

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

Maiden Holdings, Ltd.

Form 10-K

March 15, 2019

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us-gaap:ShortdurationInsuranceContractsAccidentYear2012Member mhld:AmTrustReinsuranceSegmentMember  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2018

OR

Commission File Number: 001-34042

**MAIDEN HOLDINGS, LTD.**

(Exact Name of Registrant As Specified in Its Charter)

**Bermuda**

**98-0570192**

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

**94 Pitts Bay Road**

**Pembroke HM 08, Bermuda**

(Address of Principal Executive Offices and Zip Code)

**(441) 298-4900**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, par value \$0.01 per share	NASDAQ Global Select Market
Series A Preference Shares, par value \$0.01 per share	New York Stock Exchange, Inc.
Series C Preference Shares, par value \$0.01 per share	New York Stock Exchange, Inc.
Series D Preference Shares, par value \$0.01 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  x

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

Large Accelerated Filer  x Accelerated Filer  o

Non-Accelerated Filer  o (Do not check if a smaller reporting company)

Smaller Reporting Company  o

Emerging growth company  o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  o

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

The aggregate market value of voting and non-voting common shares held by non-affiliates of the registrant as of June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$532.9 million based on the closing sale price of the registrant's common shares on the NASDAQ Global Select Market on that date. As of March 8, 2019, 82,957,895 common shares were outstanding.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A with respect to the registrant's 2019 annual general meeting of the shareholders to be filed within 120 days after the end of the period covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## PART I

### Special Note About Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results and the assumptions upon which those statements are based are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include general statements both with respect to us and the insurance industry and generally are identified with the words "anticipate", "believe", "expect", "predict", "estimate", "intend", "plan", "project", "seek", "potential", "possible", "could", "might", "may", "should", "will", "would", "will be", "will continue", "will likely result" and similar expressions. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Annual Report on Form 10-K should not be considered as a representation by us or any other person that our objectives or plans or other matters described in any forward-looking statement will be achieved. These statements are based on current plans, estimates, assumptions and expectations. Actual results may differ materially from those projected in such forward-looking statements and therefore, you should not place undue reliance on them. Important factors that could cause actual results to differ materially from those in such forward-looking statements are set forth in Item 1A "Risk Factors" in this Annual Report on Form 10-K.

We caution that the list of important risk factors is not intended to be and is not exhaustive. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law, and all subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. If one or more risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we projected. Any forward-looking statements in this Annual Report on Form 10-K reflect our current view with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth, strategy and liquidity. Readers are cautioned not to place undue reliance on the forward-looking statements which speak only as of the dates of the documents in which such statements were made.

*References in this Annual Report on Form 10-K to the terms "we", "us", "our", "the Company" or other similar terms mean the consolidated operations of Maiden Holdings, Ltd. and our consolidated subsidiaries, unless the context requires otherwise. References in this Annual Report on Form 10-K to the term "Maiden Holdings" means Maiden Holdings, Ltd. only. References in this Annual Report on Form 10-K to \$ are to the lawful currency of the United States, unless otherwise indicated. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.*

## Item 1. Business.

### General Overview

We are a Bermuda-based holding company. Historically, we have focused on serving the needs of regional and specialty insurers in the United States ("U.S."), Europe and select other global markets. We operate internationally providing branded auto and credit life insurance products through insurer partners to retail clients in the European Union ("EU") and other global markets. These products also produce reinsurance programs which are underwritten by our wholly owned, principal operating subsidiary, Maiden Reinsurance Ltd. ("Maiden Bermuda"). We are also presently running off the liabilities associated with our largest client, AmTrust Financial Services, Inc. ("AmTrust"), whose contracts we terminated in early 2019.

Our business has undergone significant changes since our Company's Board of Directors (the "Board") 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. This Strategic Review has resulted in a series of transactions that have transformed our operations and materially reduced the risk on our balance sheet. These transactions include:

On August 29, 2018, we entered into a Renewal Rights Agreement ("Renewal Rights") with Transatlantic Reinsurance Company ("TransRe"), pursuant to which we agreed to sell, and TransRe agreed to purchase, Maiden Reinsurance North America, Inc.'s ("Maiden US") rights to: (i) renew its treaty reinsurance agreements upon their expiration or cancellation, (ii) solicit renewals of and replacement coverages for the treaty reinsurance agreements and (iii) replicate and use the products and contract forms used in Maiden US's business. The sale was consummated on August 29, 2018. Maiden US continued to earn premiums and remain liable for losses occurring subsequent to August 29, 2018 for any policies in force prior to and as of August 29, 2018, through the date of sale of Maiden US in the transaction described below. We received a fee of \$7.5 million paid in cash for the sale of the Renewal Rights, subject to further increases in accordance with the terms of the agreement.

On December 27, 2018, Maiden Holdings North America, Ltd. ("Maiden NA"), a wholly owned subsidiary of the Company, completed the previously announced sale of Maiden NA's wholly owned subsidiary, Maiden US, to Enstar Holdings (US) LLC ("Enstar Holdings"), pursuant to the terms of the Master Transaction Agreement, dated as of August 31, 2018 (the "US MTA"), by and among Maiden NA and Enstar Holdings and Enstar Group Limited ("Enstar"). Pursuant to and subject to the terms and conditions of the US MTA, Maiden NA sold, and Enstar Holdings purchased, all of the outstanding shares of common stock of Maiden US for gross consideration of \$286.4 million, including estimated closing adjustments but subject to final post-closing adjustments. As previously disclosed, pursuant to the terms of the US MTA, (i) Cavello Bay Reinsurance Limited, Enstar Holdings's Bermuda reinsurance affiliate ("Cavello"), Maiden NA and Maiden Bermuda, entered into a novation agreement, pursuant to which certain assets and liabilities associated with the Company's U.S. treaty reinsurance business held by Maiden Bermuda were novated to Cavello in exchange for a ceding commission payment of \$12.3 million, (ii) Cavello and Maiden Bermuda 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 ceding commission payment of \$1.8 million, and (iii) Maiden Bermuda provided Enstar with a reinsurance cover for loss reserve development of \$100.0 million in excess of the net loss and LAE recorded as of June 30, 2018, up to a maximum loss of \$25.0 million.

As a result of the decision to divest all of our U.S. treaty reinsurance operations, these operations are now classified as discontinued operations, and 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, net loss attributable to Maiden and net loss attributable to Maiden common shareholders.

While the transactions executed in conjunction with the US MTA have significantly reduced revenues in our Diversified Reinsurance segment, we expect to continue to pursue our international reinsurance solutions written through Maiden Bermuda.

As part of the Strategic Review during the fourth quarter of 2018, Maiden Holdings contributed as capital 35% of its ownership in Maiden Bermuda to Maiden NA. Additionally, the proceeds of the sale of Maiden US were partially

used by Maiden NA, among other things, to settle inter-company balances due to its Bermuda affiliates and as described below. In December 2018 and January 2019, Maiden NA contributed its proportionate share of capital contributions in the amount of \$68.3 million in cash to Maiden Bermuda. Maiden NA also now maintains a portfolio of short-term investments, along with other strategic investments of \$148.6 million at December 31, 2018. We believe Maiden NA's investments will create opportunities to utilize net operating loss carry-forwards ("NOL") which total \$208.9 million as of December 31, 2018. These NOL's are not presently recognized as deferred tax assets as a full valuation allowance is currently carried against them (for further details please see "Note 17. Taxation" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K). Taken together, the Company believes these measures should generate additional income for Maiden NA in a tax-efficient manner while sharing in the improvement in profitability we anticipate in Maiden Bermuda as a result of the measures enacted in the Strategic Review.

As part of the Strategic Review, which included assessing our capital position, solvency ratios and liquidity, we also evaluated the business within our other principal reporting segment, the AmTrust Reinsurance segment. As a result of this continuing analysis, a series of transactions were entered into at the end of 2018 and the beginning of 2019 which will eliminate new premiums written in this segment and have placed the AmTrust Reinsurance segment into run-off. These transactions include the following:

On December 31, 2018, Maiden Bermuda entered into, effective January 1, 2019, a Partial Termination Amendment (the "Partial Termination Amendment") with AmTrust, through its wholly owned subsidiary AmTrust International Insurance, Ltd. ("AII"), by which the parties agreed to amend the Amended and Restated Quota Share Agreement between Maiden Bermuda and AII, originally entered into on July 1, 2007 (the "AmTrust Quota Share") and subsequently amended, that is currently in-force and was set to expire on June 30, 2019. The Partial Termination Amendment provides for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business (specifically workers' compensation, general liability, umbrella liability, professional liability and cyber liability insurance coverages) and U.S. Specialty Risk and Extended Warranty as of December 31, 2018, with

the remainder of the AmTrust Quota Share remaining in place. The Partial Termination Amendment resulted in Maiden Bermuda returning approximately \$716.1 million in unearned premium to AmTrust, which nets to approximately \$480.0 million after consideration of ceding commission and brokerage, subject to adjustment. In addition, Maiden Bermuda will pay AmTrust five additional percentage points of ceding commission on the remaining unearned premium over the term of the remaining contract.

Subsequently, on January 30, 2019, Maiden Bermuda and AmTrust, through its wholly owned subsidiaries AII, AmTrust Europe Limited ("AEL") and AmTrust International Underwriters Limited DAC ("AIU DAC"), agreed to terminate on a run-off basis (i) the AmTrust Quota Share; and (ii) the Quota Share Reinsurance Contract among Maiden Bermuda, AEL and AIU DAC, originally entered into on April 1, 2011, by which AEL cedes 20% and AIU DAC cedes 40% to Maiden Bermuda of AmTrust's European Hospital Liability business ("European Hospital Liability Quota Share"). Each termination was effective as of January 1, 2019.

On March 1, 2019, we terminated the Master Transaction Agreement with Enstar dated as of November 9, 2018 (the "Old LPT MTA") and simultaneously signed a new agreement (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 \$2.44 billion retention up to \$675.0 million. The \$2.44 billion retention will be subject to adjustment for paid losses since December 31, 2018. The New LPT/ADC MTA and associated pending reinsurance agreement, which is subject to regulatory approval, will provide Maiden Bermuda with \$175.0 million 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 \$500.0 million 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 \$500.0 million, may result in significant losses from operations until those periods when the deferred gain is recognized as a benefit to earnings. Our entry into a New LPT/ADC MTA with Enstar, which is smaller than the previously announced Old LPT MTA, reflects the cumulative positive impact of measures already implemented since the third quarter of 2018. Under the Old LPT MTA, Maiden and Enstar were to enter into a retrocession agreement to effect a loss portfolio transfer in which an Enstar entity would assume loss reserves of approximately \$2.675 billion associated with quota share reinsurance contracts that Maiden Bermuda has with AmTrust. That proposed retrocession was to apply to losses arising and/or claims made on or prior to June 30, 2018.

Maiden Bermuda failed to meet the requirements to hold sufficient capital to cover its economic capital requirement ("ECR") as of September 30, 2018 and December 31, 2018. Please refer to Item 1. "*Business - Regulatory Matters*" for further background on capital requirements. We took actions to remediate the breach including capital injections by Maiden Bermuda's shareholders (Maiden Holdings and Maiden NA) of \$125.0 million on December 31, 2018 and \$70.0 million in January 2019. As a result of the actions taken in the Strategic Review during 2018 and 2019, and pending finalization of the New LPT/ADC MTA and associated reinsurance agreement, we estimate that the Company and Maiden Bermuda will have sufficient capital in excess of the respective ECR requirements and that this position should improve throughout 2019.

The New LPT/ADC MTA, in combination with these previous measures, are expected to continue to further strengthen our capital position and solvency ratios throughout 2019. In addition, the New LPT/ADC MTA provides us with more investable assets and reserve protection compared to the Old LPT MTA which will further support our improving solvency ratios. The Company remains actively engaged in ongoing discussions with the Bermuda Monetary Authority ("BMA") regarding the formulation of its longer term business plan, which will require the approval of the BMA for any new reinsurance business.

We continue to provide reinsurance in Europe through Maiden Bermuda in our Diversified Reinsurance segment on a renewal basis only at the present time. Internationally, we continue to provide insurance sales and distribution services through our wholly owned subsidiary, Maiden Global Holdings, Ltd. ("Maiden Global") and its subsidiaries. Maiden Global primarily focuses on providing branded auto and credit life insurance products through insurer partners to retail clients in the EU and other global markets. These products also produce reinsurance programs which are

underwritten by Maiden Bermuda. Certain international credit life business is written on a primary basis by Maiden Life Försäkrings AB ("Maiden LF") and general insurance business is written on a primary basis by Maiden General Försäkrings AB ("Maiden GF").

On January 10, 2019, we completed the sale of AVS Automotive VersicherungsService GmbH ("AVS") and related European subsidiaries to Allianz Partners ("Allianz") as part of its Strategic Review. AVS, organized under the laws of Germany, operates as an insurance producer in Germany and was a wholly owned subsidiary of Maiden Global prior to its sale.

Prior to the transactions associated with the Strategic Review, we had entered into a series of significant transactions. For additional details of our strategic capital markets transactions prior to 2018, please refer to our Annual Reports on Form 10-K for the years ended December 31, 2017 and December 31, 2016.

We have also entered into a series of capital transactions that enabled us to support our prior reinsurance operations while enhancing our capital position and lowering our cost of capital. The most recent capital transactions include a public offering of \$150.0 million Preference Shares – Series D ("Preference Shares – Series D") on June 15, 2017 and the subsequent redemption of the \$100.0 million aggregate principal amount of 8.0% notes maturing in 2042 (the "2012 Senior Notes").

Further details of these and other capital transactions are discussed in the Capital Resources section of Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" as well as the related discussion in our Notes to the Consolidated Financial Statements specifically "*Note 11. Long Term Debt*" and "*Note 14. Shareholders' Equity*" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K.



## **Business Strategy**

To date we have not yet attained our targeted returns and fell significantly short of these goals in 2016 and 2017. As a result of this shortfall, our Board initiated the Strategic Review. We believe that the transactions and initiatives taken as a result of the Strategic Review have substantially improved our capital position and will return us to operating profitability. We have materially reduced our premium written and expect to continue to re-evaluate our operating strategy during 2019 while leveraging the significant assets we retain, particularly compared to the improved reserving position we believe we have achieved.

Historically, we had judged our efficient balance sheet and low volatility business as the primary reasons our returns had generally exceeded industry averages, despite a declining investment yield environment since our founding. Our ability to achieve our targeted returns was initially impacted by a significantly higher cost of capital which we improved in recent years.

Our goal had been to leverage the competitive strengths of our organization and capital structure to generate stable long term operating returns on common equity in excess of 15%. We sought to accomplish this by becoming a premier global preferred provider of customized reinsurance and capital products and services to regional and specialty insurance companies.

Despite what we believed was an appropriate strategic focus, our recent operating losses led our Board to implement the Strategic Review and we are retaining aspects of the business we believe are not rating sensitive, are profitable and can grow while re-evaluating our strategy.

Our future results, and our ability to generate our targeted return on capital, may be additionally impacted by risks and trends set forth in Item 1A, "Risk Factors", and elsewhere in this Annual Report on Form 10-K.

## **Our Principal Operating Subsidiaries**

Maiden Bermuda, a wholly owned subsidiary of the Company, is a registered Class 3B Bermuda reinsurance company that began operations in June 2007. Senior management and all of the staff of Maiden Bermuda operate from and are based in our Bermuda headquarters.

Maiden NA is our wholly owned U.S. holding company and is domiciled in the state of Delaware. Maiden US, a licensed property and casualty insurance company domiciled in the state of Missouri, was a wholly owned subsidiary of Maiden NA. Maiden US was sold on December 27, 2018 as noted in the "General Overview" section above.

Maiden Global, a wholly owned subsidiary of Maiden Holdings, operates as a reinsurance services and holding company. Maiden Global is organized under the laws of England and Wales. Maiden LF and Maiden GF, both wholly owned subsidiaries of Maiden Holdings, are insurance companies organized under the laws of Sweden and write credit life insurance and general insurance, respectively, on a primary basis in support of Maiden Global's business development efforts. AVS, organized under the laws of Germany, operated as an insurance producer in Germany and was a wholly owned subsidiary of Maiden Global until its sale to Allianz Partners in January 2019.

## **Our Reportable Segments**

Our business for most of 2018 consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. As a result of the strategic decision to divest all of our U.S. treaty reinsurance operations as discussed above, we have revised the composition of these reportable segments. Our Diversified Reinsurance segment now only consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe. Our AmTrust Reinsurance segment includes all business ceded by AmTrust to Maiden Bermuda, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share. Both contracts in the AmTrust Reinsurance segment have been terminated effective January 1, 2019. In addition to our reportable segments, the results of operations of the former NGHC Quota Share segment (which consisted of a quota share reinsurance agreement with a subsidiary of National General Holdings Corp.) have been included in the "Other" category. Previously, the underwriting results associated with the discontinued operations of our U.S. treaty reinsurance business were included within the Diversified Reinsurance segment and the operating results associated with the remnants of the U.S. excess and surplus business were included within the "Other" category. These are now excluded and all prior periods presented have been reclassified to conform to this new presentation.

