Company's beginning and ending gross and net loss and LAE reserves:

For the Year Ended December 31,	**2018**	**2017**
Gross loss and LAE reserves, January 1	$ 2,385,750	$ 1,844,402
Less: reinsurance recoverable on unpaid losses, January 1	24,754	35,821
Net loss and LAE reserves, January 1	2,360,996	1,808,581
Net incurred losses related to:		
Current year	1,429,201	1,272,062
Prior years	448,637	283,113
	1,877,838	1,555,175
Net paid losses related to:		
Current year	(440,012)	(407,004)
Prior years	(722,725)	(650,945)
	(1,162,737)	(1,057,949)
Effect of foreign exchange rate movements	(23,884)	55,189
Net loss and loss adjustment expense reserves, December 31	3,052,213	2,360,996
Reinsurance recoverable on unpaid losses, December 31	1,677	24,754
Gross loss and loss adjustment expense reserves, December 31	$ 3,053,890	$ 2,385,750

Actuarial Methods Used to Estimate Loss and Loss Adjustment Expense Reserves

The Company utilizes a variety of standard actuarial methods in its analysis of loss reserves. The selections from these various methods are based on the loss development characteristics of the specific line of business and significant actuarial judgment. The actuarial methods the Company utilizes include:

The Expected Loss Ratio ("ELR") method is a technique that multiplicatively applies an expected loss ratio to premium earned to yield estimated ultimate losses. The ELR assumption is generally derived from pricing information and historical experience of the business. This method is frequently used for the purpose of stability in the early valuations of an underwriting year with large and uncertain loss development factors. This technique does not take into account actual loss emergence for the underwriting year being projected. As an underwriting year matures and actual loss experience becomes more credible, other methods may be applied in determining the estimated ultimate losses.

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

The Loss Development ("LD") method is a reserving method in which ultimate losses are estimated by applying a loss development factor to actual reported (or paid) loss experience. This method fully utilizes actual experience. Multiplication of underwriting year actual reported (or paid) losses by its respective development factor produces the estimated ultimate losses. The LD method is based upon the assumption that the relative change in a given underwriting year's losses from one evaluation point to the next is similar to the relative change in prior underwriting years' losses at similar evaluation points. In addition, this method is based on the assumption that the reserving and payment patterns as well as the claim handling procedures have not changed substantially over time. In the case where changes to the payment patterns or the claim handling procedures are identified, historical losses are adjusted to the current basis, and development factors are selected based on the relative change of the adjusted losses (the Berquist Sherman method is one example of this approach). When a company has a sufficiently reliable loss development history, a development pattern based on the company's historical indications may be used to develop losses to ultimate values.

The Bornhuetter-Ferguson ("BF") reserving technique is used for long-tailed or lower frequency, more volatile lines. It is also useful in situations where the reported loss experience is relatively immature and/or lacks sufficient credibility for the application of methods that are more heavily reliant on emerged experience. The BF method is an additive IBNR method that combines the ELR and LD techniques by splitting the expected loss into two pieces - expected reported (or paid) losses and expected unreported (or unpaid) losses. Expected unreported (unpaid) losses, estimated by the use of loss development factors, are added to the current actual reported (or paid) losses to produce an estimate of ultimate losses by underwriting year. The BF method introduces an element of stability that moderates the impact of inconsistent changes in paid and reported losses.

The average frequency and severity ("FS") reserving technique is used for lines where claim count is available, and the estimate of loss development factors is more difficult due to volatility in historical data. The available data for such lines is usually more volatile in the estimation of future losses using the LD and BF reserving methods. The FS method uses historical data to estimate the average number of ultimate claims (frequency) and the average costs of closed claims (severity). The estimate of ultimate losses by underwriting year is the result of the multiplication of the ultimate number of claims and the average cost of a claim.

With the guidance of the methods above, actuarial judgment is applied in the determination of ultimate losses. In general, the Company's segments have varying levels of seasoning with which the Company has direct experience and as a result, differing methods are utilized to estimate loss and LAE reserves in each line of business.

In the Diversified Reinsurance business, the Company utilizes the ELR approach at the onset of reserving an account, the BF method for business with less but maturing loss experience, and as the experience matures the LD method. For proportional or pro-rata business, the Company typically relies heavily on the actual historical contract experience to estimate reserving parameters such as loss development factors, whereas for excess of loss business there will be more usage of industry and/or Company benchmark assumptions.

The Company has underwritten the AmTrust Reinsurance business since July 1, 2007. A large portion of the exposure in the underlying book of business has significant seasoning, and allows for a significant amount of credibility in using parameters derived from historical experience to calculate reserve estimates. Some segments of the book are a result of recent acquisitions or newer markets for AmTrust. These segments require a greater level of assumptions and professional judgment in deriving ultimate losses, which inherently implies a wider range of reasonable estimates. As a result, we have tended to rely on a weighted approach which primarily employs the LD method for aspects of the business with ample historical data, while also considering the ELR or BF method for exposure resulting from recent acquisitions, or a relative business with a more limited level of experience. The FS method is also considered for certain lines of the AmTrust book of business for which claim count information is available. The Company's actuarial analysis of this book of business is more refined in that it utilizes a combination of quarterly and annual data instead of contract period data in totality. Additional data detailing items such as class of business, state, claim counts, frequency and severity is available, further enhancing the reserve analysis.

Prior Year Development

Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves in previous calendar years. The development reflects changes in management's best estimate of the ultimate losses under the relevant reinsurance policies after review of changes in actuarial assessments. The following table summarizes the adverse prior period development experienced in each of the Company's business lines for the years ended December 31, 2018 and 2017:

For the Year Ended	Diversified Reinsurance	AmTrust Reinsurance	Other	Total
December 31, 2018	$ (2,326)	$ (399,200)	$ (1,685)	$ (403,211)
December 31, 2017	(4,981)	(239,896)	(1,838)	(246,715)

During 2018, the Company increased incurred losses for 2017 and prior accident years by $448,637 or 19.0% of prior year net loss and LAE reserves compared to $283,113 or 15.7% in 2017. The $403,211 of net adverse development was primarily driven by $399,200 of adverse development in the AmTrust Reinsurance business combined with an insignificant amount of net adverse development of $2,326 in the Diversified Reinsurance business and net adverse development of $1,685 within the Other category. In addition, some premium for prior accident years is reported to the Company in subsequent periods. This leads to increases in the provision for loss and LAE in prior years during current periods which is not considered adverse development. During 2018, incurred losses in the AmTrust Quota Share business increased $45,426 (2017 - $36,398) associated with $75,359 (2017 - $57,026) of premiums earned reported during 2018 attributable to 2017 and prior accident years.

7. Reserve for Loss and Loss Adjustment Expenses (continued)

For Diversified Reinsurance business, the adverse prior year development was $2,326 for the year ended December 31, 2018 (2017 - $4,981) primarily due to adverse development in the European Capital Solutions business as well as in the facultative reinsurance run-off partially offset by favorable development in International Auto during 2018. In 2017, the adverse development was primarily due to the facultative reinsurance run-off and development in International Auto.