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Financial data relating to our two segments is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Notes to Consolidated Financial Statements - Note 3. Segment Information" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

The tables below compare net premiums written and earned, by reportable segment, reconciled to the total consolidated net premiums written and earned for the years ended December 31, 2018, 2017 and 2016:

For the Year Ended December 31,	2018		2017		2016	
	Net Premiums Written	% of Total	Net Premiums Written	% of Total	Net Premiums Written	% of Total
(\$ in thousands)						
Diversified Reinsurance	\$ 129,319	6.4 %	\$ 82,521	4.1 %	\$ 79,243	4.0 %
AmTrust Reinsurance	1,885,278	93.6 %	1,954,856	95.9 %	1,888,428	96.0 %
Total	\$ 2,014,597	100.0 %	\$ 2,037,377	100.0 %	\$ 1,967,671	100.0 %

For the Year Ended December 31,	2018		2017		2016	
	Net Premiums Earned	% of Total	Net Premiums Earned	% of Total	Net Premiums Earned	% of Total
Diversified Reinsurance	\$112,487	5.5 %	\$83,015	4.2 %	\$81,967	4.3 %
AmTrust Reinsurance	1,913,715	94.5 %	1,909,644	95.8 %	1,843,621	95.7 %
Total	\$2,026,202	100.0 %	\$1,992,659	100.0 %	\$1,925,588	100.0 %

Financial data relating to the geographical areas in which we operate and relating to our principal products may be found in "Notes to Consolidated Financial Statements - Note 3. Segment Information" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

In a quota share reinsurance arrangement (also known as pro-rata reinsurance, proportional reinsurance or participating reinsurance), the reinsurer shares a proportional part of the original premiums of the reinsured. In return, the reinsurer assumes a proportional share of the losses incurred by the cedant. The reinsurer pays the company a ceding commission, which is generally based on the ceding company's cost of acquiring the business being reinsured (including broker commissions, premium taxes, assessments and miscellaneous administrative expenses) and may also include a profit sharing arrangement. Under quota share arrangements, ceding commission can be adjustable and subject to minimum and maximum levels based upon loss experience which potentially reduces earnings volatility for the reinsurer under such arrangements.

Excess of loss (or non-proportional) reinsurance indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a level, retention or attachment point. Excess of loss business is written in layers and a reinsurer or group of reinsurers accepts a band of coverage up to a specified amount. Facultative reinsurance (proportional or non-proportional) is the reinsurance of individual risks. The reinsurer separately rates and underwrites each risk rather than assuming all or a portion of a class of risks as in the case of treaty reinsurance.

Nearly all of our gross premiums written is generated by quota share reinsurance contracts. For the years ended December 31, 2018, 2017 and 2016, 99.8%, 99.5% and 99.9%, respectively, of our consolidated gross premiums written were derived from quota share reinsurance contracts.

### Diversified Reinsurance Segment

#### General

Maiden Bermuda writes treaties on both a quota share basis and excess of loss basis outside the U.S. The net premiums written by our Diversified Reinsurance segment's operating subsidiaries, after intercompany reinsurance, for the years ended December 31, 2018, 2017 and 2016 were as follows:

For the Year Ended December 31,	2018		2017		2016	
	Net Premiums Written	% of Total	Net Premiums Written	% of Total	Net Premiums Written	% of Total
Maiden Bermuda	\$120,584	93.2 %	\$78,843	95.5 %	\$74,298	93.8 %
Maiden LF	5,069	4.0 %	3,615	4.4 %	4,945	6.2 %
Maiden GF	3,666	2.8 %	63	0.1 %	—	— %
Total	\$129,319	100.0 %	\$82,521	100.0 %	\$79,243	100.0 %

We entered into a retrocessional quota share agreement with a highly rated global insurer effective January 1, 2015 which impacted net premiums written in 2017 and 2016, and was commuted by Maiden Bermuda effective July 1, 2018.

A combination of general market and competitive conditions, along with their underlying financial performance and capital levels including those considered by rating agencies and regulators, often influence reinsurance purchasing decisions of individual ceding companies. Please refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion on the performance of our Diversified Reinsurance segment for the years ended December 31, 2018, 2017 and 2016.

Maiden Bermuda has focused on developing a portfolio of assumed reinsurance in Europe and globally since the advent of Solvency II. Maiden Bermuda has also enhanced its ability to develop this business by offering additional

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products that support insurers' regulatory capital. Maiden Bermuda began writing treaty reinsurance contracts under this initiative (referred to as "European Capital Solutions") in 2016 and through 2018 on a pan-European basis as insurers deployed more active capital management strategies in response to these rules. The net premiums written in European Capital Solutions for the years ended December 31, 2018, 2017 and 2016 were as follows:

<b>For the Year Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>Net</b>	<b>Net</b>	<b>Net</b>
	<b>Premiums</b>	<b>Premiums</b>	<b>Premiums</b>
	<b>Written</b>	<b>Written</b>	<b>Written</b>
(\$ in thousands)			
Net premiums written	\$42,753	\$13,595	\$9,067

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As a result of our A.M. Best rating being downgraded to B++ (Good) with negative outlook and implications in November 2018, the European Capital Solutions business was adversely affected and a significant amount of this business was either non-renewed at January 1, 2019 or was terminated pursuant to contractual provision in the underlying reinsurance contracts. Presently, a limited number of in-force contracts remain, including terminated contracts which operate on a risks attaching basis and have not yet reached full termination.

Additionally, Maiden Global's business development teams partner with automobile manufacturers, dealer associations and local primary insurers to design and implement point of sale insurance programs which generate revenue for the auto manufacturer and insurance premiums for the primary insurer ("IIS business"). Typically, the primary insurer agrees to reinsure an agreed upon percentage of the underlying business to Maiden Bermuda as part of the overall arrangement. Maiden Bermuda is generally not obligated to underwrite the original equipment automobile manufacturers' (the "OEM's") programs that Maiden Global designs.

Net premiums written for the IIS business were written in the following countries:

For the Year Ended December 31,	2018		2017		2016	
	Net Premiums Written	% of Total	Net Premiums Written	% of Total	Net Premiums Written	% of Total
(\$ in thousands)						
Germany	\$53,154	61.4 %	\$40,070	58.1 %	\$34,127	49.0 %
Australia	13,945	16.1 %	14,277	20.7 %	12,989	18.7 %
Canada	7,013	8.1 %	6,328	9.2 %	5,555	8.0 %
United Kingdom	5,720	6.6 %	7,443	10.8 %	13,873	19.9 %
Denmark	3,688	4.3 %	(5 )	— %	256	0.4 %
All other	3,032	3.5 %	826	1.2 %	2,806	4.0 %
<b>Total</b>	<b>\$86,552</b>	<b>100.0 %</b>	<b>\$68,939</b>	<b>100.0 %</b>	<b>\$69,606</b>	<b>100.0 %</b>

The breakdown of IIS business by line of business was as follows:

For the Year Ended December 31,	2018		2017		2016	
	Net Premiums Written	% of Total	Net Premiums Written	% of Total	Net Premiums Written	% of Total
(\$ in thousands)						
Personal Auto	\$70,060	80.9 %	\$58,918	85.5 %	\$57,809	83.1 %
Credit Life	16,492	19.1 %	10,021	14.5 %	11,797	16.9 %
<b>Total</b>	<b>\$86,552</b>	<b>100.0 %</b>	<b>\$68,939</b>	<b>100.0 %</b>	<b>\$69,606</b>	<b>100.0 %</b>

We also generate fee income when Maiden Global participates in transactions and collects a fee for designing and facilitating the sale of insurance programs; approximately 67.0% of our fee income is generated by AVS and its subsidiaries in Germany and Austria through its point of sale producers in select OEM's dealerships. On January 10, 2019, we completed the sale of AVS to Allianz. In addition to a fee for the sale of AVS, we entered into a three-year quota share reinsurance agreement with Allianz for certain German automobile policies that we have historically reinsured. For the years ended December 31, 2018, 2017 and 2016, the fee income was earned in the following locations:

For the Year Ended December 31,	2018		2017		2016	
	Fee Income	% of Total	Fee Income	% of Total	Fee Income	% of Total
(\$ in thousands)						
Germany	\$5,772	59.6 %	\$6,852	69.9 %	\$7,126	65.9 %
Australia	1,433	14.8 %	449	4.6 %	809	7.5 %
United Kingdom	1,320	13.6 %	1,437	14.7 %	1,397	12.9 %
Austria	716	7.4 %	681	6.9 %	666	6.1 %
Other	440	4.6 %	383	3.9 %	819	7.6 %
<b>Total</b>	<b>\$9,681</b>	<b>100.0 %</b>	<b>\$9,802</b>	<b>100.0 %</b>	<b>\$10,817</b>	<b>100.0 %</b>

### Strategy

In 2018, our Diversified Reinsurance segment reinsured property and casualty lines of business, but de-emphasized lines of business which we considered more volatile, and we historically have not offered traditional catastrophe reinsurance on a stand-alone basis. As discussed herein, we have substantially transformed our business as a result of

the Strategic Review and continue to re-assess our forward operating strategy as we complete the Strategic Review. We offer reinsurance on both a quota share and excess of loss basis. Our primary focus is regional and specialty clients who rely on reinsurance for capital support and/or to reduce their risk. The majority of our clients were regional or super-regional insurance companies or specialty insurers.

## **AmTrust Reinsurance Segment**

### ***General***

AmTrust is our largest client and is a multinational specialty property and casualty insurance holding company with operations in the U.S., Europe and Bermuda. In January 2019, we terminated both of the reinsurance contracts that comprise this segment and apart from certain unearned premiums in the AmTrust Quota Share and the European Hospital Liability Quota Share that will be earned subsequent to 2018, we will have no new premium written within this segment in 2019. Michael Karfunkel, George Karfunkel and Barry Zyskind (the Company's non-executive chairman) were our Founding Shareholders. Michael Karfunkel passed away on April 27, 2016, and his shares are now controlled by his wife, Leah Karfunkel. 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, which is the ultimate parent of of AmTrust.

Through our reinsurance agreements with AmTrust, in 2018 we reinsured specific lines of business within the following AmTrust business segments:

• Small commercial business insurance, which includes U.S. workers' compensation, commercial package and other low-hazard property and casualty insurance products;

• Specialty risk and extended warranty coverage for consumer and commercial goods and custom designed coverages, such as accidental damage plans and payment protection plans offered in connection with the sale of consumer and commercial goods, in the U.S., U.K. and certain other global markets and European hospital liability; and

• Specialty program which includes package products, general liability, commercial auto liability, excess and surplus lines programs and other specialty commercial property and casualty insurance to a narrowly defined, homogeneous group of small and middle market companies.

### ***AmTrust Quota Share***

Under the AmTrust Quota Share with AII, effective July 1, 2007 and through 2018, we reinsured 40% of AmTrust's premium written, net of reinsurance with unaffiliated reinsurers, relating to all lines of business that existed on the effective date. We also had the option to reinsure additional programs, in addition to the original lines of business entered into by AmTrust since the effective date of the AmTrust Quota Share. As AmTrust expanded into new lines of business, pursuant to the terms of the AmTrust Quota Share, we had selectively added some of those lines and opted not to participate in others. Consequently our share of AmTrust's overall gross premiums written declined below 40% over time.

On December 31, 2018, Maiden Bermuda entered into the Partial Termination Amendment with AII by which the parties agreed to amend the AmTrust Quota Share between Maiden Bermuda and AII, originally entered into on July 1, 2007 and subsequently amended, that was set to expire on June 30, 2019. The Partial Termination Amendment provides for the cut-off of the substantial majority of the ongoing and unearned premium of AmTrust's Small Commercial Business (specifically, workers' compensation, general liability, umbrella liability, professional liability (including cyber liability)) insurance coverages and U.S. Extended Warranty and Specialty Risk as of December 31, 2018. The Partial Termination Amendment resulted in Maiden Bermuda returning approximately \$716.1 million in unearned premium to AmTrust, which nets to approximately \$480.0 million after consideration of ceding commission and brokerage, subject to adjustment. The Partial Termination Amendment was effective January 1, 2019.

On January 30, 2019, Maiden Bermuda and AII agreed to terminate on a run-off basis the AmTrust Quota Share. The termination was effective as of January 1, 2019 and discussed in "Notes to Consolidated Financial Statements - Note 18. Subsequent Events" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K in further detail.

### ***European Hospital Liability Quota Share***

On April 1, 2011, Maiden Bermuda entered into the European Hospital Liability Quota Share with AEL and AIU DAC to cover those entities' medical liability business in Europe, in particular, Italy and France. Maiden Bermuda pays a ceding commission of 5.0%. Effective January 1, 2012, the Company's maximum limit of liability is 40% of €10 million, previously 40% of €5 million, per original claim for any one original policy. Effective July 1, 2016, the contract was further amended such that Maiden Bermuda 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. The European Hospital Liability Quota Share had a term of one year and automatically renews for further one year terms thereafter, unless either party notifies the other of its election in writing not to renew not less than four months prior to the end of any such term.

On January 30, 2019, the European Hospital Liability Quota Share was terminated on a run-off basis. The termination was effective as of January 1, 2019 and is discussed in *"Notes to Consolidated Financial Statements - Note 18. Subsequent Events"* included under *Item 8 "Financial Statements and Supplementary Data"* of this Annual Report on Form 10-K in further detail.

For more information, please refer to *"Notes to Consolidated Financial Statements - Note 10. Related Party Transactions"* included under *Item 8 "Financial Statements and Supplementary Data"* of this Annual Report on Form 10-K.

## **Risk Management**

### ***General***

Our Enterprise Risk Management ("ERM") framework reflects the 'three lines of defense' approach to risk management, which involves (1) risk owners having responsibility for identifying and managing risks; (2) the ERM Committee providing global tools and policies; and (3) internal audit performing independent reviews. Our Board has overall responsibility for oversight of the ERM program and has delegated this oversight to its Audit Committee.



Our ERM Committee monitors and oversees the risk environment and provides direction to mitigate, to an acceptable level, the most significant and material risks that may adversely affect our ability to achieve our goals. The ERM Committee establishes appropriate risk parameters and tolerances, performs risk assessments, continually reviews factors that may impact our organizational risk and develops and implements strategies and action plans to mitigate key risks.

Our ERM program is designed to achieve the following:

• Establish a process to assess strategies and business decisions on a risk/reward basis;

• Establish a risk governance structure with clearly defined roles and responsibilities;

• Identify and assess all material risks from internal and external sources;

• Manage risks within our risk appetite; and

• Effective review and reporting of major loss events.

All our employees and risk owners are required to assist with the identification of risks, creation of appropriate responses to risks, and maintain them within the risk appetite and tolerances that the ERM Committee believes are necessary to achieve our business strategies and objectives. The mitigation of risks is achieved through the application and operation of controls, transferring of risk or tolerating risks within risk appetite.

Our internal audit department assesses the adequacy and effectiveness of our risk management framework and mitigating controls and coordinates risk-based audits to evaluate and address risk within targeted areas of our business. The core functions of this department are to (1) assess the adequacy and effectiveness of our internal control systems; (2) coordinate risk-based audits and compliance reviews; and (3) carry out other initiatives to evaluate and address risk within targeted areas of our business. Internal audit integrates testing of the risk management framework into its annual test plans.

Our Audit Committee, comprised solely of independent directors, meets at least quarterly to assess whether management is addressing risk issues in a timely and appropriate manner. The Audit Committee receives a quarterly report on capital and risk management. Our risk appetite and tolerances have been formally approved by the Audit Committee.

Our Audit Committee also reviews the Group Solvency Self-Assessment ("GSSA") which is required to be filed annually with the BMA and used to understand current and prospective risks and the associated capital requirements. The GSSA is an integral part of our risk management framework and reflects our risk tolerance and overall business strategy. The GSSA documents our internal self-assessment of capital. On a group basis and for our operating entities, we monitor our capital position relative to our regulatory requirements. Our major risks are insurance related - both premium risk and reserve risk, reflecting the possibility that our pricing may be too low or our reserving levels may not be sufficient. Other primary risk exposure areas are investment risk, credit risk and operational risk. Internal controls and ERM can provide a reasonable but not absolute assurance that our control objectives will be met. The possibility of material financial loss remains in spite of our ERM efforts.

### ***Insurance Risk***

The key risks for us due to the nature of our business relate to insurance activities. Insurance risk is comprised of underwriting risk, catastrophe risk and reserving risk.

#### ***1. Underwriting Risk***

Specific risks that could unfavorably affect our performance and erode capital include:

• Insufficient premiums to cover future incurred losses due to inaccurate pricing, inappropriate risk selection, or both;

• Pressure on prices due to place in insurance cycle, the inability to renew existing accounts or write new accounts at appropriate pricing;

• Acceptance of risks outside of Maiden's risk appetite, underwriting guidelines or deviation from prescribed pricing targets could deliver results with different performance or volatility than expected;

• Changes in loss cost trends which are observed after contract pricing;

• Changes in cedant claims handling or underwriting procedures which mask actual cedant performance; and

• Losses from terrorism and other catastrophe related events may exceed our expectations.

Internal underwriting controls are established by our underwriting executives. Underwriting authority is delegated to the managers in each business segment to underwrite in accordance with prudent practice and an understanding of

each underwriter's capabilities. In accordance with our underwriting guidelines, underwriting authorities could be delegated to underwriting teams as well as individual underwriters. Our targeted performance goals and guidelines are regularly reviewed by management to reflect changes in market conditions, interest rates, capital requirements and market-expected returns.

We have a disciplined approach to underwriting and risk management that relies heavily upon the collective underwriting expertise of our management and staff. Before developing a reinsurance proposal, we consider the appropriateness of the client, including the quality of its management, its financial stability and its risk management strategy. In addition, we require each program to include significant information on the nature of the perils to be included and detailed exposure and loss information, including rate changes and changes in underwriting and claims handling guidelines over time. Whenever possible, we conduct an on-site audit of the client's operations prior to quoting. If the customer and business meets our underwriting criteria, we then develop a proposal which contemplates the prospective client's needs, that account's risk/reward profile, as well as our corporate risk objectives. We have fully integrated our internal claims, underwriting and actuarial pricing staff into the underwriting and

decision making process. We underwrite and accept property and casualty reinsurance business, accident and health reinsurance business and credit life insurance business.

In addition to the above technical and analytical practices, our underwriters use a variety of means, including specific contract terms, to manage our exposure to loss. Specific terms include occurrence limits, adjustable ceding commissions and premiums, aggregate limits, reinstatement provisions and other loss sensitive features. Additionally, our underwriters use appropriate exclusions, terms and conditions to further eliminate or reduce particular risks or exposures that our underwriting teams deem to be outside of the intent of the coverage we are willing to offer.