In the AmTrust Reinsurance business, the adverse prior year development was $399,200 for the year ended December 31, 2018 (2017 - $239,896) largely from Workers' Compensation of $151,269 which represented nearly half of the adverse development, primarily driven by accident years 2014 to 2016, due to a higher expectation of loss development at later maturities as well as adverse development in European Hospital Liability of $95,794, driven by underwriting years 2011 to 2013, General Liability of $78,317, driven by accident years 2013 to 2017, and Commercial Auto liability of $76,207, primarily from accident years 2015 to 2017. The adverse loss development in European hospital liability was partly caused by the failure of the Italian government to implement a law passed in April 2017 which was expected to reduce medical malpractice costs, and also by a reduced expectation with regards to the ultimate amount of no-payment claims.

The adverse development of $239,896 in 2017 for the AmTrust Reinsurance business was largely related to Workers' Compensation, in Small Commercial Business, driven by accident years 2012 and subsequent, of $126,603; General Liability of $90,784; and, to a lesser extent, Commercial Auto Liability of $19,877, predominantly in accident years 2012 and subsequent, as a result of industry-wide trends including increasing claim severity and claim frequency. The loss development observed was in part attributable to staffing and other claims operation changes in the cedants claims department which have distorted historical loss patterns.

The Other category also incurred adverse prior year development of $1,685 for the year ended December 31, 2018 (2017 - $1,838) due to increased reserves in the run-off of the NGHC Quota Share.

a) Claims Development

The following is a summary of the Company's incurred losses and paid losses development by accident year, net of reinsurance, from the last eight calendar years including the total reserve for losses, IBNR, plus development on reported loss and LAE for losses incurred under the AmTrust Quota Share , as of December 31, 2018. Information prior to 2018 is included as unaudited supplementary information. Only eight years of information has been presented as it was impractical to obtain the sufficiently detailed additional information on those earlier years. The incurred and paid amounts have been translated from the local currency to U.S. dollars using the December 31, 2018 spot rate for all years presented in the table below in order to isolate changes in foreign exchange rates from loss development. Information regarding our former NGHC Quota Share, which is in run-off, has not been presented in the development tables below but is included in the reconciliation as the related IBNR amounts are not currently material. As a reinsurer of primarily quota share contracts, claim counts are available on a very limited basis; thus claim counts have not been provided in the tables below as it is impractical to do so.

Diversified Reinsurance incurred losses and paid losses are analyzed by the following lines of business: (1) International and (2) European Capital Solutions. AmTrust Reinsurance incurred losses and paid losses are analyzed by the following lines of business: (1) Workers' Compensation; (2) Commercial Auto Liability; (3) General Liability; (4) European Hospital Liability; and (5) All Other Lines. There are a number of factors to consider when evaluating the information in these tables:

- In Diversified Reinsurance, contracts are written on both an accident year and underwriting year basis, many are multi-line and the majority of the premium is associated with proportional contracts. Many proportional treaty reinsurance contracts are submitted using quarterly bordereau reporting by underwriting year. However, the remaining losses can generally only be allocated to accident years based on estimated premium earning and loss reporting patterns. Further estimates are required to allocate losses to line of business. Multi-line accounts are generally analyzed on an individual basis by line of business, but are booked in the Company's records to a contract, rather than to each individual line of business within a contract. For the purpose of this disclosure allocations are made to the various lines of business. Management's assumptions and allocation procedures for these tables may produce results that differ from the actual loss emergence reported by line of business each quarter
- The AmTrust Quota Share consists primarily of two contracts, the European Hospital Liability quota share and a much larger quota share that includes all other covered business, the AmTrust Quota Share. There is also a small amount of excess of loss business that has not been written since 2009 which is included as a reconciling item. The Company receives several cession statements and uses these to report premiums in three categories - Small Business Commercial, Specialty Program and Specialty Risk and Extended Warranty. The tables provided include allocations of IBNR reserves to line of business by accident year. Management's assumptions and allocation procedures for these tables may produce results that differ from the actual loss emergence reported by line of business each quarter;
- The premium and exposure for prior accident years is often reported to the Company in subsequent periods, as reporting lags exist from an insurer to a reinsurer. This leads to increases in the provision for loss and LAE in prior years, but does not reduce expected income (and in many cases can result in additional income).

Diversified Reinsurance

The following tables represents information on the Company's incurred losses and LAE and cumulative paid losses and LAE, both net of reinsurance, since 2011 for the Diversified Reinsurance business. The development tables below included reserves acquired from the loss portfolio transfer agreement associated with the GMAC International Insurance Services ("IIS") as at November 30, 2010 of $82,961.

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

For the purposes of the disclosure, the reserves from the loss portfolio transfer was allocated to the original accident year. Many pro-rata contracts are big enough that specific company development patterns are used. The ELR from the pricing of the account is typically used for the first year or more until the data suggests an alternative result is likely. Use of the ELR method transitions to the BF and then the LD method. For smaller contracts, benchmark development patterns may be used in both the pricing to establish the ELR and the reserving. The use of benchmark patterns is more prevalent in excess of loss business and the movement to experience based methods is slower.

Diversified Reinsurance - International

The international business written by the IIS team is mainly proportional treaty business, a significant portion of which is Personal Auto quota share contracts but also comprises credit life quota share. The IIS team works with insurance partners, automobile manufacturers and their related credit providers and other organizations to design and implement insurance programs in both auto distribution-related and other consumer insurance products.

For the auto quota share exposure, the initial underwriting year loss projections are generally based on the ELR method, derived from account pricing analyses. Payment and reporting patterns are short-tailed, and the movement away from the ELR to BF or LD methods typically happens very rapidly.

Diversified Reinsurance - International	Incurred losses and loss adjustment expenses, net of reinsurance								At December 31, 2018
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2010	$ 79,288	$ 78,531	$ 78,384	$ 78,187	$ 76,496	$ 78,619	$ 80,664	$ 80,358	$ (950)
2011	49,307	48,672	48,700	48,864	48,814	48,638	49,028	49,273	(52)
2012		49,824	48,457	48,640	48,748	48,816	49,072	48,791	32
2013			44,117	48,861	50,159	49,698	50,304	50,525	(84)
2014				42,752	47,887	47,701	47,559	47,332	192
2015					43,258	44,647	44,995	44,432	(689)
2016						39,138	40,829	40,166	(264)
2017							37,282	36,734	2,639
2018								42,833	14,756
Total								$ 440,444	$ 15,580

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2010	$ 34,015	$ 42,839	$ 47,540	$ 49,335	$ 50,969	$ 52,519	$ 54,050	$ 55,733
2011	24,815	45,522	47,105	48,352	48,769	49,002	49,144	49,258
2012		23,634	40,321	42,661	43,753	44,079	44,640	44,753
2013			24,241	43,384	45,845	47,194	47,646	47,860
2014				23,840	41,903	44,133	45,319	45,569
2015					21,769	39,120	40,959	41,972
2016						22,536	36,417	38,192
2017							19,216	33,014
2018								20,530
Total								376,881
Total net reserves								$ 63,563

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

Diversified Reinsurance - European Capital Solutions

The European Capital Solutions business is mainly a portfolio of assumed reinsurance in Europe which is now in run-off. Maiden Bermuda began writing treaty reinsurance contracts under this initiative in 2016 therefore only three calendar years of the Company's incurred losses and paid losses development by accident year have been provided in the tables below.

Diversified Reinsurance - European Capital Solutions	**Incurred losses and loss adjustment expenses, net of reinsurance**			**At December 31, 2018**
For the Year Ended December 31,	**2016**	**2017**	**2018**	**Total IBNR**
Accident Year:	Unaudited	Unaudited		
2016	$ 4,921	$ 4,996	$ 5,381	$ 452
2017		8,732	10,054	2,832
2018			22,119	11,096
Total			$ 37,554	$ 14,380

	Cumulative paid losses and LAE, net of reinsurance		
For the Year Ended December 31,	**2016**	**2017**	**2018**
Accident Year:	Unaudited	Unaudited	
2016	$ 798	$ 2,372	$ 3,357
2017		1,963	4,114
2018			3,241
Total			10,712
Total net reserves			$ 26,842

AmTrust Reinsurance

The following tables represent information on the Company's incurred losses and LAE and cumulative paid losses and LAE, both net of reinsurance, by significant line of business since 2011 under the AmTrust Quota Share contracts. All data shown for AmTrust Reinsurance in the tables that follow are from the Company’s quota share contracts with AmTrust, both the multi-year AmTrust Quota Share and the annually renewable European Hospital Liability Quota Share. AmTrust purchases significant reinsurance for losses above $10 million covered by the AmTrust Quota Share. The Company’s share of AmTrust’s losses net of reinsurance in the AmTrust Quota Share is generally 40%. Additionally, for the Specialty Program portion of Covered Business only, AmTrust will be responsible for ultimate net loss otherwise recoverable from Maiden Bermuda to the extent that the loss ratio to Maiden Bermuda, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95%. Above and below the defined corridor, Maiden Bermuda has reinsured losses at its proportional 40% share per the AmTrust Quota Share.

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

AmTrust Reinsurance: Workers' Compensation

This reserve class consists of the Workers' Compensation portion of the AmTrust Quota Share. The business is written in the U.S. by AmTrust from both their Small Commercial Business and Specialty Program business units. The Small Commercial Business unit focuses on writing smaller, niche workers' compensation exposures in generally low-hazard occupations. Workers' Compensation business written in the Specialty Program unit is typically part of programs consisting of multiple lines of business. The business is produced by managing general agents with AmTrust regularly adding new programs and terminating or renegotiating unprofitable ones. The Company's initial underwriting year loss projections are generally based on the ELR method, derived from historical performance after the consideration of loss and premium trends. Since it is proportional exposure, and due to the size and the classes of business insured by AmTrust, this reserving class is much shorter tailed than a traditional workers compensation book, and the transition to the BF and the LD methods happens relatively quickly, within the first several years.

AmTrust Reinsurance Workers' Compensation	Incurred losses and loss adjustment expenses, net of reinsurance								At December 31, 2018
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	$ 80,800	$ 81,493	$ 82,438	$ 81,240	$ 82,301	$ 83,039	$ 83,622	$ 84,710	$ 852
2009	102,240	102,245	103,864	109,213	106,204	105,901	107,165	110,175	2,671
2010	106,799	113,880	118,209	120,243	125,020	124,073	123,968	127,215	4,538
2011	104,923	125,549	130,712	132,728	133,995	133,916	135,379	138,600	5,898
2012		136,960	168,016	173,946	171,040	172,692	181,616	192,087	12,904
2013			237,019	245,765	238,392	242,447	261,915	276,249	24,268
2014				379,589	365,515	382,260	419,748	457,363	47,331
2015					474,140	474,212	526,269	551,145	67,629
2016						528,906	568,006	627,728	113,373
2017							615,957	654,362	189,557
2018								592,566	264,984
Total								$3,812,200	$ 734,005

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	$ 68,400	$ 72,823	$ 76,018	$ 77,370	$ 78,161	$ 79,230	$ 81,159	$ 82,436
2009	71,963	83,464	89,462	93,425	96,396	98,811	100,103	101,823
2010	61,322	82,614	95,120	103,280	108,171	114,639	115,014	115,959
2011	33,089	69,357	91,414	105,584	114,107	115,966	122,579	124,315
2012		45,030	88,382	119,059	138,706	150,543	158,807	164,512
2013			56,249	121,182	168,785	199,300	216,527	227,502
2014				69,512	189,954	268,467	321,258	355,414
2015					86,695	246,616	338,642	388,640
2016						110,051	284,501	380,602
2017							111,508	274,596
2018								110,954
Total								2,326,753
	All outstanding liabilities prior to 2008, net of reinsurance							1,340
Total net reserves								$1,486,787

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

AmTrust Reinsurance: General Liability

This reserve class consists of the General Liability portion of the AmTrust Quota Share. The business is written in the U.S. by AmTrust from both their Small Commercial Business and Specialty Program business units. The Small Commercial Business unit focuses on writing smaller, niche business typically underserved by the broader insurance market, which typically have limits of $1,000. General Liability business written in the Small Commercial business unit grew substantially following AmTrust's renewal rights acquisition in 2014. Specialty Program business may contain a mix of exposures from retail operations, contractors, manufacturers, and other premises. The Company's initial underwriting year loss projections are generally based on the ELR method, derived from historical performance after the consideration of loss and premium trends. This proportional exposure is medium tailed, and the IBNR is typically derived from the use of the initial ELR for the first several years following the earning of the exposure, and subsequently followed by a transition to the BF and the LD methods.

AmTrust Reinsurance General Liability	**Incurred losses and loss adjustment expenses, net of reinsurance**								**At December 31, 2018**
For the Year Ended December 31,	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total IBNR**
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	$ 28,786	$ 31,921	$ 33,051	$ 33,792	$ 34,169	$ 35,985	$ 36,627	$ 37,605	$ 558
2009	19,311	28,384	29,123	30,902	32,418	34,040	34,863	35,138	512
2010	15,783	28,850	34,761	36,455	38,536	38,298	41,597	42,884	400
2011	11,334	24,731	35,628	40,557	42,100	45,303	49,338	52,746	85
2012		21,281	33,445	42,450	48,851	50,800	55,991	59,948	(373)
2013			42,021	43,116	66,869	68,641	79,731	89,204	4,239
2014				65,469	66,558	77,930	99,873	111,970	10,930
2015					118,111	95,766	122,942	139,518	21,911
2016						98,149	114,864	120,911	30,371
2017							116,158	133,533	59,757
2018								121,991	87,555
Total								$ 945,448	$ 215,945

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	$ 20,935	$ 26,288	$ 29,384	$ 32,849	$ 32,423	$ 32,765	$ 34,935	$ 36,699
2009	7,840	13,904	19,727	24,298	28,312	30,924	32,878	33,473
2010	5,140	11,187	19,010	26,429	30,948	34,125	37,317	39,214
2011	2,813	6,072	12,158	22,963	31,619	39,350	41,257	47,141
2012		5,084	13,224	18,020	29,752	40,864	45,775	53,526
2013			4,996	10,226	32,249	44,698	58,377	70,074
2014				3,503	24,581	36,026	57,678	77,259
2015					20,849	33,963	52,350	79,291
2016						6,402	21,959	45,855
2017							6,967	27,001
2018								7,907
Total								517,440
	All outstanding liabilities prior to 2008, net of reinsurance							96
Total net reserves								$ 428,104

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

AmTrust Reinsurance: Commercial Auto Liability

Commercial Auto Liability is written in the U.S. and included in the Small Commercial Business and Specialty Program business units within the AmTrust Quota Share. The Small Commercial Business unit focuses on writing smaller, niche business typically underserved by the broader insurance market, and policies typically have limits of $1,000. Auto Liability business written in the Small Commercial business unit grew substantially following AmTrust's renewal rights acquisition in 2014. Commercial Auto Liability business written in the Specialty Program unit is typically part of programs consisting of multiple lines of business.