In limited cases, the risks assumed by us are partially reinsured with other third party reinsurers. Reinsurance ceded varies by segment and line of business based on a number of factors, including market conditions. The benefits of ceding risks include reducing exposure on individual risks and/or enhancing our capital position. Reinsurance ceded does not relieve us of our obligations to our policyholders. We remain liable to the extent that any reinsurance company fails to meet its obligations. In the event that one or more of the reinsurers are unable to meet their obligations under these reinsurance agreements, we would not realize the full value of the reinsurance recoverable balances.

We use retrocessional agreements to mitigate volatility and to reduce our exposure on certain reinsurance risks and to provide capital support. We remain liable to our cedants to the extent that the retrocessionaires do not meet their obligations under retrocessional agreements, so we retain credit risk in all cases and to aggregate loss limits in certain cases. We maintain a credit risk review process that identifies authorized acceptable reinsurers and retrocessionaires and have no impaired balances. At December 31, 2018, we had approximately \$1.7 million (2017 - \$24.9 million) of reinsurance recoverable under such agreements.

## *2. Catastrophe Risk*

While we do not write catastrophe reinsurance contracts, certain risks we reinsure are exposed to catastrophic loss events. Maiden aims to limit the probable maximum loss ("PML") of capital and income from a single event and from multiple events in any one year. Our internal tolerance is that our modeled one-in-250 year return period catastrophe occurrence loss (single event) must be less than 50% of our planned operating income and our modeled annual aggregate loss (multiple events) must be less than 75% of our planned operating income.

## *3. Reserving Risk*

Reserving risk is the risk that loss and loss adjustment expense ("loss and LAE") reserves are not sufficient to cover all of our policy obligations. Drivers include reporting lags inherent in reinsurance relationships, compounded by third party administrator lags in reporting to insurers, adequacy of ceding company's claim estimates, future trends, unanticipated events, and normal volatility causing a range of uncertainty around where ultimate loss will land when all claims are closed and settled. Reserving risk includes potential time delays in being aware of significant developments or reserve deterioration from ceding companies. Any inaccurate assumptions used in the selection of the expected loss ratio, whether they be due to fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations, loss and exposure trends or underlying client pricing, could cause our initial reserve selections to be incorrect as the pricing expected loss ratio is used in our reserving process.

Establishing adequate reserves for loss and LAE constitutes a significant risk for us. We manage the risk inherent in estimating the Company's loss reserves in a variety of ways. Reserve reviews are performed on a quarterly basis by credentialed actuaries. As part of the reserving process, observations from the review are discussed with the production teams individually to allow for the discussion of account specific information that may be obtained by those managing the business. The reserves are reviewed by our reserving committee and approved by our booking committee. Loss provisions are reviewed and approved by senior management at the recommendation of the reserving committee. The Company conducts operational and claims audits of ceding companies on a regular basis.

Further details on how we manage the risk inherent in estimating our loss reserves are set out later in Item 1. "*Reserve for Loss and Loss Adjustment Expenses.*"

## ***Investment Risk Management***

Investment risk includes the risk of loss in our investment portfolio potentially caused by fluctuations in interest rates, credit spreads, foreign exchange rates and inflation on both assets and liabilities. At December 31, 2018, Maiden's investment portfolio of \$4.1 billion consisted almost entirely of fixed income securities.

Our investment policy is an important component of our overall business model and is designed to preserve capital, provide significant liquidity, and produce sufficient investment income to sustain and grow net income while supporting our clients' needs. In order to limit our credit risk exposure, the investment policy is to invest almost exclusively in high grade marketable fixed income securities, cash and cash equivalents and to achieve diversification through limits on holdings of individual securities. We monitor and manage exposure to asset types and economic sector. We manage interest rate risk by establishing and managing targets in the investment portfolio for duration, yield, and currency that support our reinsurance liabilities. Foreign exchange risks are managed by holding cash and investments in foreign currencies where we have reinsurance liabilities that will be paid in those currencies. We are exposed to nominal equity risk and have a very limited equity portfolio. We perform stress testing of the investment portfolio using stochastic scenarios to evaluate the investment portfolio risk and capital needs.

Investment risk includes liquidity risk, including the risk that the group does not have sufficient liquid funds to pay losses as they become due. The inherent nature of insurance claims is such that unanticipated significant claims activity under our reinsurance policies, outside our historical experience, could potentially impact our liquidity at any time. We mitigate this risk by maintaining a portfolio of highly liquid fixed income securities in our available-for-sale ("AFS") portfolio and by keeping the duration of our assets reasonably close to the duration of our liabilities.

### ***Operational Risk Management***

Operational Risk includes the risk of loss from inadequate or failed internal processes, people, systems and/or external events. Operational risk also includes legal risks. These types of operational failures could negatively impact our reputation with customers, agents and brokers, shareholders, and regulators. The ERM Committee in collaboration with individual business units and risk owners are responsible for the identification, measurement, monitoring and reporting of operational risks. Operational risks are mitigated through strong process controls, training and business continuity planning.

### **Our Financial Strength Ratings**

A.M. Best has developed a rating system to provide an opinion of an insurer's or reinsurer's financial strength and ability to meet ongoing obligations to its policyholders. Each rating reflects that rating agency's independent opinion of the capitalization, management and sponsorship of the entity to which it relates, and is neither an evaluation directed to investors in our common shares nor a recommendation to buy, sell or hold our common shares. A.M. Best maintains a letter scale rating system ranging from "A++" (Superior) to "F" (In Liquidation).

On November 14, 2018, A.M. Best downgraded the financial strength rating to B++ (Good) from A- (Excellent) and the long-term issuer credit rating to "bbb" from "a-", with negative outlook and implications, of Maiden Bermuda, our primary operating subsidiary. In February 2019, we requested from A.M. Best to withdraw our rating. On February 28, 2019, A.M. Best approved the withdrawal with a final rating as "B++" (Good) with negative outlook and implications. As a result, we presently do not have a financial strength rating from any of the major rating agencies that cover our industry.

These financial strength ratings often are an important factor in establishing the competitive position of insurance and reinsurance companies. We believe that the primary users of such ratings include brokers, ceding companies and investors. As we re-evaluate our future business strategy, the lack of a financial strength rating from one of the major rating agencies may negatively impact our ability to market and sell our products. It may also require us to use collateral more frequently to secure client relationships.

### **Competition**

The reinsurance industry is mature and highly competitive. Reinsurance companies compete on the basis of many factors, including premium rates, company and underwriter relationships, general reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments, reputation and experience in risks underwritten, capacity and coverages offered and various other factors. These factors operate at the individual market participant level and generally in the aggregate across the reinsurance industry. In addition, underlying economic conditions and variations in the reinsurance buying practices of ceding companies, by participant and in the aggregate, contribute to cyclical movements in rates, terms and conditions and may impact industry aggregate results and subsequently the level of competition in the reinsurance industry.

Maiden Bermuda has competed with a wide variety of major reinsurers internationally including those based in Bermuda. Many of these entities have significantly more capital, higher ratings from rating agencies and more employees than we do; in addition, these entities have established long-term and continuing business relationships throughout the industry, which can be significant competitive advantages. The lack of a financial strength rating from one of the major rating agencies may be a significant competitive disadvantage for us when we look to write new business or renew existing accounts.

In addition, in recent years, significant increases in the use of risk-linked securities and derivative and other non-traditional risk transfer mechanisms and vehicles are being developed and offered by other parties, including entities other than insurance and reinsurance companies. The availability of both these non-traditional products and sources of capital could reduce the demand for traditional insurance and reinsurance.

### **Distribution of Our Reinsurance Products**

Until the sale of Maiden US in August 2018, we marketed our Diversified Reinsurance segment through third party intermediaries, as well as directly through our own marketing efforts. Our direct marketing activities were generally focused on insurers with a demonstrated preference and propensity to utilize direct distribution reinsurers. In the years ended December 31, 2018, 2017 and 2016, the sources of gross premiums written in our Diversified Reinsurance

segment were as follows:

<b>% of Gross Premiums Written for the Year Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total broker	33.0 %	16.1 %	11.7 %
Direct	67.0 %	83.9 %	88.3 %
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Reserve for Loss and Loss Adjustment Expenses**

***General***

We are required by applicable insurance laws and regulations in Bermuda, the U.S., Sweden and by U.S. Generally Accepted Accounting Principles ("U.S. GAAP") to establish loss reserves to cover our estimated liability for the payment of all loss and LAE incurred with respect to premiums earned on the policies and treaties that we write. These reserves are balance sheet liabilities representing estimates of loss and LAE which we are ultimately required to pay for insured or reinsured claims that have occurred as of or before the balance sheet date. The loss and LAE reserves on our balance sheet represent management's best estimate of the outstanding liabilities associated with our premium earned. In developing this estimate, management considers the results of internal and external actuarial analyses, trends in those analyses as well as industry trends. Our opining independent actuary certifies that the reserves established by management make a reasonable provision for our unpaid loss and LAE obligations.

These amounts include case reserves and provisions for Incurred But Not Reported ("IBNR") reserves. Case reserves are established for losses that have been reported to us, and not yet paid. IBNR reserves represent the estimated cost of losses that have occurred but have not been reported to us and include a provision for additional development on case reserves. We establish case reserves based on information from the ceding company, reinsurance intermediaries, and when appropriate, consultations with independent legal counsel. The IBNR reserves are established by management based on reported loss and LAE and actuarially determined estimates of ultimate loss and LAE.

A variety of standard actuarial methods are calculated to estimate ultimate loss and LAE. The majority of our business is reserved individually by cedant and line of business, with the remainder reserved in homogeneous groupings.

Ultimate loss selections are accumulated across the reserve segments, and appropriate actuarial judgment is applied to determine the final selection of estimated ultimate losses. Ultimate losses are converted to IBNR reserves by subtracting inception to date paid losses and case reserves from those amounts. The combined total of case and IBNR results in indicated reserves which are the basis for the carried reserves for financial statements. Ultimate losses are also used to estimate premium and commission accruals for accounts with adjustable features.

Loss reserves do not represent an exact calculation of liability; rather, loss reserves are estimates of what we expect the ultimate resolution and administration of claims will cost. These estimates are based on actuarial and statistical projections and on our assessment of currently available data, as well as estimates of trends in claims severity and frequency, judicial theories of liability and other factors. Loss reserve estimates are refined as experience develops and as claims are reported and resolved. Establishing an appropriate level of loss reserves is an inherently uncertain process. In addition, the relatively long reporting periods between when a loss occurs and when it may be reported to our claims department for our casualty lines of business also increase the uncertainties of our reserve estimates in such lines. To assist us in establishing appropriate reserves for loss and LAE, we analyze a significant amount of internal data and external insurance industry information with respect to the pricing environment and loss settlement patterns. In combination with our individual account pricing analyses and our internal loss settlement patterns, this industry information is used to guide our loss and LAE estimates. These estimates are reviewed quarterly, at a high level of detail, and any adjustments are reflected in earnings in the periods in which they are determined.

For additional information concerning our reserves, see Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Reserve for Losses and Loss Adjustment Expense*" and "*Notes to Consolidated Financial Statements - Note 9. Reserve for Loss and Loss Adjustment Expenses*" included under Item 8 "*Financial Statement and Supplementary Data*", for further information regarding the specific actuarial models we utilize and the uncertainties in establishing the reserve for loss and LAE.

## **Our Employees**

On March 4, 2019, we had approximately 74 full-time employees who are located in Bermuda, the U.S., the U.K., Germany, Ireland, and Australia. We believe that our employee relations are good. None of our employees are subject to collective bargaining agreements.

## **Regulatory Matters**

### ***General***

The insurance and reinsurance industry are subject to regulatory and legislative oversight and regulation in various markets we operate in.

### ***Bermuda Insurance Regulation***

Maiden Bermuda is regulated as a registered Class 3B general business insurer under the Insurance Act 1978 of Bermuda, as amended, and related regulations (together, the "Insurance Act"), which regulates the insurance business of Bermuda registered insurers and provides that no person shall carry on any insurance business in or from within Bermuda unless that person has been registered under the Insurance Act by the BMA. The BMA is responsible for the day-to-day supervision of insurers and insurance groups in respect of which it is the group supervisor. Under the Insurance Act, insurance business includes reinsurance business. The registration of an applicant as an insurer is subject to its complying with the terms of its registration and such other conditions as the BMA may impose from time to time.

The Company and Maiden Bermuda failed to meet the requirements to hold sufficient capital to cover their respective ECR as of September 30, 2018 and December 31, 2018. The Company had communicated such condition to the BMA and is following the guidelines of a reportable “event” as stipulated by Bermuda insurance law. In accordance with the Insurance Act, Maiden Bermuda is not permitted to pay dividends to its shareholders, Maiden Holdings and Maiden NA, as of December 31, 2018 as it is in breach of the requirement to maintain economic capital in excess of the ECR as stipulated in the Insurance Act, Insurance (Prudential Standards) Class 4 and Class 3B Solvency Requirement Rules 2008, and the Insurance (Group Supervision) Rules 2011.

The Insurance Act imposes solvency and liquidity standards as well as auditing and reporting requirements on Bermuda insurance companies and grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. The Insurance Act also imposes certain regulatory requirements on insurance groups where the BMA has determined that it should act as group supervisor. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below:

*Cancellation of Insurer's Registration:* An insurer's registration may be canceled by the BMA on certain grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act or if, in the opinion of the BMA, the insurer has not been carrying on business in accordance with sound insurance principles. We believe that we are in compliance with applicable regulations under the Insurance Act;



*Principal Office, Principal Representative and Head Office:* An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. It is the duty of the principal representative, upon reaching the view that, to the principal representative's knowledge, there is a likelihood of the insurer for which the principal representative acts becoming insolvent, or that one or more of certain events as set out in the Insurance Act has occurred or is believed to have occurred, to immediately notify the BMA and to make a report in writing to the BMA within 14 days of the prior notification setting out all the particulars of the case that are available to the principal representative. Further, any registered insurer that is a Class 3A insurer or above is required to maintain a head office in Bermuda and direct and manage its insurance business from Bermuda. In considering whether this requirement is met, the BMA will consider: (a) where the underwriting, risk management and operational decision making occurs; (b) whether the presence of senior executives who are responsible for, and involved in, the decision making are located in Bermuda; and (c) where meetings of the board of directors occur, and may also have regard to (i) the location where management meets to effect policy decisions; (ii) the residence of the officers, insurance managers or employees; and (iii) the residence of one or more directors in Bermuda. For the purpose of the Insurance Act, Maiden Bermuda's principal office is the Company's executive offices at Ideation House, 2<sup>nd</sup> Floor, 94 Pitts Bay Road, Pembroke, HM 08, Bermuda;

*Annual Financial Statements, Annual Statutory Financial Return and Annual Capital and Solvency Return:* The Company and Maiden Bermuda must prepare annual statutory financial statements as prescribed in the Insurance Act with respect to its general business. The statutory financial return for a Class 3B insurer includes a report of the approved independent auditor on the statutory financial statements of such insurer, the statutory financial statements for the general business, notes to the statutory financial statements and an insurer information sheet. At the time of filing the statutory financial return, a Class B insurer must also deliver to the BMA a statutory declaration of compliance. Maiden Bermuda is required to file audited U.S. GAAP annual financial statements with the BMA, which must be available to the public. In addition, Maiden Bermuda is required to file a capital and solvency return, which shall include the company's Bermuda Solvency Capital Requirement ("BSCR") model, together with the opinion of its loss reserve specialist, a commercial insurer's solvency self assessment ("CISSA") and such other schedules as prescribed under the Insurance Act. The BSCR model applies factors to premium, reserves and assets/liabilities to determine the minimum capital required by the BMA to remain solvent throughout the year. The catastrophe risk return assesses an insurer's reliance on vendor models in assessing catastrophe exposure. The Company is required to file annual group GAAP financial statements, a group statutory financial return, and an annual group capital and solvency return, which includes (among other things) a group catastrophe risk return, group BSCR and GSSA. The GSSA is based on the Company's own internally assessed capital requirements. The GSSA together with the group BSCR form part of the BMA's annual solvency assessment;

*Minimum Liquidity Ratio:* The Insurance Act requires all general business insurers to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and cash equivalents, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and letters of credit and guarantees and other instruments;

*Minimum Solvency Margin, Enhanced Capital Requirement and Restrictions on Dividends and Distributions:* Under the Insurance Act, Maiden Bermuda must ensure that the value of its general business statutory assets exceeds the amount of its general business statutory liabilities by an amount greater than its prescribed minimum solvency margin ("MSM"). Maiden Bermuda is also required to maintain available statutory economic capital and surplus at least equal to its ECR. Maiden Bermuda 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 MSM and minimum liquidity ratio as described above. In addition, Maiden Bermuda must obtain the BMA's prior approval before reducing its total statutory capital, as shown in its previous year's financial statements, by 15% or more. Maiden Bermuda is not

permitted to declare or pay dividends to its shareholders, Maiden Holdings and Maiden NA, if Maiden Bermuda is in breach of its MSM, ECR or minimum liquidity ratio or if the declaration of such dividend would cause such a breach. Where an insurer fails to meet its MSM or minimum liquidity ratio on the last day of any financial year, it will be prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA;

*Eligible Capital:* Class 3B and 4 insurers and insurance groups are required to maintain statutory economic capital and surplus (“Economic Capital”) for determination of regulatory available capital in accordance with a ‘3 tiered capital regime’. All capital instruments are classified as either basic or ancillary capital which in turn are classified into one of three tiers (Tiers 1, 2 and 3) based on their “loss absorbency” characteristics. Under this regime, there are limits of Tier 1, Tier 2 and Tier 3 capital which may be used to satisfy the Class 3B and 4 insurers’ and Group’s MSM and ECR requirements. The Company has received approval for certain capital instruments as other fixed capital. The \$152.5 million 7.75% notes maturing in 2043 (the "2013 Senior Notes") are approved as Tier-1 ancillary capital and are grandfathered pursuant to Section 6C of the Insurance Act. The \$110.0 million 6.625% notes maturing in 2046 (the "2016 Senior Notes") are approved as Tier-3 ancillary capital (please see footnote below for further details). Maiden's Preference Shares Series A and Series C are classified as Tier-1 Basic Capital. Maiden's Preference Shares Series D were approved on November 6, 2017 as Tier-2 Basic Capital. Please see the following table for details of the Company's capital instruments that are currently outstanding at December 31, 2018:

Description of Capital Instrument	Date of Issue	Maturity Date (as applicable)	Date approved by the Authority	Value of Capital Instruments (\$ in thousands)	Eligible Capital Tier
2013 Senior Notes	November 25, 2013	December 1, 2043	April 17, 2014	\$ 152,500	Tier 1
2016 Senior Notes <sup>(1)</sup>	June 14, 2016	June 14, 2046	January 23, 2017	110,000	Tier 3
Preference Shares - Series A <sup>(2)</sup>	August 22, 2012	Perpetual	April 17, 2014	150,000	Tier 1
Preference Shares - Series C <sup>(2)</sup>	November 25, 2015	Perpetual	April 17, 2014	165,000	Tier 1
Preference Shares - Series D <sup>(2)</sup>	June 15, 2017	Perpetual	November 6, 2017	150,000	Tier 2

<sup>(1)</sup> In June 2016, the Company issued the 2016 Senior Notes. The BMA approved the capital instruments as Tier-3 ancillary capital to be grandfathered under Section 21 paragraph 10 of the Group Rules until January 1, 2026 as the 2016 Senior Notes do not meet the requirement that coupon payment on the instrument be cancellable or deferrable indefinitely upon breach (or if it would cause breach) in the ECR. The Group's ECR shall be subject to a regulatory capital add-on comprising three years of coupon payments on the 2016 Senior Notes amounting to \$21.9 million.