The Company's initial underwriting year loss projections are generally based on the ELR method, derived from historical performance after the consideration of loss and premium trends. This proportional exposure is relatively short tailed, and the transition to the BF and the LD methods happens relatively quickly, within the first several years.

AmTrust Reinsurance Commercial Auto Liability	Incurred losses and loss adjustment expenses, net of reinsurance								At December 31, 2018
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	$ 29,890	$ 32,769	$ 33,700	$ 34,522	$ 34,584	$ 35,975	$ 35,521	$ 35,382	$ (86)
2009	22,183	26,275	28,551	30,812	31,024	30,468	30,919	31,033	522
2010	26,239	33,457	37,154	38,043	40,193	40,523	42,146	41,996	1,657
2011	16,193	24,292	29,577	32,578	33,839	34,790	36,149	36,065	2,122
2012		20,863	32,691	40,076	44,812	48,116	46,150	45,753	(159)
2013			33,473	44,771	50,647	59,702	63,162	62,163	(86)
2014				47,525	55,023	73,966	82,427	89,299	(195)
2015					66,967	92,955	106,560	119,141	8,164
2016						121,828	118,210	144,077	19,594
2017							156,575	189,257	63,652
2018								177,150	104,045
Total								$971,316	$ 199,230

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	$ 25,207	$ 29,386	$ 30,975	$ 32,643	$ 33,536	$ 34,074	$ 34,803	$ 35,284
2009	14,532	18,736	22,959	26,975	29,226	29,829	29,842	30,204
2010	14,203	21,050	28,602	34,855	37,734	39,413	39,750	40,282
2011	5,721	12,333	18,813	25,808	29,769	32,362	33,130	33,155
2012		6,693	14,979	26,508	35,460	43,745	44,165	45,555
2013			8,267	19,865	34,379	48,122	57,349	59,600
2014				8,450	22,858	42,960	64,459	79,766
2015					13,102	39,179	62,945	86,433
2016						19,071	48,595	76,635
2017							26,863	69,657
2018								30,018
Total								586,589
	All outstanding liabilities prior to 2008, net of reinsurance							(19)
Total net reserves								$384,708

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

AmTrust Reinsurance: European Hospital Liability

AmTrust entered this line of business in Italy in 2010 when it believed there were significant opportunities in what had traditionally been an under-performing market. European Hospital Liability policies are written on a claim made basis. Maiden Bermuda wrote a separate annually renewable contract covering this exposure in 2011 which is not part of the AmTrust Quota Share. Currently, most exposure remains in Italy with a modest amount of exposure to other European nations. The European Hospital Liability Quota Share is a claims made exposure, and in many instances claims are eventually closed with no liability. This phenomena is estimated during the reserving process, and can result in a provision for pure IBNR (reserves for claims which have not yet been reported) which is minimal or negative. This estimate will vary as the exposure matures which could result in changes to the level of reserves. Also, severity for known claims and expenses can increase over time, which requires a provision for IBNR. The net result is a relatively small amount of IBNR.

The Company's initial underwriting year loss projections are generally based on the ELR method, derived from historical performance after the consideration of loss and premium trends. Loss reporting for this line is unique, as a large proportion of claims are initially reserved but eventually closed with no payment, as the insurer is found to have no liability after investigation of the fundamentals of the claim. In addition, the underlying insurance policies assumed are subject to deductibles on both a per claim and aggregate basis. For these reasons, the LD method is not typically employed in the estimate of loss. After the first several years, Maiden Bermuda utilizes a FS methodology; frequency is estimated on a reported claim basis and adjusted for an estimate of the proportion of claims which will close with no payment, while severity is estimated on both a gross and net of deductible basis.

AmTrust Reinsurance European Hospital Liability	**Incurred losses and loss adjustment expenses, net of reinsurance**								**At December 31, 2018**
For the Year Ended December 31,	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total IBNR**
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2011	$ 50,395	$ 23,539	$ 36,438	$ 50,344	$ 47,888	$ 65,940	$ 63,939	$ 61,308	$ (1,161)
2012		80,912	82,465	81,665	104,716	93,673	88,696	114,627	4,749
2013			49,712	62,456	65,152	85,591	78,261	100,312	4,522
2014				51,720	54,462	58,335	64,909	81,846	5,846
2015					48,219	46,815	60,954	67,018	5,329
2016						45,146	51,973	68,023	8,942
2017							41,562	52,954	13,172
2018								45,244	21,425
Total								$ 591,332	$ 62,824

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2011	$ 1,113	$ 4,408	$ 13,005	$ 23,865	$ 29,193	$ 36,272	$ 41,966	$ 46,220
2012		4,877	15,593	35,487	46,221	59,425	70,069	78,214
2013			3,030	15,243	26,225	40,015	50,302	56,372
2014				4,265	12,014	24,974	35,544	39,884
2015					3,522	11,200	23,124	29,511
2016						3,634	10,796	17,888
2017							1,297	4,479
2018								934
Total								273,502
Total net reserves								$ 317,830

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

AmTrust Reinsurance: All Other Lines

This category includes all lines except Workers' Compensation, General Liability and Commercial Auto from the AmTrust Small Business Commercial and Specialty Program Divisions. The predominant exposures are property and auto physical damage.

AmTrust Reinsurance All Other Lines	Incurred losses and loss adjustment expenses, net of reinsurance								At December 31, 2018
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018	Total IBNR
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	$ 27,630	$ 28,724	$ 28,715	$ 29,149	$ 29,237	$ 29,070	$ 29,576	$ 29,574	$ 58
2009	12,516	20,349	11,959	13,329	14,309	14,492	16,088	15,653	397
2010	14,440	15,182	24,718	15,484	16,078	16,105	17,071	17,059	1,213
2011	18,822	19,948	26,343	27,509	22,359	22,616	23,376	23,506	1,157
2012		14,697	18,443	19,426	21,898	18,673	19,850	20,260	1,961
2013			17,806	17,630	28,058	22,918	21,313	21,669	1,535
2014				20,597	25,268	26,021	24,958	26,278	341
2015					52,706	54,857	49,631	49,463	7,284
2016						79,654	74,948	72,384	6,203
2017							104,637	96,812	10,796
2018								96,910	10,431
Total								$469,568	$ 41,376

	Cumulative paid losses and LAE, net of reinsurance							
For the Year Ended December 31,	2011	2012	2013	2014	2015	2016	2017	2018
Accident Year:	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	$ 25,776	$ 29,710	$ 29,900	$ 31,217	$ 29,388	$ 29,177	$ 30,833	$ 30,683
2009	7,891	8,084	8,743	11,093	13,105	13,870	15,224	15,051
2010	12,373	12,332	13,012	15,375	15,748	16,058	16,919	16,786
2011	13,840	16,424	17,571	21,279	22,044	22,715	23,892	23,661
2012		10,308	14,031	16,033	16,936	17,946	18,205	18,685
2013			11,877	15,997	17,509	20,258	20,456	20,447
2014				12,028	20,277	20,940	22,018	26,194
2015					28,929	45,208	42,631	41,962
2016						42,795	69,805	65,452
2017							48,903	80,726
2018								56,539
Total								396,186
All outstanding liabilities prior to 2008, net of reinsurance								(1)
Total net reserves								$ 73,381

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

7. Reserve for Loss and Loss Adjustment Expenses (continued)

Reconciliation of Development Tables to Balance Sheet

The following table represents a reconciliation of the net incurred and paid claims development tables to the reserve for loss and LAE in the Company's Balance Sheet at December 31, 2018:

	At December 31, 2018		
	Total Net Reserves	Reinsurance Recoverables on unpaid claims	Total Gross Reserves
Diversified Reinsurance			
International	$ 63,563	$ 1,677	$ 65,240
European Capital Solutions	26,842	—	26,842
Other reconciling items	11,421	—	11,421
Total Diversified Reinsurance	101,826	1,677	103,503
AmTrust Reinsurance			
Workers' Compensation	1,486,787	—	1,486,787
General Liability	428,104	—	428,104
Commercial Auto Liability	384,708	—	384,708
European Hospital Liability	317,830	—	317,830
All Other Lines	73,381	—	73,381
Total	2,690,810	—	2,690,810
Other reconciling items	256,737	—	256,737
Total AmTrust Reinsurance	2,947,547	—	2,947,547
Other	2,840	—	2,840
Total reserves and LAE	$ 3,052,213	$ 1,677	$ 3,053,890

(b) Claims duration disclosure

The following unaudited supplementary information represents the average annual percentage payout of net loss and LAE by age, net of reinsurance at December 31, 2018:

	Average annual payout of incurred claims by age, net of reinsurance							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Diversified Reinsurance								
International	50.1%	38.0%	4.1%	2.0%	0.7%	0.3%	0.5%	4.2%
European Capital Solutions	16.1%	26.0%	20.4%	—%	—%	—%	—%	—%
AmTrust Reinsurance								
Workers' Compensation	19.0%	25.8%	16.4%	10.3%	6.2%	3.3%	3.3%	1.1%
General Liability	6.8%	11.7%	14.5%	18.3%	16.6%	11.1%	8.5%	7.2%
Commercial Auto Liability	13.5%	19.6%	21.5%	19.7%	14.5%	6.2%	4.7%	1.4%
European Hospital Liability	3.7%	9.2%	14.4%	12.7%	8.9%	9.0%	8.2%	6.9%
All other lines	54.7%	26.2%	1.8%	5.8%	8.1%	3.1%	4.6%	0.9%

The average annual payout of incurred claims by age, net of reinsurance, is calculated using the amount of claims paid in each development year and is compared with the estimated incurred claims as of the most recent period presented.

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

8. Related Party Transactions

At December 31, 2018 and 2017, the carrying value of the Company's assets and liabilities with related parties are as follows:

December 31, 2018	AmTrust	NGHC	Total
Assets and (liabilities):			
Restricted cash and cash equivalents and investments	$ 3,922,014	$ 8,598	$ 3,930,612
Loan to related party	167,975	—	167,975
Reinsurance balances receivable	38,278	—	38,278
Deferred commission and other acquisition expenses	370,037	—	370,037
Reserve for loss and loss adjustment expenses	(2,947,547)	(2,840)	(2,950,387)
Unearned premiums	(1,135,913)	—	(1,135,913)
Reinsurance balances payable	(50,401)	(872)	(51,273)

December 31, 2017	AmTrust	NGHC	Total
Assets and (liabilities):			
Restricted cash and cash equivalents and investments	$ 3,451,405	$ 13,780	$ 3,465,185
Loan to related party	167,975	—	167,975
Reinsurance balances receivable	50,269	—	50,269
Deferred commission and other acquisition expenses	359,964	—	359,964
Reserve for loss and loss adjustment expenses	(2,290,981)	(5,044)	(2,296,025)
Unearned premiums	(1,179,285)	—	(1,179,285)
Reinsurance balances payable	—	(2,193)	(2,193)

The following are the effects of the Company's reinsurance activity with related parties for the year ended December 31, 2018 and 2017:

For the Year Ended December 31, 2018	AmTrust	NGHC	Total
Results of operations:			
Gross premiums written	$ 1,886,280	$ —	$ 1,886,280
Gross premiums earned	1,928,208	—	1,928,208
Gross loss and loss adjustment expenses	(1,812,031)	(1,685)	(1,813,716)
Gross commission and other acquisition expenses	(622,495)	—	(622,495)
Interest income on loan to related party	6,442	—	6,442

For the Year Ended December 31, 2017	AmTrust	NGHC	Total
Results of operations:			
Gross premiums written	$ 1,993,478	$ —	$ 1,993,478
Gross premiums earned	1,969,907	—	1,969,907
Gross loss and loss adjustment expenses	(1,545,524)	(1,838)	(1,547,362)
Gross commission and other acquisition expenses	(630,376)	(2)	(630,378)
Interest income on loan to related party	3,447	—	3,447

8. Related Party Transactions (continued)

(a) Affiliates

Services Provided by Affiliates

Maiden Global Servicing Company, LLC (a wholly owned indirect subsidiary of the Parent Company) performed various services including, but not limited to, infrastructure support, actuarial services and human resource functions. For the year ended December 31, 2018, the Company incurred fees of $3,887 (2017 - $3,355) related to these services. The Company does not defer any portion of these fees.

Maiden Global Holdings Ltd. (a wholly owned subsidiary of the Parent Company) performed various services in accordance with a service agreement and a profit share agreement. For the year ended December 31, 2018, the Company incurred expenses of $6,989 (2017 - $7,585) and deferred expenses of $3,927 at December 31, 2018 (2017 - $4,290).

Receivable from Parent Company

Included in the Receivable from affiliates presented in the Balance Sheet as at December 31, 2018 is the amount receivable from Maiden Holdings of $230,296 (2017 - $216,511). The amount is considered fully collectible and is interest free and repayable on demand.

(b) AmTrust

The Founding Shareholders of the Parent Company are Michael Karfunkel, George Karfunkel and Barry Zyskind. Michael Karfunkel passed away on April 27, 2016. Based on each individual's most recent public filing, Leah Karfunkel (wife of Michael Karfunkel) owns or controls approximately 8.2% of the outstanding shares of the Parent Company, and Barry Zyskind (the Parent Company's non-executive chairman) owns or controls approximately 7.7% of the outstanding shares of the Parent Company. George Karfunkel owns or controls less than 5.0% of the outstanding shares of the Parent Company based on his most recent public filings. Leah Karfunkel and George Karfunkel are directors of AmTrust, and Barry Zyskind is the president, chief executive officer and chairman of AmTrust. Leah Karfunkel, George Karfunkel and Barry Zyskind own or control approximately 53.9% of the ownership interests of Evergreen Parent GP, LLC, the ultimate parent of AmTrust. AmTrust owns 1.5% of the issued and outstanding shares of National General Holdings Corporation ("NGHC"), and Leah Karfunkel, individually, through a grantor retained annuity trust and through the Michael Karfunkel 2005 Family Trust (which is controlled by Leah Karfunkel) owns 39.4% of the outstanding common shares of NGHC. Barry Zyskind is a director of NGHC.