<sup>(2)</sup> All our Preference shares are redeemable in whole or in part at the sole option of the Company any time after 5 years from the date of issuance, subject to certain regulatory restrictions at a redemption price of \$25 per preference share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

**Economic Balance Sheet Framework and Financial Condition Report:** Effective January 2016, the BMA has implemented an Economic Balance Sheet ("EBS") framework to be used as the basis to determine the ECR of insurers and group that is generally based on fair-value in line with the GAAP principles adopted by the insurer, except for the valuation of insurance technical provisions. Technical provisions shall be valued at an economic value using the best estimate of probability weighted cash flows, with an additional risk margin. Cash flows, for this purpose, shall take into account all future cash in and out flows required to settle the insurance obligations attributable to the remaining lifetime of the policy. The BMA has also implemented new public disclosure rules that require all insurers and insurance groups to prepare and publish a Financial Condition Report ("FCR"). The FCR is intended to provide additional information to the public in relation to the insurer's and group's business model, whereby they may make an informed assessment on whether the business is run in a prudent manner;

**Fit and Proper Controllers:** The BMA maintains supervision over the controllers of all registered insurers in Bermuda. A controller includes (i) the managing director of the registered insurer or its parent company; (ii) the chief executive of the registered insurer or of its parent company; (iii) a shareholder controller; and (iv) any person in accordance with whose directions or instructions the directors of the registered insurer or of its parent company are accustomed to act;

**Notification by Registered Person of Change of Controllers and Officers:** All registered insurers are required to give written notice to the BMA of the fact that a person has become, or ceased to be, a controller or officer of the registered insurer within 45 days of becoming aware of such fact. An officer in relation to a registered insurer means a director, chief executive or senior executive performing duties of underwriting, actuarial, risk management, compliance, internal audit, finance or investment matters;

**Notification of Material Changes:** All registered insurers are required to give 14 days' notice to the BMA of a proposal to make certain changes that are likely to be of material significance (a "material change" within the meaning of the Insurance Act) and the insurer may not effect such change until either the BMA has, before the end of the period of thirty days beginning with the date of service of such notice, notified the insurer in writing that there is no objection to the insurer effecting the material change, or that period has elapsed without the BMA having served the insurer with a written notice of objection to the material change. Additionally, a Designated Insurer (as defined below) must notify the BMA of certain material changes when given effect by a member of the group, within 30 days of such material change taking effect;

**Code of Conduct:** Maiden Bermuda is required to comply with the Insurance Code of Conduct of the Authority ("Code") which prescribes the duties and standards which must be complied with to ensure it implements sound corporate governance, risk management and internal controls. The Authority will assess an insurer's compliance with

the Code in a proportional manner relative to the nature, scale and complexity of its business. Failure to comply with the requirements under the Code will be a factor taken into account by the BMA in determining whether an insurer is conducting its business in a sound and prudent manner as prescribed by the Insurance Act. Such failure to comply with the requirements of the Code could result in the BMA exercising its powers of intervention (see BMA's Powers of Intervention, Obtaining Information, Reports and Documents and Providing Information to other Regulatory Authorities below). We believe that we are in compliance with the Code;

*Group Supervision:* The BMA acts as group supervisor of the Company and has designated Maiden Bermuda to be the designated insurer ("Designated Insurer"). As group supervisor, the BMA will perform a number of supervisory functions including (i) coordinating the gathering and dissemination of relevant or essential information for going concerns and emergency situations, including the dissemination of information which is of importance for the supervisory task of other competent authorities; (ii) carrying out a supervisory review and assessment of the financial situation of the insurance group; (iii) carrying out an assessment of the insurance group's compliance with the rules on solvency, risk concentration, intra-group transactions as may be prescribed by or under the Insurance Act; (iv) assessment of the system of governance of insurance groups, as may be prescribed under the Insurance Act, and whether the members of the administrative or management body of participating companies met the requirements set out therein; (v) planning and coordinating, through regular meetings held at least annually (or by other appropriate means) with other competent authorities, supervisory

activities in respect of the insurance group, both as a going concern and in emergency situations; (v) coordinating any enforcement action that may need to be taken against the insurance group or any of its members; and (vi) planning and coordinating meetings of colleges of supervisors in order to facilitate the carrying out of the functions described above. In carrying out its group supervisory functions, the BMA may make rules for (i) assessing the financial situation and the solvency position of the insurance group and/or its members and (ii) regulating intra group transactions, risk concentration, governance procedures, risk management and regulatory reporting and disclosure;

*Group MSM and Group ECR:* The insurance group must ensure that the value of the insurance group's total statutory economic capital and surplus exceeds the aggregate of (a) the MSM of each qualifying member of the group controlled by the parent company and (b) the parent company's percentage shareholding in the member multiplied by the member's MSM, where the parent company exercises significant influence over a member of the group but does not control the member ("Group MSM"). A member is a qualifying member of the insurance group if it is subject to solvency requirements in the jurisdiction in which it is registered. Since December 31, 2013, we have been required to maintain available group capital and surplus at a level equal to or in excess of the Group Enhanced Capital Requirement ("Group ECR") which is established by reference to either the Group BSCR model or an approved group internal capital model;

*Designated Insurer Notification Obligations:* The Designated Insurer must immediately notify the BMA upon reaching a view that there is a likelihood of the insurance group or any member of the group becoming insolvent (i.e. breaching a regulatory capital requirement applicable to the insurance group or any member) or if the Designated Insurer knows or has reason to believe that a reportable "event" has, to the Designated Insurer's knowledge, occurred or is believed to have occurred. Within 30 days of such notification to the BMA, the Designated Insurer must furnish the BMA with a written report setting out all the particulars of the case that are available to it and within 45 days, it must furnish a group capital and solvency return that reflects the Group ECR that has been prepared using post-loss data and unaudited financial statements for such period as the BMA shall require together with a declaration of solvency in respect thereof;

*Group Eligible Capital:* To enable the BMA to better assess the quality of the group's capital resources, the Designated Insurer is required to disclose the makeup of its group's capital in accordance with a '3-tiered capital system'. Under this system, all of the insurance group's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of 3 tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified as Tier 1 Capital, and lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, not more than certain specified percentages of Tier 1, Tier 2 and Tier 3 Capital may be used to satisfy the Group's MSM and Group ECR requirements. Tier 1, Tier 2 and Tier 3 Capital may, until January 1 2026, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if redemption would cause a breach, of the Group ECR.

*Quarterly Group Financial Returns:* A Designated Insurer is required to prepare and file quarterly group financial returns with the BMA on or before the last day of the months May, August and November of each year. The quarterly group financial returns consist of (i) quarterly unaudited (consolidated) group financial statements for each financial quarter (which must minimally include a balance sheet and income statement and must also be the most recent produced by the group and not reflect a financial position that exceeds two months) and (ii) a list and details of material intra-group transactions and risk concentrations (including, where applicable, exposure value (face value and market value, if the latter is available), counterparties involved (including their location), summary details of the purpose, terms, costs, duration and performance triggers relating to the transaction), details surrounding all intra-group reinsurance and retrocession arrangements (including aggregated values of the exposure limits by counterparties, aggregated premium flows and the proportion of the group's insurance business exposure covered by internal reinsurance, retrocession and other risk transfer arrangements) and details of the ten largest exposures to unaffiliated counterparties and any other unaffiliated counterparty exposures (or series of linked unaffiliated counterparty exposures) exceeding 10% of the insurance group's statutory capital and surplus;

*BMA's Powers of Intervention, Obtaining Information, Reports and Documents and Providing Information to other Regulatory Authorities:* The BMA has certain powers of investigation and intervention relating to insurers and their

holding companies, subsidiaries and other affiliates, which it may exercise in the interest of such insurer's policyholders or if there is any risk of insolvency or of a breach of the Insurance Act or the insurer's license conditions; and

*Economic Substance Act:* The Economic Substance Act 2018 (“EAS 2018”) came into effect in Bermuda in December 2018 and impacts every Bermuda registered entity engaged in a “relevant activity” which includes insurance and headquarters. The EAS 2018 requires impacted entities to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. Any entity that must satisfy economic substance requirements but fails to do so could face automatic disclosure to competent authorities in the EU of the information filed by the entity with the Bermuda Registrar of Companies in connection with the economic substance requirements. Additionally a company may also face penalties, restriction or regulation of its business activities and may be struck off as a registered entity in Bermuda for failure to satisfy economic substance requirements.

The BMA’s prudential framework for (re)insurance and group supervision has been recognized by the European Commission’s Delegated Act and adopted by the European Parliament as being fully equivalent to regulatory standards applied to European reinsurance companies and insurance groups in accordance with the requirements of the Solvency II directive, effective January 1, 2016. Under the Solvency II directive, the European Commission may determine whether the solvency regime of a third country is equivalent to that laid down in Solvency II in relation to three areas of focus. Article 172 relates to equivalence of the solvency regime applied to the reinsurance activities of (re)insurers with their head office in the third country concerned, which allows reinsurance contracts with (re)insurers in that third country to be treated in the same way as reinsurance contracts with EEA (re)insurers. Article 227 relates to third-country insurers which are part of EEA groups, where equivalence would allow groups to take into account the local calculation of capital requirements and available capital rather than calculation on a Solvency II basis for the purposes of the deduction and aggregation method. Article 260 relates to group supervision of EEA insurers with parents

outside the EEA, where equivalence would mean EEA supervisors would rely on the group supervision of that third country. Bermuda received equivalence in all three areas: Articles 172, 227 and 260, with the exception of rules on captives and special purpose insurers, which are subject to different regulatory regime in Bermuda.

#### **Certain Bermuda Law Considerations**

Maiden Holdings and Maiden Bermuda have been designated as non-resident for exchange control purposes by the BMA and are required to obtain the permission of the BMA for the issue and transfer of all of their shares. The BMA has given its consent for: (a) the issue and transfer of Maiden Holdings' common shares, up to the amount of its authorized capital from time to time, to and among persons that are non-residents of Bermuda for exchange control purposes; and (b) the issue and transfer of up to 20% of Maiden Holdings' common shares in issue from time to time to and among persons resident in Bermuda for exchange control purposes.

Transfers and issues of Maiden Holdings' common shares to any resident in Bermuda for exchange control purposes may require specific prior approval under the Exchange Control Act 1972. Maiden Bermuda's common shares cannot be issued or transferred without the consent of the BMA. Because we are designated as non-resident for Bermuda exchange control purposes, we are allowed to engage in transactions, and to pay dividends to Bermuda non-residents who are holders of our common shares, in currencies other than the Bermuda Dollar.

#### **The Terrorism Risk Insurance Program Reauthorization Act of 2015**

Terrorism Risk Insurance Act of 2002 ("TRIA"), which was previously amended and extended in 2005, 2007 and again in 2015 by the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA"), was enacted to ensure the availability of insurance coverage for terrorist acts in the U.S. This law renewed the prior federal terrorism risk insurance program. It was extended through December 31, 2020 with certain modifications in the provisions of the expiring program.

There is no assurance that TRIA will be extended beyond 2020 on either a temporary or permanent basis and its expiration (or renewal on a substantially modified basis) could have an adverse effect on our clients, the industry or us. TRIA does not apply to reinsurers directly but does apply directly to insurers and to excess and surplus lines insurers. The TRIPRA has had some impact on our reinsurance clients, but not all due to the lines of business covered by TRIA. Also, in general, our reinsurance contracts contain inuring language regarding any potential recoveries from TRIA. Additional material addressing TRIA and TRIPRA, including U.S. Treasury Department issued interpretive letters, are contained on the U.S. Treasury Department's website.

#### **Taxation of the Company and its Subsidiaries**

The following summary of certain taxation matters is based upon current law. Legislative, judicial or administrative changes may be forthcoming that could affect this summary. Certain subsidiaries are subject to taxation related to operations in Australia, Germany, Sweden, the U.K. and the U.S. The discussion below covers the principal locations in which the Company or its subsidiaries are subject to taxation.

##### *Bermuda*

Maiden Holdings and Maiden Bermuda each have received from the Minister of Finance an assurance under The Exempted Undertakings Tax Protection Act, 1966 to the effect that in the event that there is any legislation enacted in Bermuda imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to Maiden Holdings or Maiden Bermuda or to any of their operations or the shares, debentures or other obligations of Maiden Holdings or Maiden Bermuda until March 31, 2035. These assurances are subject to the proviso that they are not construed to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda (Maiden Holdings and Maiden Bermuda are not currently so designated) or to prevent the application of any tax payable in accordance with the provisions of The Land Tax Act, 1967 of Bermuda or otherwise payable in relation to the property leased to us.

##### *Germany*

AVS was a wholly owned subsidiary of Maiden Global until January 10, 2019. AVS is subject to German corporate income tax of 15.0% plus a solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%). In addition, a German municipal trade tax of 14.7% resulting from the registered seat of the company in Russelsheim is paid.

Effective January 1, 2017, Opel Händler VersicherungsService GmbH, which was a wholly owned subsidiary of AVS, merged with AVS. AVS is engaged in general commerce.

The taxable income of a German corporate entity is in principle, absent a Treaty exemption, the total amount of worldwide income (current profits, capital gains) after deduction of business expenses. In general, income from capital gains arising upon the sale of shares in corporate entities are, in principle, fully tax exempt. The same applies to income from dividend if the stake in the dividend paying corporation is at least 10% (for corporate income tax purposes), 15% (for trade tax purposes) at the beginning of the respective calendar year (for dividends received from companies resident outside Germany, the 15% stake in the non-resident corporation must be held as from the beginning of the calendar year). However, a lump sum of 5% of the dividend/capital gains is added back to the taxable income, representing non-deductible business expenses.

Maiden Global established a German branch on February 1, 2016, also with its registered seat in Russelsheim which is subject to the same German corporate income tax of 15.0% plus a solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%) and German trade tax of 14.7%. Effective December 1, 2018, the registered seat was moved to Wiesbaden resulting in a change in the trade tax rate to 15.89%. The German branch is engaged in general commerce.

AVS established a 50:50 joint venture with Volvo Car Germany GmbH on January 25, 2016, named VCIS Germany GmbH (“VCIS”). With its registered seat in Cologne, the company is subject to the same German corporate income tax of 15.0% plus a



solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%) and a German trade tax of 16.63%. VCIS is engaged in general commerce as an insurance agency.

Maiden Global has obtained a withholding tax exemption certificate from the Federal Central Tax Office such that any dividend from AVS to Maiden Global is exempt from German withholding tax. There is no German withholding tax on (non-profit related) interest payments to corporate shareholders. Other than through the entities noted above, we believe that the Company has operated and will continue to operate its business in a manner that will not cause its affiliates to be treated as engaged in a trade or business within Germany. A trade or business in Germany requires a permanent establishment either in the form of a fixed place of business or by having a permanent representative on German ground. A subsidiary may qualify as permanent representative if it carries out business activities of its shareholder or an affiliate in Germany.

#### *Sweden*

Maiden LF and Maiden GF are subject to Swedish taxation on net profits irrespective of whether the profits are generated through business in general or capital. To the extent that net profits are generated, profits are taxed at a rate of 22%. Foreign entities are subject to tax in Sweden only to the extent they have a permanent establishment in Sweden or if the income is related to certain types of assets, typically real estate, or partnership income. Dividends paid to foreign shareholders may be subject to withholding tax with a maximum of 30% although in many cases tax is reduced as a result of a tax treaty or under domestic legislation. A foreign entity is deemed to have a permanent establishment in Sweden under the rules very similar to those applied by The Organisation for Economic Co-operation and Development ("OECD"). Other than Maiden LF and Maiden GF, we believe that the Company has operated and will continue to operate its business in a manner that will not cause it to be treated as having a permanent establishment in Sweden. There is no withholding tax on interest paid by a Swedish borrower to a foreign lender.

#### *United Kingdom*

Maiden Global is tax resident in the U.K. and is currently subject to corporation tax in the U.K. on its trading and other taxable profits. The main rate of U.K. corporation tax is 19% to be reduced to 17% with effect from April 1, 2020. Non-U.K. resident corporations are within the charge to corporation tax in the U.K. if they carry on a trade in the U.K. through a permanent establishment. Reinsurance business developed by Maiden Global is underwritten by Maiden Bermuda in Bermuda. Other than in respect of Maiden Global, we believe that the Company has operated and will continue to operate its business in a manner that will not cause it to be treated as carrying on a trade within the U.K.