The following describes transactions between the Company and AmTrust:

AmTrust Quota Share

Effective July 1, 2007, the Company and AmTrust's Bermuda reinsurance subsidiary, AmTrust International Insurance Ltd. ("AII") entered into the AmTrust Quota Share by which AII retrocedes to the Company an amount equal to 40% of the premium written by subsidiaries of AmTrust, net of the cost of unaffiliated inuring reinsurance and 40% of losses and AII receives a ceding commission of 31% of ceded written premiums. On June 11, 2008, the AmTrust Quota Share was amended to add Retail Commercial Package Business to the Covered Business for which AII receives a ceding commission of 34.375%.

On July 1, 2016, the agreement was renewed through June 30, 2019. The agreement automatically renews for successive three-year periods thereafter unless AII or the Company elects to so terminate the agreement by giving written notice to the other party not less than nine months prior to the expiration of the three-year period. Either party is entitled to terminate on thirty days' notice or less upon the occurrence of certain early termination events, which include a default in payment, insolvency, change in control of AII or the Company, run-off, or a reduction of 50% or more of the shareholders' equity of the Company or the combined shareholders' equity of AII and the AmTrust subsidiaries. On August 8, 2018, the agreement was amended to extend the written notice date from September 30, 2018 to January 31, 2019.

Effective July 1, 2018, the amount AmTrust Europe Limited ("AEL") cedes to the Company was reduced to 20%. Additionally, for the Specialty Program portion of Covered Business only, AII will be responsible for ultimate net loss otherwise recoverable from the Company to the extent that the loss ratio to the Company, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95% ("Loss Corridor"). Above and below the Loss Corridor, the Company will continue to reinsure losses at its proportional 40% share of the AmTrust Quota Share.

On December 31, 2018, Maiden Bermuda and AII amended the AmTrust Quota Share that is currently in force and set to expire on June 30, 2019. The amendment, which is effective January 1, 2019, provided for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business, comprising workers' compensation, general liability, umbrella liability, and professional liability (including 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 amendment resulted in Maiden Bermuda returning approximately $716,100 in unearned premium to AII, or $480,000 net of applicable ceding commission and brokerage. Please see "*Note 13. Subsequent Events"* for further information regarding this amendment as well as the termination of the AmTrust Quota Share and other contracts entered into by Maiden Bermuda and AII in January 2019.

AmTrust European Hospital Liability Quota Share Agreement ("European Hospital Liability Quota Share")

Effective April 1, 2011, the Company entered into a quota share reinsurance contract with AmTrust Europe Limited ("AEL") and AmTrust International Underwriters DAC ("AIU DAC"), both wholly owned subsidiaries of AmTrust. Pursuant to the terms of the contract, the Company assumed 40% of the premiums and losses related to policies classified as European Hospital Liability, including associated liability coverages and policies covering physician defense costs, written or renewed on or after April 1,

8. Related Party Transactions (continued)

2011. The contract also covers policies written or renewed on or before March 31, 2011, but only with respect to losses that occur, accrue or arise on or after April 1, 2011. The maximum limit of liability attaching shall be €5,000 (€10,000 effective January 1, 2012) or currency equivalent (on a 100% basis) per original claim for any one original policy. The Company will pay a ceding commission of 5%.

Effective July 1, 2016, the contract was amended such that the Company assumes from AEL 32.5% of the premiums and losses of all policies written or renewed on or after July 1, 2016 until June 30, 2017, and 20% of all policies written or renewed on or after July 1, 2017. Please see "*Note 13. Subsequent Events"* for information regarding the termination of this contract in January 2019.

Collateral provided to AmTrust

a) AmTrust Quota Share

In order to provide AmTrust's U.S. insurance subsidiaries with credit for reinsurance on their statutory financial statements, AII, as the direct reinsurer of the AmTrust's insurance subsidiaries, has established trust accounts ("Trust Accounts") for their benefit. The Company has agreed to provide appropriate collateral to secure its proportional share under the AmTrust Quota Share of AII's obligations to the AmTrust subsidiaries to whom AII is required to provide collateral. This collateral may be in the form of (a) assets loaned by the Company to AII for deposit into the Trust Accounts, pursuant to a loan agreement between those parties, (b) assets transferred by the Company for deposit into the Trust Accounts, (c) a letter of credit obtained by the Company and delivered to an AmTrust subsidiary on AII's behalf, or (d) premiums withheld by an AmTrust subsidiary at the Company's request in lieu of remitting such premiums to AII. The Company may provide any or a combination of these forms of collateral, provided that the aggregate value thereof equals the Company's proportionate share of its obligations under the AmTrust Quota Share with AII. The Company satisfied its collateral requirements under the AmTrust Quota Share with AII as follows:

- by lending funds in the amount of $167,975 at December 31, 2018 and 2017 pursuant to a loan agreement entered into between those parties. Advances under the loan are secured by promissory notes. This loan was assigned by AII to AmTrust effective December 31, 2014 and is carried at cost. Effective December 18, 2017, interest is payable at a rate equivalent to the Federal Funds Effective Rate ("Fed Funds") plus 200 basis points per annum. Prior to that date, the interest was payable at a rate equivalent to one -month LIBOR plus 90 basis points per annum. Please see "*Note 4.(b) Net Investment Income"* for the total amount of interest earned from this loan. Also see "*Note 13. Subsequent Events"* for information regarding the amendments in this loan agreement in January 2019; and
- effective December 1, 2008, the Company entered into a Reinsurer Trust Assets Collateral agreement to provide to AII sufficient collateral to secure its proportional share of AII's obligations to the U.S. AmTrust subsidiaries. The amount of the collateral at December 31, 2018 was $3,650,418 (2017 - $3,328,757) and the accrued interest was $23,283 (2017 - $20,830). Please see *"Note 4.(d) Restricted Cash & Investments "* for additional information.

b) European Hospital Liability Quota Share

AEL requested that the Company provide collateral to secure its proportional share under the European Hospital Liability Quota Share. Please refer to *"Note 4.(d) Restricted Cash and Cash Equivalents and Investments"* for additional information.

Brokerage Agreement

Effective July 1, 2007, the Company entered into a reinsurance brokerage agreement with AII Reinsurance Broker Ltd. ("AIIB"), a wholly owned subsidiary of AmTrust. Pursuant to the brokerage agreement, AIIB provides brokerage services relating to the AmTrust Quota Share and the European Hospital Liability Quota Share for a fee equal to 1.25% of the premium assumed. The brokerage fee is payable in consideration of AIIB's brokerage services. AIIB is not the Company's exclusive broker. The agreement may be terminated upon 30 days written notice by either party. The Company recorded approximately $24,103 (2017 - $24,624) of reinsurance brokerage expense for the year ended December 31, 2018, which is presented as part of the commission and other acquisition expenses in the Statements of Income and Comprehensive Income; and deferred reinsurance brokerage of $14,199 (2017 - $14,741) at December 31, 2018 as a result of this agreement.

Asset Management Agreement

Effective July 1, 2007, the Company entered into an asset management agreement with AII Insurance Management Limited ("AIIM"), a wholly owned subsidiary of AmTrust, pursuant to which AIIM has agreed to provide investment management services to the Company. Effective January 1, 2018, AIIM provides investment management services for a quarterly fee of 0.02125% of the average value of the account. Prior to that date, the fee was payable at a rate of 0.0375%. The agreement may be terminated upon 30 days written notice by either party. The Company recorded $3,486 (2017 - $5,864) of investment management fees for the year ended December 31, 2018 as a result of this agreement.

NGHC Quota Share

Maiden Bermuda, effective March 1, 2010, had a 50% participation in the NGHC Quota Share, by which it received 25% of net premiums of the personal lines automobile business and assumed 25% of the related net losses. On August 1, 2013, the Company received notice from NGHC of the termination of the NGHC Quota Share effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis.

9. Commitments and Contingencies

(a) Concentrations of Credit Risk

At December 31, 2018 and 2017, the Company's assets where significant concentrations of credit risk may exist include investments, cash and cash equivalents, loan to related party, reinsurance balances receivable and reinsurance recoverable on unpaid losses (presented as part of other assets in the Balance Sheet). Please refer to *"Note 6. Reinsurance"* for additional information regarding the Company's credit risk exposure on its reinsurance counterparties.

The Company manages concentration of credit risk in the investment portfolio through issuer and sector exposure limitations. The Company believes it bears minimal credit risk in its cash on deposit. The Company also monitors the credit risk related to the loan to related party and its reinsurance balances receivable. To mitigate credit risk, the Company generally has a contractual right of offset thereby allowing the settlement of claims net of any premiums or loan receivable. The Company believes these balances as at December 31, 2018 will be fully collectible.

(b) Concentrations of Revenue

During the year ended December 31, 2018, the Company's gross premiums written from AmTrust accounted for $1,886,280 or 94.0% of its total gross premiums written (2017 - $1,993,478 or 96.2%).

(c) Letters of Credit

At December 31, 2018, the Company had letters of credit outstanding of $88,327 (2017 - $83,903). The letters of credit are for collateral purposes and are secured by cash and fixed maturities with a fair value of $111,134 at December 31, 2018 (2017 - $114,172).

(d) Other Commitments

The Company has an unfunded commitment on its investment in limited partnerships of approximately $414 at December 31, 2018 (2017 - $306).

(e) Loan and Other Collateral

Please see *"Note 8. Related Party Transactions"* for the discussion related to the various forms of collateral provided to AmTrust to collateralize certain of its obligations under the reinsurance agreements at December 31, 2018.

(f) Deposit Insurance

The Company maintains cash and cash equivalents balances at financial institutions in the United States, Bermuda and other international jurisdictions. In the United States, the Federal Deposit Insurance Corporation secures accounts up to $250. In certain other international jurisdictions, there exist similar protections. Management monitors balances in excess of insured limits and believes that they do not represent a significant credit risk to the Company.

(g) Legal Proceedings

Except as noted below, the Company is not a party to any material legal proceedings. From time to time, the Company is subject to routine legal proceedings, including arbitrations, arising in the ordinary course of business. These legal proceedings generally relate to claims asserted by or against the Company in the ordinary course of insurance or reinsurance operations. Based on the Company's opinion, the eventual outcome of these legal proceedings is not expected to have a material adverse effect on its financial condition or results of operations.

In April 2009, the Company learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of the Parent Company and the Company, sent a letter to the U.S. Department of Labor claiming that his employment with the Company was terminated in retaliation for corporate whistle blowing in violation of the whistle blower protection provisions of the Sarbanes-Oxley Act of 2002. Mr. Turin alleged that he was terminated for raising concerns regarding corporate governance with respect to the negotiation of the terms of the Trust Preferred Securities Offering. He seeks reinstatement as Chief Operating Officer, General Counsel and Secretary of the Parent Company and the Company, back pay and legal fees incurred. On December 31, 2009, the U.S. Secretary of Labor found no reasonable cause for Mr. Turin's claim and dismissed the complaint in its entirety. Mr. Turin objected to the Secretary's findings and requested a hearing before an administrative law judge in the U.S. Department of Labor. The Company moved to dismiss Mr. Turin's complaint, and its motion was granted by the Administrative Law Judge on June 30, 2011. On July 13, 2011, Mr. Turin filed a petition for review of the Administrative Law Judge's decision with the Administrative Review Board in the U.S. Department of Labor. On March 29, 2013, the Administrative Review Board reversed the dismissal of the complaint on procedural grounds, and remanded the case to the administrative law judge. The administrative hearing began in September 2014, and the hearings concluded in November 2018. The Company believes that it had good and sufficient reasons for terminating Mr. Turin's employment and that the claim is without merit. The Company will continue to vigorously defend itself against this claim.

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

10. Shareholders' Equity

a) Common Shares and Additional Paid-in Capital

The Company's authorized share capital is 120,000 common shares with a par value of $1 per share. These shares were issued for cash in 2007 and are fully paid and outstanding.

On December 26, 2018, the Parent Company transferred 35% of its share ownership in Maiden Bermuda to Maiden NA.

During 2018, the Parent Company and Maiden NA made total contributions of $125,000 to the additional paid-in capital of the Company. During 2017, the Parent Company made no contribution to additional paid-in capital of the Company.

b) Accumulated Other Comprehensive (Loss) Income

The following tables set forth financial information regarding the changes in the balances of each component of AOCI for the years ended December 31, 2018 and 2017.

For the Year Ended December 31, 2018	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
Beginning balance	$ 12,955	$ (4,852)	$ 8,103
Other comprehensive income before reclassifications	(72,847)	2,523	(70,324)
Amounts reclassified from AOCI to net income	(1,398)	—	(1,398)
Net current year other comprehensive income	(74,245)	2,523	(71,722)
Ending balance	$ (61,290)	$ (2,329)	$ (63,619)

For the Year Ended December 31, 2017	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
Beginning balance	$ (32,489)	$ 38,265	$ 5,776
Other comprehensive (loss) income before reclassifications	45,870	(43,117)	2,753
Amounts reclassified from AOCI to net income	(426)	—	(426)
Net current year other comprehensive (loss) income	45,444	(43,117)	2,327
Ending balance	$ 12,955	$ (4,852)	$ 8,103

c) Retained Earnings

During the year ended December 31, 2018, no dividends were declared. During the year ended December 31, 2017, $105,000 of dividends were declared and paid to the Parent Company which were settled entirely in cash.

11. Taxation

Under current Bermuda law, the Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At the present time, no such taxes are levied in Bermuda. The Company believes that it operates in a manner such that it will not be considered to be engaged in a trade or business in the U.S. or any other tax jurisdictions. Accordingly, the Company has not recorded any provision for taxation.

12. Statutory Financial Information

The Company is registered as a Class 3B reinsurer under The Insurance Act 1978 (Bermuda), amendments thereto and related regulations (the "Insurance Act"). Under the Insurance Act, the Company is subject to enhanced capital requirements in addition to minimum solvency and liquidity requirements and must maintain statutory economic capital and surplus at a level at least equal to its ECR which is the greater of its minimum solvency margin ("MSM") and the required capital calculated by reference to the Bermuda Solvency Capital Requirement ("BSCR").