U.K. source income of non-U.K. resident corporations may be subject to U.K. withholding tax, subject to the availability of treaty relief or any other applicable exemptions. Dividends paid by Maiden Global are not subject to U.K. withholding tax. Interest paid by Maiden Global may be subject to U.K. withholding tax at a rate of up to 20%, subject to the availability of treaty relief or any other applicable exemptions.

#### *United States*

Recent tax reform commonly referred to as The Tax Cuts and Jobs Act (the "2017 Act") was signed into law on December 22, 2017. The 2017 Act lowered the corporate U.S. tax rate to 21%, eliminated the alternative minimum tax, limited the deductibility of interest expense and requires a one-time tax on a deemed repatriation of untaxed earnings of foreign subsidiaries. In the context of the taxation of U.S. property/casualty insurance companies such as the Company, the 2017 Act also modified the loss reserve discounting rules and the proration rules that apply to reduce reserve deductions to reflect the lower corporate income tax rate. In addition, the 2017 Act included certain provisions intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections and U.S. persons investing in such companies. For example, the 2017 Act includes a base erosion anti-avoidance tax (the "BEAT") that could make affiliate reinsurance between United States and non-U.S. members of our group economically unfeasible. As discussed in more detail below, the 2017 Act also revised the rules applicable to passive foreign investment companies ("PFICs") and controlled foreign corporations ("CFCs"). Although we are currently unable to predict the ultimate impact of the 2017 Act on our business, shareholders and results of operations, it is possible that the 2017 Act may increase the U.S. federal income tax liability of U.S. members of our group that cede risk to non-U.S. group members and may affect the timing and amount of U.S. federal income taxes imposed on certain U.S. shareholders.

Further, it is possible that other legislation could be introduced and enacted by the current Congress or future Congresses that could have an adverse impact on us. Additionally, tax laws and interpretations regarding whether a company is engaged in a U.S. trade or business or whether a company is a CFC or a PFIC or has related person insurance income ("RPII") are subject to change, possibly on a retroactive basis. There are currently only recently proposed regulations regarding the application of the PFIC rules to an insurance company. Further, the regulations regarding RPII have been in proposed form since 1991. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. The Company cannot be certain if, when or in what form such regulations or pronouncements may be provided and whether such guidance will have a retroactive effect.

Maiden NA and its subsidiaries, including Maiden US until its sale on December 27, 2018 (collectively, the "Maiden NA Companies"), transact business in and are subject to taxation in the U.S. Other than the Maiden NA Companies, we believe that we have operated and will continue to operate our business in a manner that will not cause us to be treated as engaged in a trade or business within the U.S. On this basis, other than the Maiden NA Companies, we do not expect to be required to pay U.S. corporate income taxes (other than withholding and excise taxes as described below). The maximum federal corporate income tax rate has been reduced by the 2017 Act to 21% for a foreign corporation's income that is effectively connected with a trade or business in the U.S. In addition, U.S. branches of foreign corporations may be subject to the branch profits tax, which imposes a tax on U.S. branch after-tax earnings that are deemed repatriated out of the U.S., for a potential maximum effective federal tax rate of approximately 44% on the net income connected with a U.S. trade or business.

Foreign corporations not engaged in a trade or business in the U.S. are subject to U.S. income tax, effected through withholding by the payer, on certain fixed or determinable annual or periodic gains, profits and income derived from sources within the U.S. as enumerated in Section 881(a) of the Internal Revenue Code, such as dividends and interest on certain investments.

The U.S. also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks of a U.S. person located wholly or partly within the U.S. or risks of a foreign person engaged in the conduct of a U.S. trade or business located in the U.S. The rate of tax applicable to reinsurance premiums paid to Maiden Bermuda is 1% of gross premiums.

### **Where You Can Find More Information**

We maintain our principal website at [www.maiden.bm](http://www.maiden.bm). The information on our websites is not incorporated by reference in this Annual Report on Form 10-K. We make available, free of charge through our principal website, our financial information, including the information contained in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission ("SEC"). We also make available, free of charge through our principal website, our Audit Committee Charter, Compensation Committee Charter, Nominating & Corporate Governance Committee Charter, and Code of Business Conduct and Ethics. Such information is also available in print for any shareholder who sends a request to Maiden Holdings, Ltd., Ideation House, 94 Pitts Bay Road, Pembroke HM 08, Bermuda, Attention: Secretary. Reports and other information we file with the SEC may also be viewed at the SEC's website at [www.sec.gov](http://www.sec.gov) or viewed or obtained at the SEC Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the SEC Public Reference Room may be obtained by calling the SEC at 800-SEC-0330. Any shareholder or other interested party who desires to contact any member of the Board (or our Board as a group) may do so in writing to the following address: Maiden Holdings, Ltd., Ideation House, 94 Pitts Bay Road, Pembroke HM 08, Bermuda, Attention: Secretary. Communications are distributed to the Board, or to any individual directors as appropriate, depending on the facts and circumstances outlined in the communication.

## Item 1A. Risk Factors.

### Introduction

Investing in our securities carries risk. Managing risk effectively is critical to our success, and our organization is built around intelligent risk assumptions and prudent risk management. We have identified what we believe reflect key significant risks to the organization, and in turn to our shareholders, which are outlined below. Any of the risks described below could result in a significant or material adverse effect on our results of operations or financial condition. In addition to these enumerated risks, we face numerous other strategic, operational and emerging risks that could in the aggregate lead to shortfalls to our long-term goals or add to short-term volatility in our earnings. The following review of important risk factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. The words or phrases believe, anticipate, estimate, project, plan, expect, intend, hope, forecast, evaluate, will likely result or will continue or words or phrases of similar import generally involve forward-looking statements. All of the risks that may affect our financial or operating performance may not be material at this time but may become material in the future. As used in these Risk Factors, the terms "we", "our" or "us" may, depending upon the context, refer to the Company, to one or more of the Company's consolidated subsidiaries or to all of them taken as a whole.

### Business

***We have incurred significant operating losses in recent years. There can be no assurance that we will return to profitability.***

We produced net losses of \$544.4 million in 2018 and \$169.7 million in 2017, primarily the result of loss reserve strengthening and adverse prior year development of loss reserves. We have taken significant actions in the second half of 2018 to improve our capital position, and restructure our business by disposing of unprofitable operations and reinsurance agreements in both of our reporting segments while significantly reducing headcount and overhead expenses. We have also purchased additional reinsurance protection to eliminate potential volatility of loss reserves from this legacy business. While we believe these actions will restore operating profitability, there can be no assurance that these actions will achieve their intended effects or that the reinsurance we purchased will be sufficient to protect us against further adverse loss reserve development.

***Our shareholders' equity declined significantly in 2018 and there can be no assurance it will not decrease further.***

Due to results of operations in recent years and in particular 2018, our shareholders' equity declined by 55.0% during 2018. As noted elsewhere, we have taken significant actions in the second half of 2018 to improve our capital position, and restructure our business by disposing of unprofitable operations and reinsurance agreements while significantly reducing headcount and overhead expenses. While we believe these actions will increase shareholders' equity, there can be no assurance that these actions will achieve their intended effects. We have also purchased additional reinsurance protection to eliminate potential volatility of loss reserves from this legacy business. There can be no assurance that this reinsurance or that the timing and accounting recognition of recoveries under that reinsurance agreement will be sufficient to protect us against further declines in shareholders' equity. While we continue to believe we will operate as a going concern, there can be no assurance that if further significant declines in shareholders' equity occur that we will not have to re-evaluate that assessment.

***We have experienced repeated significant adverse development of our loss reserves in recent years and our actual losses may be greater than our reserve for loss and LAE, which would negatively impact our financial condition and results of operations.***

Our success depends upon our ability to assess accurately the risks associated with the businesses that we will reinsure. Significant periods of time often elapse between the occurrence of an insured loss, the reporting of the loss to an insurer and the reporting of the loss by the insurer to its reinsurer and the ultimate disposition of that loss. The reserves we establish represent estimates of amounts needed to pay reported losses and unreported losses and the related loss adjustment expense. Loss reserves are only an estimate of what an insurer or reinsurer anticipates the ultimate costs of claims to be and do not represent an exact calculation of liability. Estimating loss reserves is a difficult and complex process involving many variables, inherent uncertainty and subjective judgments. As part of our reserving process, we review historical data as well as actuarial and statistical projections and consider the impact of

various factors such as: trends in claim frequency and severity; changes in operations; emerging economic and social trends; inflation; and changes in the regulatory and litigation environments.

This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. There is no precise method, however, for evaluating the impact of any specific factor on the adequacy of reserves, and actual results are likely to differ from original estimates. In addition, unforeseen losses, the type or magnitude of which we cannot predict, may emerge in the future. We will establish or adjust reserves for our insurance subsidiaries in part based upon loss data received from the ceding companies with which we do business. There is a time delay that elapses between the receipt and recording of claims results by the ceding insurance companies and the receipt and recording of those results by us. Accordingly, establishment and adjustment of reserves for our insurance subsidiaries is dependent upon timely and accurate estimate reporting from cedants and agents.

While we adjusted our reserves to a level we believe to be sufficient to cover losses assumed by us when we recognize adverse developments, there can be no assurance that losses will not deviate from our reserves, possibly by material amounts. Further, the reinsurance protection we have purchased to protect against further adverse development in loss reserves may be insufficient compared to the actual losses that emerge and we may need to recognize further adverse development which would reduce our results of operations and shareholders' equity, possibly by material amounts. To the extent actual reported losses exceed expected losses, the carried estimate of the ultimate losses will be increased, which represents unfavorable reserve development, and to the extent actual reported losses are less than our expectations, the carried estimate of ultimate losses will be reduced, which represents favorable reserve development.

***The inability of management to successfully implement its strategic plan could result in a further decline of capital or materially adversely affect our financial condition and operations.***

Management will be developing a new strategic business plan that may be significantly different than our prior strategic business focus. We agreed with the BMA that Maiden Bermuda will not write future business with AmTrust or its subsidiaries without the BMA's prior approval, and further will consult with the BMA before writing any new third party reinsurance business. We remain actively engaged in ongoing discussions with the BMA regarding the formulation of our longer term business plan, consistent with the recovery of our capital base. There can be no assurance that the implementation of the new business plan will succeed or will be satisfactory to the BMA which could have a material adverse effect on our business, operations and financial condition.

***Our efforts to develop products, expand in targeted markets or modify our business and strategic plans may not be successful and may create enhanced risks.***

Any new business initiatives involving the development of new products or expanding existing products in new or historically targeted markets may involve substantial capital and operating expenditures, which may negatively impact our results of operations and shareholders' equity. In addition, the demand for new products or in new markets may not meet our expectations. To the extent we are able to market new products or expand in new markets, our risk exposures may change and the data and models we use to manage such exposures may not be as sophisticated as those we use in existing markets or with existing products. This, in turn, could lead to losses in excess of expectations. As part of our ongoing efforts to continually improve our performance, we regularly evaluate our business plans and strategies, which may result in changes to our business plans and initiatives, some of which may be material. We are subject to increasing risks related to our ability to successfully implement our evolving plans and strategies. Changing plans and strategies requires significant management of time and effort, and may divert management's attention from our core operations and competencies, and our efforts to improve the Company's capital position and solvency. Moreover, modifications we undertake to our operations may not immediately result in improved financial performance. Therefore, risks associated with implementing or changing our business strategies and initiatives, including risks related to developing or enhancing the operations, controls and other infrastructure required for these strategies and initiatives, may not have a positive impact on our publicly reported results until many years after implementation. The risk that we may fail to have the ability to carry out our business plans may have an adverse effect on our long-term results of operations and financial condition.

***For our property and casualty reinsurance underwriting, we depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess and price the risks they underwrite, which may lead us to inaccurately assess and price the risks we assume.***

Our participation in property and casualty reinsurance markets means the success of our underwriting efforts depends, in part, upon the policies, procedures and expertise of the ceding companies making the original underwriting decisions. As common among reinsurers, we do not separately evaluate each of the individual risks assumed under reinsurance treaties. We face the risk that these ceding companies may fail to accurately assess the risks that they assume initially, which, in turn, may lead us to inaccurately assess the risks we assume.

If we fail to establish and receive appropriate pricing or fail to contractually limit our exposure to such risks, we could face significant losses on these contracts, which could have a material adverse impact on our financial results.

***We may be required to accelerate the amortization of deferred acquisition costs or establish premium deficiency reserves.***

Deferred acquisition costs represent incremental direct costs related to the successful acquisition of new or renewal insurance contracts. The balances of such costs are capitalized as an asset and amortized into income over the expected lives of the underlying insurance contracts. On an ongoing basis, we test these assets recorded on our balance sheet to determine whether the amounts are recoverable under current assumptions. To date, we have concluded that no such premium deficiency exists. If facts and circumstances change, these tests and reviews could lead to the establishment of a premium deficiency reserve which would require a write down in the carried value of our deferred acquisition costs. Such results could have an adverse effect on the results of our operations and our financial condition.

***Our internal control and reporting systems might not be effective in the future, which could increase the risk that we would become subject to restatements of our financial results or to regulatory action or litigation or other developments that could adversely affect our business.***

Our ability to produce accurate financial statements and comply with applicable laws, rules and regulations is largely dependent on our maintenance of internal control and reporting systems, as well as on our ability to attract and retain qualified management and accounting and actuarial personnel to further develop our internal accounting function and control policies. If we fail to effectively establish and maintain such reporting and accounting systems or fail to attract and retain personnel who are capable of designing and operating such systems, these failures will increase the likelihood that we may be required to restate our financial results to correct errors or that we will become subject to legal and regulatory infractions, which may entail civil litigation and investigations by regulatory agencies including the SEC. In addition, if our management or our independent registered public accounting firm were to conclude that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information, and our financial flexibility and the value of our common shares could be adversely impacted.

***The inherent uncertainty of models and the use of such models as a tool to evaluate risk may have an adverse impact on our financial results.***

We use our own proprietary models to provide us with pricing and objective risk assessment relating to risks in our reinsurance portfolio and catastrophe risks in our reinsurance portfolio. These models help us control risk accumulation, inform management and other stakeholders of capital requirements and to improve the risk/return profile or minimize the amount of capital required to cover the risks in each reinsurance contract in our overall portfolio of reinsurance contracts. However, given the inherent uncertainty of modeling techniques and the application of such techniques, these models and databases may not accurately address

the emergence of a variety of matters which might be deemed to impact certain of our coverages. Accordingly, these models may understate the exposures we are assuming and our financial results may be adversely impacted, perhaps significantly.

***Our business model is different than other Bermuda reinsurers.***

Unlike many other publicly traded Bermuda reinsurance companies, we do not write property catastrophe reinsurance, nor do we maintain substantial primary insurance operations. As a result, you may not be able to compare our business's performance or prospects to other Bermuda-domiciled publicly traded reinsurers, who have different strategies and balance sheet structures than we do.

***The occurrence of severe catastrophic events may have a material adverse effect on our financial results.***

Although our business strategy generally precludes us from writing significant amounts of catastrophe exposed business in our reinsurance segment, most property reinsurance contains some exposure to catastrophic loss. We use contract provisions such as occurrence caps and inuring excess to manage exposure to natural catastrophes.

While we attempt to carefully manage our aggregate exposure to catastrophes, modeling errors and the incidence and severity of catastrophes, such as hurricanes, windstorms, cyber attacks and large-scale terrorist attacks, are inherently unpredictable, and our losses from catastrophes could be substantial. Further, many scientists believe that the earth's atmospheric and oceanic temperatures are increasing and that, in recent years, changing climate conditions have increased the unpredictability, severity and frequency of natural disasters in certain parts of the world.

***We may face substantial exposure to losses from terrorism, acts of war and political instability.***

We may have exposure to losses resulting from acts of terrorism, acts of war and political instability as a reinsurer of U.S. domiciled insurers. U.S. insurers are required by state and federal law to offer coverage for terrorism in certain commercial lines. These risks are inherently unpredictable, although recent events may lead to increased frequency and severity. It is difficult to predict the occurrence of these perils with statistical certainty or to estimate the amount of loss an occurrence will generate. We closely monitor the amount and types of coverage we provide for terrorism risk under insurance policies and reinsurance treaties. We often seek to exclude or limit terrorism when we cannot reasonably evaluate the risk of loss or charge an appropriate premium for such risk. Even in cases where we have deliberately sought to exclude coverage, we may not be able to eliminate our exposure to terrorist acts, and thus it is possible that these acts could have a material adverse effect on us.

***We may or may not use retrocessional and reinsurance coverage to limit our exposure to risks. Any retrocessional or reinsurance coverage that we obtain may be limited, and credit and other risks associated with our retrocessional and reinsurance arrangements may result in losses which could adversely affect our financial condition and results of operations.***

We will provide reinsurance to our clients and in turn we may or may not retrocede reinsurance we assume to other insurers and reinsurers. If we do not use retrocessional coverage or reinsurance, our exposure to losses will be greater than if we did obtain such coverage. If we do obtain retrocessional or reinsurance coverage, some of the insurers or reinsurers to whom we may retrocede coverage or reinsure with may be domiciled in Bermuda or other non-U.S. locations. We would be subject to credit and other risks that depend upon the financial strength of these reinsurers. Further, we will be subject to credit risk with respect to any retrocessional or reinsurance arrangements because the ceding of risk to reinsurers and retrocessionaires would not relieve us of our liability to the clients or companies we insure or reinsure. Our failure to establish adequate reinsurance or retrocessional arrangements or the failure of any retrocessional arrangements to protect us from overly concentrated risk exposure could adversely affect our business, financial condition and results of operation. We may attempt to mitigate such risks by retaining collateral or trust accounts for premium and claims receivables, but nevertheless we cannot be assured that reinsurance will be fully collectable in the case of all potential claims outcomes.

***The failure of any of the loss limitation methods we employ could have a material adverse effect on our results of operations or financial condition.***

We seek to limit loss exposure through loss limitation provisions in policies we write, such as limitations on the amount of losses that can be claimed under a policy, limitations or exclusions from coverage and provisions relating to choice of forum, which are intended to assure that our policies are legally interpreted as intended. There can be no assurance that these contractual provisions will be enforceable in the manner expected or that disputes relating to



coverage will be resolved in our favor. If the loss limitation provisions in the policies are not enforceable or disputes arise concerning the application of such provisions, the losses we incur could be materially higher than expected and our financial condition and results of operations could be adversely affected.

***The effects of emerging claim and coverage issues on our business are uncertain.***

As industry practices and legal, judicial, social and other environmental conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance or reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our reinsurance contracts may not be known for many years after a contract is issued. Our exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation.

***Our business is subject to risks related to litigation. Losses from legal and regulatory actions may have a material adverse effect on our reputation, operating results, cash flows, financial condition and prospects.***

We may from time to time be subject to litigation or other legal or regulatory actions in the ordinary course of business relating to our current and past business operations, including, but not limited to, disputes over coverage or claims adjudication, including claims alleging that we have acted in bad faith in the administration of claims by our policyholders, disputes with our agents,

producers and termination of contracts and related claims and disputes with former employees. We also cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our business. We also may be subject to litigation from security holders due to the diminution in value of our securities as a result of our operating results and financial condition. Defending against these actions may require us to utilize significant resources in our defense as well as result in a significant amount of time by our senior management.

An adverse resolution of one or more lawsuits or arbitrations could have a material adverse effect on our results of operations in a particular fiscal quarter or year.

***The failure of our underwriting process could have an adverse effect on our results of operations or financial condition.***

We seek to manage our loss exposure by maintaining a disciplined underwriting process throughout our (re)insurance operations. This is achieved through our risk appetite for traditional, lower volatility lines of business that are more predictable and thus, produce more stable long-term operating results and require less capital to achieve those results; and by placing emphasis on working layer and pro rata reinsurance participations where data is more abundant and predictable. Underwriting is a matter of judgment, involving important assumptions about matters that are inherently unpredictable and beyond our control, and for which historical experience and probability analysis may not provide sufficient guidance. The failure of any of the underwriting risk management strategies that we employ could have a material adverse effect on our financial condition, results of operations or cash flows.

We rely on internal controls and underwriting guidelines to limit our risk exposure within prescribed parameters. However, our controls and monitoring efforts may be ineffective, permitting one or more underwriters to exceed underwriting authority and cause us to (re)insure risks outside the agreed upon guidelines. To the extent that our underwriters exceed their authorities, agree to inappropriate contract terms and conditions or are influenced by broker incentives, or if there is inaccurate underwriting data capture and reporting leading to licensing and sanction breaches, our financial condition or results of operations could be materially adversely affected.

***Failure of our information technology systems could disrupt our business and adversely impact our profitability.***

We believe our modeling, underwriting and information technology and application systems are critical to our business and reputation. We have licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable service providers, or that our technology or applications will continue to operate as intended. In addition, we cannot be certain that we would be able to replace these service providers or consultants without slowing our underwriting response time. A major defect or failure in our internal controls or information technology and application systems could result in management distraction, harm to our reputation, a loss or delay of revenues or increased expense.

***Technology breaches or failures, including, but not limited to, those resulting from cyber-attacks on us or our business partners and service providers, could disrupt or otherwise negatively impact our business.***

Information technology and application systems can streamline many business processes and ultimately reduce the cost of operations, however, technology initiatives present certain risks. Our business is dependent upon our employees and outsources ability to perform, in an efficient and uninterrupted fashion, necessary business functions. Like all companies, our information technology systems are vulnerable to data breaches, interruptions or failures due to events that may be beyond our control, including, but not limited to, natural disasters, theft, terrorist attacks, computer viruses, hackers and general technology failures. Our information technology systems include the Internet and third-party hosted services. We use information systems to process financial information and results of operations for internal reporting purposes and for regulatory financial reporting, legal and tax requirements. We also use information systems for electronic communications with customers and our various locations.

A shutdown or inability to access one or more of our facilities, a power outage, a security breach, or a failure of one or more of our information technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis. These incidents could be caused by malicious or disruptive software, computer hackers, rogue employees, cyber-attacks, failures of telecommunications systems or other catastrophic events. If sustained or repeated, such a business interruption, system failure or service denial could result in a deterioration of our ability to write and process business, provide customer service, pay claims in a timely manner or perform other necessary business functions. Furthermore, a significant portion of the communications between our

employees and our business, banking and investment partners depends on information technology and electronic information exchange. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, and may become subject to legal action and increased regulatory oversight. We could also be required to spend significant financial and other resources to remedy any damage caused to repair or replace information systems.

We believe that we have established and implemented appropriate security measures, controls and procedures to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed and/or stored in such systems, and we periodically employ third parties to evaluate and test the adequacy of such systems, controls and procedures. In addition, we have established a business continuity plan which is designed to ensure that we are able to maintain all aspects of our key business processes functioning in the midst of certain disruptive events, including any disruptions to or breaches of our information technology systems. We continue to make investments in technologies, cyber-insurance and training. Our business continuity plans are tested and evaluated for adequacy. Despite these safeguards, disruptions to and breaches of our information technology systems are possible and may negatively impact our business.

Like most major corporations, the Company's information systems are a target of attacks. Although we have experienced no known material or threatened cases involving unauthorized access to our information technology systems and data or unauthorized appropriation of such data to date, we have no assurance that such technology breaches will not occur in the future.

***Ongoing economic uncertainty could materially and adversely affect our business, our liquidity and financial condition.***

Global economies and financial markets have, from time to time, experienced significant disruption or deterioration and likely will experience periods of disruption or deterioration in the future. In addition, U.S. federal and state governments continue to experience significant structural fiscal deficits, creating uncertainty as to levels of taxation, inflation, regulation and other economic fundamentals that may impact future growth prospects. Significantly greater economic, fiscal and monetary uncertainty remains in Europe, due to the combination of poor economic growth, high unemployment and significant sovereign deficits which have called into question the future of the common currency used across most of Europe. European economic activity appears likely to remain volatile in the near future and to potentially have a continuing impact on the U.S. economy. Continuation of these conditions may potentially affect (among other aspects of our business) the demand for and claims made under our products, the ability of clients, counterparties and others to establish or maintain their relationships with us, our ability to access and efficiently use internal and external capital resources and our investment performance.

Our Agency Mortgage-backed securities ("MBS") constitute 35.7% of our fixed maturity investments at December 31, 2018. As with other fixed income investments, the fair value of these securities fluctuates depending on market and other general economic conditions and the interest rate environment. Changes in interest rates can expose us to changes in the prepayment rate on these investments. In periods of declining interest rates, mortgage prepayments generally increase and MBS are prepaid more quickly, requiring us to reinvest the proceeds at lower market rates. Conversely, in periods of rising rates, mortgage prepayments generally fall, preventing us from taking full advantage of the higher level of rates. However, economic conditions may curtail prepayment activity on the underlying mortgages if refinancing is difficult, thus limiting prepayments on the MBS portfolio. In the event that these conditions persist and result in a prolonged period of economic uncertainty, our results of operations, our financial condition and/or liquidity, and our prospects could be materially and adversely affected.

***The U.K.'s vote in favor of leaving the EU could adversely affect us.***

As a result of Brexit, negotiations to determine the terms of the U.K.'s withdrawal from the EU and its future relationship with the EU are ongoing. As a result, the risks associated with the potential consequences that may follow Brexit, including volatility in financial markets, exchange rates and interest rates, are uncertain. These uncertainties could increase the volatility of, or reduce, our investment results in particular periods or over time. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions and regulatory agencies.

We believe, as a Bermuda reinsurance company, we are well positioned to continue trading with both markets after the completion of these negotiations. However, given these possibilities and others we may not anticipate, as well as the lack of comparable precedent, the full extent to which our business, results of operations and financial condition could be adversely affected by Brexit is uncertain.

**Liquidity, Capital Resources and Investments**

***We may not have sufficient unrestricted liquidity to meet our obligations.***

Maiden Bermuda uses trust accounts, loan to related party, funds held and letters of credit to meet collateral requirements. Consequently, cash and cash equivalents and investments are pledged in favor of ceding companies in order to comply with relevant insurance regulations or contractual requirements. At December 31, 2018, restricted cash and cash equivalents and fixed maturity investments used as collateral were \$4.0 billion and represents 91.9% of the fair value of our total fixed maturity investments and cash and cash equivalents (including restricted cash and cash equivalents) at that date.

Based on our current estimate of 2019 financial results, we believe we have sufficient liquidity to meet and fulfill our obligations including payments due under our 2013 Senior Notes and 2016 Senior Notes. However, should operating results deteriorate, or should additional collateral be required under our contractual arrangements with reinsureds prior to the receipt of recoveries under reinsurance agreements we have entered into, we cannot assure that we will maintain sufficient unrestricted liquidity to meet those obligations.

***We may require additional capital in the future, which may not be available on favorable terms or at all.***

Our future capital requirements will depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover our losses. We also may not be able to grow significantly without additional capital. Our future business needs are uncertain and we may need to raise additional funds to further capitalize Maiden Bermuda or our IIS business. We anticipate that any such additional funds would be raised through equity, debt, hybrid financings or entering into reinsurance agreements. While we currently have no commitment from any lender with respect to a credit facility or a loan facility, we may enter into an unsecured revolving credit facility or a term loan facility with one or more syndicates of lenders. Any equity, debt or hybrid financing, if available at all, may be on terms that are not favorable to us. If we are able to raise capital through equity financings, the interest of shareholders in our Company would be diluted, and the securities we issue may have rights, preferences and privileges that are senior to those of our common shares.

We no longer have an S&P rating and have recently withdrawn our A.M. Best rating. The absence of credit ratings on our outstanding securities could impact our ability to obtain additional debt or hybrid capital at reasonable terms or at all. Credit ratings are an opinion by third parties of our financial strength and ability to meet ongoing obligations to our future policyholders. The lack of a credit rating may make it difficult for investors to evaluate an investment in our securities and for us to raise additional capital in the future on acceptable terms or at all. Similarly, our access to funds may be impaired if regulatory authorities take negative actions against us. Our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

In addition to company-specific factors, the availability of additional financing will depend on a variety of other factors such as market conditions, the general availability of capital, the volume of trading activities and the overall availability of capital to the financial services industry. As such, we may be forced to delay raising capital, issue shorter maturity securities than we prefer,

or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. If we cannot obtain adequate capital, our business prospects, results of operations and financial condition could be adversely affected.

***We do not anticipate paying any cash dividends on our common stock for the foreseeable future and there can be no assurance that dividends on the preference shares will resume in the near future.***

We currently intend to retain our future earnings, if any, to strengthen our regulatory capital and solvency ratios, improve our liquidity and working capital and for other general corporate purposes. The insurance laws and regulations of our insurance subsidiaries generally contain restrictions on the ability to pay dividends or distributions to the Company, which may restrict our ability to pay dividends on common or preferred shares. We have voluntarily undertaken with the BMA not to make any capital distribution of any kind out of any Bermuda entity. Any future determination to pay dividends on our common stock will be at the discretion of our Board, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our Board considers relevant.

Maiden Holdings has issued \$630.0 million in Preference Shares since 2012, of which \$465.0 million are outstanding at December 31, 2018, the dividends of which are required to be paid before common shareholders are eligible for dividend payments. Holders of our Preference Shares may receive dividends on a non-cumulative basis. Our Board did not declare dividends on the Preference Shares for the December 1, 2018 and March 1, 2019 dividend dates and there can be no assurance that the authorization and declaration of dividends on the Preference Shares will resume in the near future.

***Our failure to comply with restrictive covenants contained in the documents governing our Senior Notes or any future credit facility could trigger prepayment obligations, which could adversely affect our business, financial condition and results of operations.***

The indentures governing our Senior Notes contain covenants that impose restrictions on us and certain of our subsidiaries with respect to, among other things, the incurrence of liens and the disposition of capital stock of these subsidiaries. In addition, any future credit facility may require us and/or certain of our subsidiaries to comply with certain covenants, which may include the maintenance of a minimum consolidated net tangible worth and restrictions on the payment of dividends. Our failure to comply with these covenants could result in an event of default under the indentures or any future credit facility, which, if not cured or waived, could result in us being required to repay the notes or any amounts outstanding under such credit facility prior to maturity. We believe we are in compliance with all of the covenants in the Indentures governing the Senior Notes. However, our business, financial condition and results of operations could be adversely affected if we were found to be in default of these covenants.

For more details on our indebtedness, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included under Item 7 and "*Notes to Consolidated Financial Statements - Note 11. Long-Term Debt*" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K.

***A significant amount of our invested assets are subject to changes in interest rates and market volatility. If we are unable to realize our investment objectives, our financial condition and results of operations may be adversely affected.***

Investment income is an important component of our net income. At December 31, 2018, total investments of \$4.1 billion represented 92.5% of our total cash and investments, of which \$23.7 million or 0.5% were in other investments, a combination of investments in limited partnerships and equity investments. As a result of market conditions prevailing at a particular time, the allocation of our portfolio to various asset types may vary. The fair market value of these assets and the investment income from these assets will fluctuate depending on general economic and market conditions. As we currently classify 75.0% of our fixed maturity investments as AFS, changes in the market value of our securities are reflected in shareholders' equity. The remainder of our fixed maturity investments are held-to-maturity ("HTM") and carried at amortized cost.

Our Board has established our investment policies and our executive management is implementing our investment strategy with the assistance of our investment managers. Although these guidelines stress diversification and capital preservation, our investment results will be subject to a variety of risks, including risks related to changes in the business, financial condition or results of operations of the entities in which we invest, as well as changes in general

economic conditions and overall market conditions, interest rate fluctuations and market volatility. Given our reliance on external investment managers, we are also exposed to operational risks, which may include, but are not limited to, a failure of these managers to follow our investment policy guidelines, a failure to maintain proper internal controls, technological and staffing deficiencies and inadequate disaster recovery plans.

Our investment portfolio consists almost completely of interest rate-sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions and other factors beyond our control. Changes in interest rates could have an adverse effect on the value of our investment portfolio and future investment income. For example, changes in interest rates can expose us to prepayment risks on U.S.

Government Agency mortgage-backed securities ("Agency MBS") included in our investment portfolio (all Agency MBS are currently "AA+" rated by S&P). Increases in interest rates will decrease the fair market value of our investments in fixed-income securities. If increases in interest rates occur during periods when we sell investments to satisfy liquidity needs, we may experience investment losses. In addition, a declining interest rate environment can result in reductions in our investment yield as new funds and proceeds from sales and maturities of fixed income securities are reinvested at lower rates. This reduces our overall profitability.

Interest rates are highly sensitive to many factors, including governmental monetary policies, inflation, domestic and international economic and political conditions and other factors beyond our control. In order to limit our exposure to unexpected interest rate increases which would reduce the value of our fixed income securities and reduce our shareholders' equity, we attempt to maintain the duration of our fixed maturity investment portfolio combined with our cash and cash equivalents, both restricted and unrestricted, within a reasonable range of the duration of our loss reserves. At December 31, 2018 and 2017, these respective durations in years were as follows:

For the Year Ended December 31,	2018	2017
Fixed maturities and cash and cash equivalents	4.2	4.4
Reserve for loss and LAE	4.5	3.6

The differential in duration between these assets and liabilities may fluctuate over time and in the case of fixed maturities, is affected by factors such as market conditions, asset allocations and prepayment speeds in the case of Agency MBS.

We believe we have historically mitigated our exposure to liquidity risk through prudent duration management and strong operating cash flow. Our business has undergone significant changes in the last year. As previously noted, the Strategic Review has resulted in a series of transactions that have transformed our operations and materially reduced the risk on our balance sheet. As a result of the transactions entered into from the Strategic Review, the Company's gross and net premiums written will be materially lower in 2019 and investment income will become a significantly larger portion of our revenues. We believe this will significantly reduce our operating cash flow.

However, we generally expect negative operating cash flows to be met or exceeded by positive investing cash flows. Overall, we expect our cash flows, together with our existing capital base and unrestricted cash and investments to be sufficient to meet cash requirements and to operate our business. The reinsurance transaction we entered into with Enstar in 2019 will shorten the duration of our liabilities which in turn may require us to adjust the duration of our fixed maturities which could lower our investment income. We also have very limited property catastrophe exposures which could cause an immediate need for cash. However, if we do not structure our investment portfolio so that it is appropriately matched with our reinsurance liabilities or our operating cash flow declines, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. For this or any of the other reasons discussed above, investment losses could significantly decrease our asset base, which would adversely affect our ability to conduct business. Any significant decline in our investment income would adversely affect our business, financial condition and results of operations.

***The determination of the fair values of our investments and whether a decline in the fair value of an investment is other-than-temporary are based on management's judgment and may prove to be incorrect.***

We hold a significant amount of assets without readily available, active, quoted market prices or for which fair value cannot be measured from actively quoted prices. These assets are generally deemed to require a higher degree of judgment used in measuring fair value. The assumptions used by management to measure fair values could turn out to be wrong and the actual amounts that may be realized in an orderly transaction with a willing market participant could be either lower or higher than our estimates of fair value. We review our investment portfolio for factors that may indicate that a decline in the fair value of an investment is other-than-temporary. This evaluation is based on subjective factors, assumptions and estimates and may prove to be materially incorrect, which may result in us recognizing additional losses in the future as new information emerges or recognizing losses currently that may never materialize in the future in an orderly transaction with a willing market participant.