The BMA is the group supervisor of the Company. Under the Insurance Act 1978, the Company is required to ensure it can meet its MSM and ECR. Throughout 2018 and at December 31, 2018, Maiden Bermuda has met the MSM and liquidity requirements. However, Maiden Bermuda failed to meet the requirements to hold sufficient capital to cover its ECR requirements as of September 30, 2018 and December 31, 2018. The Company had communicated such conditions to the BMA and is following the guidelines of a reportable “event” as stipulated by Bermuda insurance law.

The Company has taken the following actions to remediate the breach including: (1) capital injections into Maiden Bermuda by Maiden Holdings and Maiden NA of $125,000 on December 31, 2018 and $70,000 on January 18, 2019; (2) entered into the Partial Termination Amendment with AmTrust effective January 1, 2019; and (3) entered into amendments with AmTrust which terminated the AmTrust Quota Share and the European Hospital Liability Quota Share effective January 1, 2019. Please see *"Note 13. Subsequent Events"* for further information regarding these amendments.

As a result of these actions and pending finalization and regulatory approval of the New LPT/ADC MTA entered into by Maiden Bermuda and Enstar on March 1, 2019 (please see "*Note 13. Subsequent Events"* for further details), Maiden Bermuda estimates that it will have sufficient capital in excess of the ECR requirements and that this position should improve throughout 2019.

At December 31, 2018, the statutory capital and surplus of the Company was $869,886 (2017 – $1,205,991).

Under the Insurance Act, the Company is prohibited from declaring or paying dividends of more than 25% of its total statutory capital and surplus, as shown in its previous financial year statutory balance sheet, unless at least seven days before payment of the dividends it files with the BMA an affidavit that it will continue to meet its minimum capital requirements as described above. The Company must obtain the BMA’s prior approval before reducing its total statutory capital, as shown in its previous financial year statutory balance sheet, by 15% or more. The Company is restricted in paying dividends that would result in the Company failing to comply with the ECR as calculated based on the BSCR or cause the Company to fail to meet its relevant margins.

At December 31, 2018, the maximum dividend Maiden Bermuda could pay, without a signed affidavit, having met minimum levels of statutory capital and surplus requirements was $0 (2017 - $301,498). During the year ended December 31, 2018, dividends from Maiden Bermuda to its shareholders were $0 (2017 - $105,000 to the Parent Company). Maiden Bermuda has also voluntarily undertaken with the BMA not to make any capital distributions of any kind, which would include but is not limited to payment of dividends, without the express consent of the BMA.

13. Subsequent Events

The Company has performed subsequent event procedures through April 30, 2019, which is the date the financial statements were available for issuance. Other than noted below, there were no subsequent events requiring adjustments or disclosure to the financial statements.

AmTrust Agreements

Effective January 1, 2019, Maiden Bermuda and AmTrust entered into the Partial Termination Amendment. The Partial Termination Amendment provided for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business, comprising workers' compensation, general liability, umbrella liability, professional liability (including cyber liability) insurance coverages, and U.S. Specialty Risk and Extended Warranty ("Terminated Business") as of December 31, 2018. Under the Partial Termination Amendment, the ceding commission payable by Maiden Bermuda for its remaining in-force business immediately prior to January 1, 2019 shall increase by 5.0 percentage points with respect to in-force remaining business (excluding Terminated Business) and related unearned premium as of January 1, 2019. The amendment resulted in Maiden Bermuda returning approximately $716,100 in unearned premium to AII, or $480,000 net of applicable ceding commission and brokerage. In January 2019, pursuant to the terms of the Partial Termination Amendment, the Company transferred cash and investments of $480,000 to AmTrust. On or before May 30, 2019, Maiden Bermuda shall report to AII the actual unearned premium applicable to the Terminated Business as of December 31, 2018. In the event that actual unearned premium exceeds the estimated unearned premium, Maiden Bermuda shall return assets to AII in an amount equal to the difference by transfer of certain assets held in trust. In the event that the estimated unearned premium exceeds the actual unearned premium,AII shall return the difference to Maiden Bermuda by designating assets in an amount equal to the difference as collateral.

On January 11, 2019, the Company converted a portion of the existing trust accounts used for collateral on the AmTrust Quota Share to a Funds Withheld arrangement, which is permitted collateral under the AmTrust Quota Share. Maiden Bermuda transferred cash and investments of $575,000 to AmTrust as Funds Withheld which bears an annual interest rate of 3.5% subject to annual adjustment.

On January 30, 2019, Maiden Bermuda and AmTrust, through its wholly owned subsidiaries AII, AEL and AIU DAC, agreed to terminate on a run-off basis the (i) AmTrust Quota Share; and (ii) European Hospital Liability Quota Share 20% and AIU DAC cedes 40% to Maiden Bermuda of AmTrust's European Hospital Liability business. Each termination was effective as of January 1, 2019.

On January 30, 2019, in connection with the termination of the reinsurance agreements described above, Maiden Bermuda and AmTrust entered into (i) a second amendment to the Master Agreement between the parties, originally entered into on July 3, 2007, to remove the provisions requiring AmTrust to reinsure business with the Company; and (ii) an amendment to the Loan Agreement between Maiden Bermuda, AmTrust and AII, originally entered into on November 16, 2007. The Amendment to the Loan Agreement provides for the extension of the maturity date to January 1, 2025 and acknowledges that due to the termination of the AmTrust Quota Share that no further loans or advances may be made pursuant to the Loan Agreement.

Effective July 1, 2007, the Company entered into a reinsurance brokerage agreement with AII Reinsurance Broker Ltd. ("AIIB"), a wholly owned subsidiary of AmTrust. Pursuant to the brokerage agreement, AIIB provides brokerage services relating to the Reinsurance Agreement and the European Hospital Liability Quota Share agreement for a fee equal to 1.25% of the premium assumed. The brokerage fee is payable in consideration of AIIB's brokerage services. AIIB is not the Company's exclusive broker. The agreement may be terminated upon 30 days written notice by either party. The brokerage agreement was terminated as of March 15, 2019.

Reinsurance Agreements with Enstar

On March 1, 2019, Maiden Bermuda and Enstar terminated the Master Transaction Agreement between the parties dated as of November 9, 2018 (the "Old LPT MTA") and simultaneously signed the New LPT/ADC MTA 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 Maiden Bermuda and AmTrust in excess of a $2,441,359 retention up to $675,000. The $2,441,359 retention will be subject to adjustment for paid losses subsequent to December 31, 2018. The New LPT/ADC MTA and associated reinsurance agreement will provide Maiden Bermuda with $175,000 in adverse development cover over its carried AmTrust reserves at December 31, 2018. Management has assessed that the associated reinsurance agreement to the New LPT/ADC MTA meets the criteria for risk transfer and will be accounted for as retroactive reinsurance. Cumulative ceded losses exceeding $500,000 would result in a deferred gain which would be recognized over the settlement period in proportion to cumulative losses collected over the estimated ultimate reinsurance recoverable. Consequently, cumulative adverse development subsequent to December 31, 2018, in excess of $500,000, may result in significant losses from operations until those periods when the deferred gain is recognized as a benefit to earnings. The transaction is subject to regulatory approvals and other closing conditions.