***The availability and cost of security arrangements for reinsurance transactions may materially impact our ability to provide reinsurance from Bermuda to insurers domiciled in the U.S.***

Maiden Bermuda is not licensed, approved or accredited as a reinsurer anywhere else except Mexico (approved until December 31, 2019), and, therefore, under the terms of most of its contracts with U.S. ceding companies, it is required to provide collateral to its ceding companies for unpaid ceded liabilities, including when our obligations to these ceding companies exceed negotiated amounts, in a form acceptable to state insurance commissioners. Typically, this type of collateral takes the form of letters of credit issued by a bank, the establishment of a trust, or funds withheld. The amount of collateral we are required to provide typically represents a portion of the obligations we may owe the ceding company. Since we may be required to provide collateral based on the ceding company's estimate, we may be obligated to provide collateral that exceeds our estimates of the ultimate liability to the ceding company. It is also unclear what, if any, the impact would be in the event of the liquidation of a ceding company with which we have a collateral arrangement. If these facilities are unavailable, not sufficient or if we are unable to arrange for other types of security on commercially acceptable terms, Maiden Bermuda's ability to provide reinsurance to clients may be severely limited. At December 31, 2018, 93.4% of the collateral provided by Maiden Bermuda was in the form of trusts.



***We may be adversely impacted by inflation.***

Our operations, like those of other property and casualty insurers and reinsurers, are susceptible to the effects of inflation because premiums are established before the ultimate amounts of loss and LAE are known. Although we consider the potential effects of inflation when setting premium rates, our premiums may not fully offset the effects of inflation and essentially result in our underpricing the risks we insure and reinsure. Our reserve for loss and LAE includes assumptions about future payments for settlement of claims and claims handling expenses, such as the value of replacing property and associated labor costs for the property business we write, the value of medical treatments and litigation costs. To the extent inflation causes these costs to increase above reserves established for these claims, we will be required to increase our loss reserves with a corresponding reduction in our net income in the period in which the deficiency is identified, which may have a material adverse effect on our financial condition or results of operations.

***A decrease in the fair value of our subsidiaries may result in future impairments.***

The determination of impairments taken on our investments and loans varies by type of asset and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects impairments in operations as such evaluations are revised. There can be no assurance that our management has accurately assessed the level of impairments taken in our financial statements. Furthermore, additional impairments may need to be taken in the future, which could materially impact our financial position or results of operations. Historical trends may not be indicative of future impairments.

## **Regulation**

***Our regulatory capital position has significantly declined as a result of higher adverse prior year loss development leading to significant operating losses and higher regulatory scrutiny. If we are unable to adequately improve our capital position, it could lead to regulatory restrictions and even higher scrutiny.***

We previously reported a breach of the ECR in our Quarterly Report on Form 10-Q filed with the SEC on November 9, 2018. We took actions disclosed in our Current Reports on Form 8-K filed with the SEC on January 30, 2019 and March 4, 2019 to cure the ECR breach; however, there can be no assurance that additional actions that we may take to improve our capital position will be adequate or satisfactory to our regulators, the BMA, which may have a material adverse effect on our business. There can also be no assurance that our ongoing discussions with the BMA regarding the formulation of our longer term business plan, which requires the approval of the BMA for any new reinsurance business, will result in the required approval being granted.

***Compliance by our insurance subsidiaries with the legal and regulatory requirements to which they are subject is expensive. Any failure to comply could have a material adverse effect on our business.***

Our insurance subsidiaries are required to comply with a wide variety of laws and regulations applicable to insurance or reinsurance companies, both in the jurisdictions in which they are organized and where they sell their insurance and reinsurance products. The insurance and regulatory environment, in particular for offshore insurance and reinsurance companies, has become subject to increased scrutiny in many jurisdictions, including the U.S., various states within the U.S. and the EU. In the past, there have been Congressional and other initiatives in the U.S. regarding increased supervision and regulation of the insurance industry. It is not possible to predict the future impact of changes in laws and regulations on our operations. The cost of complying with any new legal requirements affecting our subsidiaries could have a material adverse effect on our business.

In addition, our subsidiaries may not always be able to obtain or maintain necessary licenses, permits, authorizations or accreditations. They also may not be able to fully comply with, or to obtain appropriate exemptions from, the laws and regulations applicable to them. Any failure to comply with applicable law or to obtain appropriate exemptions could result in restrictions on either the ability of the company in question, as well as potentially its affiliates, to do business in one or more of the jurisdictions in which they operate or on brokers on which we rely to produce business for us. In addition, any such failure to comply with applicable laws or to obtain appropriate exemptions could result in the imposition of fines or other sanctions. Any of these sanctions could have a material adverse effect on our business. To date, no fine, penalty or restriction has been imposed on us for failure to comply with any insurance law or regulation.

***Insurance statutes and regulations in jurisdictions outside and inside the U.S. could affect our profitability and restrict our ability to operate.***

Maiden Bermuda is licensed as a Bermuda insurance company and is subject to regulation and supervision in Bermuda. The applicable Bermuda statutes and regulations generally are designed to protect insureds and ceding insurance companies, not our shareholders. Nevertheless, we expect that any gross premiums written by Maiden Bermuda will be derived from reinsurance contracts entered into with entities mostly domiciled in the U.S. and Europe. Inquiries into or challenges to the insurance activities of Maiden Bermuda may still be raised by U.S. or European insurance regulators in the future.

In addition, even if Maiden Bermuda, as a reinsurer, is not directly regulated by applicable laws and regulations governing insurance in the jurisdictions where its ceding companies operate, these laws and regulations, and changes in them, can affect the profitability of the business that is ceded to Maiden Bermuda, and thereby affect our results of operations. The laws and regulations applicable to direct insurers could indirectly affect us in other ways as well, such as collateral requirements in various U.S. states to enable such insurers to receive credit for reinsurance ceded to us. In the past, there have been Congressional and other proposals in the U.S. regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the U.S. Our exposure to potential regulatory initiatives could be heightened by the fact that Maiden Bermuda is intended to be domiciled in, and operate exclusively from, Bermuda. Bermuda is a small jurisdiction and may be disadvantaged when participating in global or cross-border regulatory matters compared with larger jurisdictions such as the U.S. or the leading EU countries.

If Maiden Bermuda were to become subject to any insurance laws and regulations of the U.S. or any U.S. state, which are generally more restrictive than Bermuda laws and regulations, at any time in the future, it might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing specified types of policies or contracts. Complying with those laws could have a material adverse effect on our ability to conduct business and on our financial condition and results of operations.

In recent years, the state insurance regulatory framework in the U.S. has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance and reinsurance companies and insurance holding companies. Further, the NAIC and state insurance regulators are re-examining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws. Any proposed or future legislation or NAIC initiatives may be more restrictive than current regulatory requirements or may result in higher costs.

The BMA utilizes risk-based capital standards for insurance companies as a tool to assist the BMA both in measuring risk and in determining appropriate levels of capitalization. The amended Bermuda insurance statutes and regulations pursuant to the new risk-based supervisory approach required additional filings by insurers to be made to the BMA. The required statutory capital and surplus of our Bermuda-based operating subsidiary increased under the BSCR.

***The statutory credit afforded to certain aspects of our capital may change in the future.***

The components of our capital fall within various categories under Bermuda's and other regulatory capital regimes, including Solvency II in Europe. Each of these categories is afforded different treatment and this treatment may change in the future. For

example, the BMA has determined that our outstanding Senior Notes constitute Tier 2 capital through January 1, 2026 and our Series D Preference Shares constitute Tier 3 through January 1, 2026. Subsequent to that date in Bermuda, or at any time under another regulatory capital regime, these notes may not meet the requirements necessary to qualify as Tier 2 capital. It is possible also that the BMA's regulatory capital framework will be amended or replaced in the future and there is no assurance that the notes will continue to qualify as Tier 2 Capital or basic own funds under any amended or replacement framework. If any of our capital fails to receive the treatment it does today, we may be required to raise additional capital that would be afforded the necessary treatment under the applicable regulatory capital regime. Any such capital raised would be subject to market and other conditions, and there can be no assurance that we would be able to raise such capital when needed.

#### Europe

Within the EU, the EU Reinsurance Directive of November 2005 (the "Directive") was adopted. Member states of the EU ("Member States") and the European Economic Area ("EEA") were required to implement this by December 2007, however, several Member States were late in the implementation of the Directive and, in a few cases, further legislation is still necessary. The Directive requires member countries to lift barriers to trade within the EU for companies that are domiciled in an EU country, therefore, allowing reinsurers established in the EU to provide services to all EEA states. As a result, Maiden LF, being established in Sweden and regulated by the Swedish Finansinspektionen ("Swedish FSA"), is able, subject to regulatory notifications and there being no objection from the Swedish FSA and the Member States concerned, to provide insurance and reinsurance services in all EEA Member States. The Directive also does not prohibit EEA insurers from obtaining reinsurance from reinsurers licensed outside the EEA. As such, and subject to the specific rules in particular Member States, Maiden Bermuda may do business from Bermuda with insurers in EEA Member States, but it may not directly operate its reinsurance business within the EEA. Currently, each individual EEA Member State may impose conditions on reinsurance provided by Bermuda based reinsurers which could restrict their future provision of reinsurance to the EEA Member State concerned. A number of EEA Member States currently restrict the extent to which Bermudian reinsurers may promote their services in those Member States, and a few have certain prohibitions on the purchase of insurance from reinsurers not authorized in the EEA.

Solvency II was adopted by the European Parliament in April 2009. The EU's executive body, the European Commission ("EC") approved implementation of Solvency II with an effective start date of January 1, 2016. Solvency II is a principles-based regulatory regime which seeks to promote financial stability, enhance transparency and facilitate harmonization among insurance and reinsurance companies within the EU. Solvency II employs a risk-based approach to setting capital requirements for insurers and reinsurers. The Solvency II directive proposes that EU and non-EU reinsurers shall be treated in the same way provided that the non-EU jurisdiction is found to have a regulatory regime "equivalent" to that of Solvency II. Our reinsurance subsidiaries are headquartered in non-EU countries. If the regulatory regimes of such countries are found not to be equivalent to that of Solvency II and if our reinsurance subsidiaries fall below a certain minimum credit rating, then cedants in the EU may be prevented from recognizing the reinsurance provided to them by our reinsurance subsidiaries for the purpose of meeting their capital requirements or we may be required to provide additional collateral for our obligations to EU insurers. On November 26, 2015, the EC assessed the regulatory regime in Bermuda as being fully equivalent to Solvency II which was subsequently confirmed following a three month review period by the EC.

#### United States

In the U.S., licensed reinsurers are highly regulated and must comply with financial supervision standards comparable to those governing primary insurers. For additional discussion of the regulatory requirements to which Maiden Holdings, as a holding company, and its subsidiaries are subject, see Item 1 "*Business — Regulatory Matters*" in this Annual Report on Form 10-K. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could materially adversely affect our financial condition and results of operations. In addition, these statutes and regulations may, in effect, restrict the ability of our subsidiaries to write new business or, as indicated below, distribute funds to Maiden Holdings. In recent years, some U.S. state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Moreover, the NAIC and

state insurance regulators regularly re-examine existing laws and regulations and interpretations of existing laws and develop new laws. The new interpretations or laws may be more restrictive or may result in higher costs to us than current statutory requirements.

In addition, the federal government has undertaken initiatives, including the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. Dodd-Frank became effective on July 21, 2011. In addition to introducing sweeping reform of the U.S. financial services industry, Dodd-Frank has changed the regulation of reinsurance in the U.S. Dodd-Frank prohibits a state from denying credit for reinsurance if the state of domicile of the insurer purchasing the reinsurance recognizes credit for reinsurance. At present, it appears the changes specific to reinsurance in Dodd-Frank will not have a material adverse effect for non-U.S. reinsurers such as us, however, there is still significant uncertainty as to how these and other provisions of Dodd-Frank will be implemented in practice.

***Applicable insurance laws regarding the change of control of insurance companies may limit the acquisition of our shares.***

Under Bermuda law, for so long as Maiden Holdings has an insurance subsidiary registered under the Insurance Act, the BMA may at any time, by written notice, object to a person holding 10% or more of its common shares if it appears to the BMA that the person is not or is no longer fit and proper to be such a holder. In such a case, the BMA may require the shareholder to reduce its holding of common shares in Maiden Holdings and direct, among other things, that such shareholder's voting rights attaching to the common shares shall not be exercisable. A person who does not comply with such a notice or direction from the BMA will be guilty of an offense and shall be liable if convicted on indictment, to a fine of \$0.1 million and/or two years in prison. In addition, a person holding 10% or more of the company's common shares is not permitted to reduce or dispose of its holdings such that the proportion of the voting rights held by the shareholder will reach or fall below 10%, 20%, 33% or 50%, as the case may be, unless that shareholder has served on the BMA a notice in writing that it intends to do so. A person who has reduced or disposed of his

holding in the company, where the proportion of the voting rights held by him will have reached or has fallen below 10%, 20%, 33% or 50%, as the case may be, without notifying the BMA of their intention to do so will be guilty of an offense. This may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

***Changes in accounting principles and financial reporting requirements could result in material changes to our reported results of operations and financial condition.***

U.S. GAAP and related financial reporting requirements are complex, continually evolving and may be subject to varied interpretation by the relevant authoritative bodies. Such varied interpretations could result from differing views related to specific facts and circumstances. Changes in U.S. GAAP and financial reporting requirements, or in the interpretation of U.S. GAAP or those requirements, could result in material changes to our reported results and financial condition.

***Legislation enacted in Bermuda in response to the European Union’s review of harmful tax competition could adversely affect our operations.***

During 2017, the EU Economic and Financial Affairs Council (“ECOFIN”) released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. Bermuda was not on the list of non-cooperative jurisdictions, but did feature in the report (along with approximately 40 other jurisdictions) as having committed to address concerns relating to economic substance by December 31, 2018. In accordance with that commitment, Bermuda has enacted legislation that requires certain entities in Bermuda engaged in “relevant activities” to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. The list of “relevant activities” includes carrying on as a business in any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities. Any entity that must satisfy economic substance requirements but fails to do so could face automatic disclosure to competent authorities in the EU of the information filed by the entity with the Bermuda Registrar of Companies in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of its business activities and/or may be struck off as a registered entity in Bermuda.

**Corporate Governance and Risks Related to an Investment in our Securities**

***Our holding company structure and certain regulatory and other constraints affect our ability to pay dividends and make other payments.***

Maiden Holdings is a holding company. As a result, we do not have, and will not have, any significant operations or assets other than our ownership of the shares of our subsidiaries. We expect that dividends and other permitted distributions from Maiden Bermuda, Maiden Global (and its subsidiaries), Maiden LF, Maiden GF and Maiden NA (and its subsidiaries) will be our sole source of funds to pay dividends to common and preference shareholders and meet ongoing cash requirements, including debt service payments, if any, and other expenses. The inability of our subsidiaries to pay dividends in an amount sufficient to enable us to meet our cash requirements at the holding company level could have a material adverse effect on our business, financial condition and results of operations. We are also subject to Bermuda regulatory constraints that affect our ability to pay dividends on our shares and make other payments. Under the Bermuda Companies Act, we may declare or pay a dividend out of distributable reserves only if we have reasonable grounds for believing that we are, or would after the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than our liabilities. We have voluntarily undertaken with the BMA not to make any capital distribution of any kind out of any Bermuda entity. Additionally, as part of our effort to improve our capital ratios and adequacy, we have voluntarily undertaken with the BMA not to make any capital distributions or voluntarily redeem the 2013 Senior Notes without its prior written approval.

The timing and amount of any cash dividends on our common and preference shares are at the discretion of the Board and will depend upon result of operations and cash flows, our financial position and capital requirements, and any other factors that our Board deems relevant. Our Board did not declare dividends on the Preference Shares for the December 1, 2018 and March 1, 2019 dividend dates and there can be no assurance that the authorization and

declaration of dividends on the Preference Shares will resume in the near future.

***Our common stock may be at risk for delisting from the NASDAQ Global Select Market in the future. Delisting could adversely affect the liquidity of our common stock and the market price of our common stock could decrease.***

Our common stock is currently listed on the NASDAQ Global Select Market ("NASDAQ"). NASDAQ has minimum requirements that a company must meet in order to remain listed on NASDAQ. These requirements include maintaining a minimum closing bid price of \$1.00 per share. Recently, the closing prices of our common stock has been below \$1.00 per share, and there can be no assurance that we will continue to meet this, or any other, requirement in the future, and, if we do not, it is possible that NASDAQ may notify us that we have failed to meet the minimum listing requirements and initiate the delisting process. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease further. In addition, if delisted, we would no longer be subject to NASDAQ rules, including rules requiring us to have a certain number of independent directors and to meet other corporate governance standards. Our failure to be listed on NASDAQ or another established securities market would have a material adverse effect on the value of your investment in us.

***The Preference Shares are equity and are subordinate to our existing and future indebtedness and other liabilities.***

The Preference Shares are equity interests and do not constitute indebtedness. As such, the Preference Shares will rank junior to all of our indebtedness and other non-equity claims of our creditors with respect to assets available to satisfy the claims during liquidation. At December 31, 2018, our total consolidated debt, net of issuance cost was \$254.7 million and our total consolidated liabilities were \$4.7 billion. We may incur additional debt and liabilities in the future. Our existing and future indebtedness may

restrict payments of dividends on the Preference Shares. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preference shares, dividends are payable only if declared by our Board (or a duly authorized committee of the Board).

***We have risks related to the Company's Senior Notes.***

Maiden NA issued the 2013 Senior Notes in the principal amount of \$152.5 million, all of which is currently outstanding and is subject to a guarantee by Maiden Holdings. Maiden Holdings has issued the 2016 Senior Notes in the principal amount of \$110.0 million, all of which is currently outstanding (the 2016 Senior Notes collectively with the 2013 Senior Notes, the "Senior Notes"). If we are unable to maintain a level of cash flows from operating and investment activities, our ability to pay our obligations on our Senior Notes could be adversely affected.

We may also incur additional indebtedness in the future. The level of debt outstanding could adversely affect our financial flexibility. Our indebtedness could have adverse consequences, including:

- limiting our ability to pay dividends to our common and preference shareholders;
- limiting our subsidiaries' ability to pay dividends;
- increasing our vulnerability to changing economic, regulatory and industry conditions;
- limiting our ability to compete and our flexibility in planning for, or reacting to, changes in our business and the industry;
- limiting our ability to borrow additional funds;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby, reducing funds available for working capital, capital expenditures, acquisitions and other purposes; and
- impacting rating agencies and regulators assessment of our capital position, adequacy and flexibility and therefore, the financial strength ratings of rating agencies and regulators assessment of our solvency.

***A few significant shareholders may influence or control the direction of our business. If the ownership of our common shares continues to be highly concentrated, it may limit your ability and the ability of other shareholders to influence significant corporate decisions.***

The interests of our significant shareholders may not be fully aligned with our interests, and this may lead to a strategy that is not in our best interest. Although they do not have any voting agreements or arrangements, our Founding Shareholders could exercise significant influence over matters requiring shareholder approval, and their concentrated holdings may delay or deter possible changes in control of Maiden Holdings, which may reduce the market price of our common shares.

***Dividends on the Series A, Series C and Series D Preference Shares are non-cumulative.***

Dividends on the Series A, Series C and Series D Preference Shares are non-cumulative and payable only out of lawfully available funds of the Company under Bermuda law. Consequently, if our Board (or a duly authorized committee of the Board) does not authorize and declare a dividend for any dividend period with respect to the Series A, Series C and Series D Preference Shares, holders of the Series A, Series C and Series D Preference Shares would not be entitled to receive any such dividend, and such unpaid dividend will not accumulate and will never be payable. We will have no obligation to pay dividends for a dividend period on or after the dividend payment date for such period if the Board (or a duly authorized committee of the Board) has not declared such dividend before the related dividend payment date. If dividends on the Series A, Series C and Series D Preference Shares are authorized and declared with respect to any subsequent dividend period, we will be free to pay dividends on any other series of preference shares and/or our common shares.

Under Bermuda law, we will not be permitted to pay dividends on the Preference Shares (even if such dividends have been previously declared) if there are reasonable grounds for believing that we are, or would after the payment be, unable to pay our liabilities as they become due; or the realizable value of our assets would thereby be less than our liabilities or that we are or would after such payment be in breach of the Insurance Act, Insurance (Prudential Standards) Class 4 and Class 3B Solvency Requirement Rules 2008, the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, including the enhanced capital requirement or the group enhanced capital requirement contained within such rules or under such other applicable rules and regulations as may from time to time be issued by the BMA (or any successor agency or then-applicable regulatory authority) pursuant to the terms of the



Insurance Act, or any successor legislation.

Our Board did not declare dividends on the Preference Shares for the December 1, 2018 and March 1, 2019 dividend dates and there can be no assurance that the authorization and declaration of dividends on the Preference Shares will resume in the near future.

***Voting Rights for Shareholders of Series A, Series C and Series D Preference Shares may be invoked.***

Currently, the holders of the Series A, Series C and Series D Preference Shares have no voting rights. Whenever dividends on any Series A, Series C and Series D Preference Shares have not been declared and paid for the equivalent of six or more dividend periods, whether or not for consecutive dividend periods (a “nonpayment event”), the holders of the Series A, Series C and Series D Preference Shares will be entitled to vote for the election of a total of two additional members of the Board of Maiden Holdings (the “preference shares directors”), provided that the election of any such directors shall not cause us to violate the corporate governance requirement of any exchange, on which our securities may be listed or quoted, that listed or quoted companies must have a majority of independent directors. In that event, the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the aggregate voting power of the Series A, Series C and Series D Preference Shares (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders

of Maiden Holdings, in which event such election shall be held at such next annual or special meeting of shareholders, and at each subsequent annual meeting.

Our Board did not authorize or declare a dividend for the most recent dividend periods December 1, 2018 and March 1, 2019 with respect to the Series A, Series C and Series D Preference Shares. Therefore, the voting rights discussed above may be invoked if our Board does not authorize any such dividends with respect to Preference Shares for four additional dividend periods, whether or not for consecutive dividend periods. There can be no assurance as to the impact on the Company's operations should the election of such additional board members occur.

***Our revenues and results of operations may fluctuate as a result of factors beyond our control, which may cause the price of our shares to be volatile.***

The revenues and results of operations of reinsurance companies historically have been subject to significant fluctuations and uncertainties. Our profitability can be affected significantly by:

• fluctuations in interest rates, inflationary pressures and other changes in the investment environment that affect returns on invested assets;

• changes in the frequency or severity of claims;

• volatile and unpredictable developments, including man-made, weather-related and other natural catastrophes or terrorist attacks;

• price competition;

• inadequate loss and LAE reserves;

• cyclical nature of the property and casualty insurance market; and

• negative developments in the specialty property and casualty reinsurance sectors in which we operate.

These factors may cause the price of the Company's shares to be volatile.

***The market price for our ordinary shares has been and may continue to be highly volatile, and if there is a further sustained decline in our share price there could be limited liquidity for our ordinary shares.***

The market price for our ordinary shares has fluctuated significantly. Future sales of our common shares by our shareholders or us, or the perception that such sales may occur, could adversely affect the market price of our common shares. As of March 8, 2019, 82,957,895 common shares were outstanding. In addition, we have reserved 10,000,000 common shares for issuance under our Amended and Restated 2007 Share Incentive Plan. As of March 8, 2019, the total options outstanding was 552,749 and the total restricted shares outstanding was 303,058. Sales of substantial amounts of our shares, or the perception that such sales could occur, could adversely affect the prevailing price of the shares and may make it more difficult for us to sell our equity securities in the future, or for shareholders to sell their shares, at a time and price that they deem appropriate.

***Provisions in our bye-laws may reduce or increase the voting rights of our shares.***

In general, and except as provided under our bye-laws and as provided below, the common shareholders have one vote for each common share held by them and are entitled to vote, on a non-cumulative basis, at all meetings of shareholders. However, if, and so long as, the shares of a shareholder are treated as "controlled shares" (as determined pursuant to Sections 957 and 958 of the Internal Revenue Code of 1986, as amended (the "IRS Code")) of any U.S. Person (as that term is defined in the risk factors under the section captioned "Taxation" within this Item on page 35 that owns shares directly or indirectly through non-U.S. entities) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares owned by such U.S. Person will be limited, in the aggregate, to a voting power of less than 9.5%, under a formula specified in our bye-laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our Board may limit a shareholder's voting rights when it deems it appropriate to do so to (i) avoid the existence of any 9.5% U.S. Shareholder; and (ii) avoid certain material adverse tax, legal or regulatory consequences to us, to any of our subsidiaries or any direct or indirect shareholder or its affiliates. "Controlled shares" include, among other things, all shares that a U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the IRS Code). The amount of any reduction of votes that occurs by operation of the above limitations will generally be reallocated proportionately among our other shareholders whose shares were not "controlled shares" of the 9.5% U.S. Shareholder so long as such reallocation does not cause any person to become a 9.5% U.S. Shareholder.

Under these provisions, certain shareholders may have their voting rights limited, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share ownership.

We are authorized under our bye-laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the bye-laws. If any holder fails to respond to this request or submits incomplete or inaccurate information, we may, in our sole discretion, eliminate or adjust the shareholder's voting rights.

***Anti-takeover provisions in our bye-laws could impede an attempt to replace or remove our directors, which could diminish the value of our common shares.***

Our bye-laws contain provisions that may entrench directors and make it more difficult for shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions could delay or prevent a change of control that a shareholder might consider favorable. For example, these provisions may prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence

of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging changes in management and takeover attempts in the future.

Examples of provisions in our bye-laws that could have such an effect include the following:

- our Board may reduce the total voting power of any shareholder to avoid adverse tax, legal or regulatory consequences to us or any direct or indirect holder of our shares or its affiliates; and

- our Board may, in their discretion, decline to record the transfer of any common shares on our share register, if they are not satisfied that all required regulatory approvals for such transfer have been obtained or if they determine such transfer may result in a non-de minimis adverse tax, legal or regulatory consequence to us or any direct or indirect holder of shares or its affiliates.

***It may be difficult for a third party to acquire us.***

Provisions of our organizational documents may discourage, delay or prevent a merger, amalgamation, tender offer or other change of control that holders of our shares may consider favorable. These provisions impose various procedural and other requirements that could make it more difficult for shareholders to effect various corporate actions. These provisions could:

- have the effect of delaying, deferring or preventing a change in control of us;

- discourage bids for our securities at a premium over the market price;

- adversely affect the price of, and the voting and other rights of the holders of our securities; or

- impede the ability of the holders of our securities to change our management.

***U.S. persons who own our shares may have more difficulty in protecting their interests than U.S. persons who are shareholders of a U.S. corporation.***

The Companies Act, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. As a result of these differences, U.S. persons who own our shares may have more difficulty protecting their interests than U.S. persons who own shares of a U.S. corporation. Set forth below is a summary of certain significant provisions of the Companies Act, including modifications adopted pursuant to our bye-laws, applicable to us which differ in certain respects from provisions of Delaware corporate law. Because the following statements are summaries, they do not discuss all aspects of Bermuda law that may be relevant to us and our shareholders.

***Interested Directors.*** Bermuda law provides that if a director has a personal interest in a transaction to which the company is also a party and if the director discloses the nature of this personal interest at the first opportunity, either at a meeting of directors or in writing to the directors, then the company will not be able to declare the transaction void solely due to the existence of that personal interest and the director will not be liable to the company for any profit realized from the transaction. In addition, Bermuda law and our bye-laws provide that, after a director has made the declaration of interest referred to above, he is allowed to be counted for purposes of determining whether a quorum is present and to vote on a transaction in which he has an interest, unless disqualified from doing so by the chairman of the relevant board meeting. Under Delaware law, such transaction would not be voidable if:

- the material facts as to such interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;

- such material facts are disclosed or are known to the shareholders entitled;

- to vote on such transaction and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon; or

- the transaction is fair as to the corporation as of the time it is authorized, approved or ratified.

Under Delaware law, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

***Mergers and Similar Arrangements.*** The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Under our bye-laws, we may, with the approval of a majority of votes cast at a general meeting of our shareholders at which a quorum is present, amalgamate or merge with another

Bermuda company or with a body incorporated outside Bermuda. In the case of an amalgamation or merger, a shareholder that did not vote in favour of the amalgamation or merger may apply to a Bermuda court for a proper valuation of such shareholder's shares if such shareholder is not satisfied that fair value has been paid for such shares. Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

*Shareholders' Suit.* The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, is illegal or would result in the violation of our memorandum of association or bye-laws. Furthermore, consideration would be given by the court to acts that

are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with such action. Our bye-laws provide that shareholders waive all claims or rights of action that they might have, individually or in the right of the company, against any director or officer for any act or failure to act in the performance of such director's or officer's duties, except with respect to any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

*Indemnification of Directors.* We may indemnify our directors or officers in their capacity as directors or officers of any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to the company other than in respect of his or her own fraud or dishonesty. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful. In addition, we have entered into indemnification agreements with our directors and officers.

***We are a Bermuda company and it may be difficult for you to enforce judgments against us or our directors and executive officers.***

We are incorporated under the laws of Bermuda and our business is based in Bermuda. In addition, most of our directors and officers reside outside Bermuda and a substantial portion of our assets will be and the assets of these persons are, and will continue to be, located in jurisdictions outside Bermuda. As such, it may be difficult or impossible to effect service of process within the U.S. upon us or those persons or to recover against us or them on judgments of U.S. courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws. Further, no claim may be brought in Bermuda against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

We have been previously advised by Conyers Dill & Pearman Limited, our Bermuda counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named in this Report, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us or these persons predicated solely upon U.S. federal securities laws. Further, we have been advised by Conyers Dill & Pearman Limited that there is no treaty in effect between the U.S. and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against us based upon such judgments.

#### **Relationship with AmTrust**

***Termination of the Quota Share Agreements with AmTrust is expected to result in a significant reduction in our future revenues and create significant uncertainty for sources of future liquidity.***

Effective January 1, 2019, we, through our subsidiary Maiden Bermuda, amended the AmTrust Quota Share that is currently in-force and set to expire on June 30, 2019. The 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. The amendment resulted in Maiden Bermuda

returning approximately \$716.1 million in unearned premium to AII, which nets to approximately \$480.0 million after consideration of ceding commission and brokerage. 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 30, 2019, we, through our subsidiary Maiden Bermuda, and AmTrust, through its subsidiaries AII, AEL and AIU DAC, agreed to terminate on a run-off basis (i) the AmTrust Quota Share between Maiden Bermuda and AII, originally entered into on July 1, 2007 by which AII retrocedes to Maiden Bermuda certain lines of business assumed by AII from certain of AmTrust's U.S., Irish and U.K. insurance company subsidiaries; and (ii) the European Hospital Liability Quota Share among Maiden Bermuda, AEL and AIU DAC, originally entered into on April 1, 2011, by which AEL cedes 20% and AIU DAC cedes 40% to Maiden Bermuda of AmTrust's European medical liability business. Each termination was effective as of January 1, 2019.

This will result in a significant reduction in revenues for the foreseeable future and our financial condition could be adversely affected. As a result of this loss of revenue, we will need to rely on unrestricted cash from operations and our returns on investments to fund our operations, maintain liquidity and meet our financial obligations and capital allocation priorities. While we believe we have sufficient sources to meet these obligations, deterioration in our results of operations or other adverse financial events could impact our ability to continue meeting these obligations.

***Our initial arrangements with AmTrust were negotiated while we were its affiliate. The arrangements could be challenged as not reflecting terms that we would agree to in arm's-length negotiations with an independent third party; moreover, our business relationship with AmTrust and its subsidiaries may present, and may make us vulnerable to, possible adverse tax consequences, difficult conflicts of interest, and legal claims that we have not acted in the best interest of our shareholders.***

We entered into a quota share agreement with AII, which reinsures AmTrust's insurance company subsidiaries, and a Master Agreement with AmTrust, pursuant to which Maiden Bermuda entered into the quota share agreement. Because (i) Leah Karfunkel (wife of Michael Karfunkel), George Karfunkel and Barry Zyskind (the Company's non-executive chairman) collectively own or control approximately 53.9% of the outstanding common shares of Evergreen Parent GP, LLC, the ultimate parent of AmTrust, (ii) our Founding Shareholders sponsored our formation, and (iii) based on each individual's most recent public filing as of December 31, 2018, Leah Karfunkel owns or controls approximately 8.2% of the outstanding shares of the Company and Barry Zyskind owns or controls approximately 7.7% of the outstanding shares of the Company, we may be deemed to be an affiliate of AmTrust. George Karfunkel now owns or controls less than 5.0% of the outstanding shares of the Company based on his most recent public filings. Due to our close business relationship with AmTrust, we may be presented with situations involving conflicts of interest with respect to the agreements and other arrangements we will enter into with AmTrust and its subsidiaries, exposing us to possible claims that we have not acted in the best interest of our shareholders. The arrangements between us and AmTrust were modified after they were originally entered into and there could be future modifications.

***Our non-executive Chairman of the Board currently holds the positions of President, Chief Executive Officer and Chairman of AmTrust. These dual positions may present, and make us vulnerable to, difficult conflicts of interest and related legal challenges.***

Barry Zyskind, our non-executive Chairman of the Board, is the President, Chief Executive Officer and Chairman of the Board of AmTrust and, as such, he does not serve our Company on a full-time basis. Mr. Zyskind is expected to continue in both of his positions for the foreseeable future. Conflicts of interest could arise with respect to business opportunities that could be advantageous to AmTrust or its subsidiaries, on the one hand, and us or our subsidiary, on the other hand. In addition, potential conflicts of interest may arise should the interests of the Company and AmTrust diverge. However, the Audit Committee of our Board, which consists entirely of independent directors, does review and approve all related party transactions.

***Collateral has been provided to AmTrust, AII and AEL in the form of trusts, funds withheld, letters of credit and a loan.***

As a result of our use of trust accounts, funds withheld, letters of credit and a loan, a substantial portion of our assets will not be available to us for other uses, which could reduce our financial flexibility and could impact our ability to fulfill our obligations in certain circumstances. If further collateral is required to be provided to any other AmTrust subsidiaries under applicable law or regulatory requirements, Maiden Bermuda will provide collateral to the extent required. At December 31, 2018, \$4.1 billion was provided as collateral to AmTrust, AII and AEL in the form of trusts, letters of credit and a loan.

In January 2019, as part of the amendment to the AmTrust Quota Share noted above, the Company transferred cash and investments totaling \$575.0 million to AmTrust from 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. The amended agreement specifies an annual interest rate of 3.5% on Funds Withheld and is subject to annual adjustment under criteria established in the amendment. The interest credited shall be calculated based on the average daily withheld funds balance for the subject calendar quarter.

Maiden Bermuda is not a party to the reinsurance agreements between AII and AmTrust's U.S. insurance subsidiaries or the related reinsurance trust agreements and has no rights thereunder. If one or more of these AmTrust subsidiaries withdraws Maiden Bermuda's assets from their trust account or misapplies withheld funds that are due to Maiden Bermuda and that subsidiary is or becomes insolvent, we believe it may be more difficult for Maiden Bermuda to recover any such amounts to which we are entitled than it would be if Maiden Bermuda had entered into reinsurance and trust agreements with these AmTrust subsidiaries directly. AII has agreed to immediately return to Maiden



Bermuda any collateral provided by Maiden Bermuda that one of those subsidiaries improperly utilizes or retains, and AmTrust has agreed to guarantee AII's repayment obligation and AII's payment obligations under its loan agreement with Maiden Bermuda. We are subject to the risk that AII and/or AmTrust may be unable or unwilling to discharge these obligations.

**International Operations**

*Our offices that operate in jurisdictions outside Bermuda and the U.S. are subject to certain limitations and risks that are unique to foreign operations.*

Our international operations are regulated in various jurisdictions with respect to licensing requirements, currency, reserves, employees and other matters. International operations may be harmed by political developments in foreign countries, which may be hard to predict in advance. Regulations governing technical reserves and remittance balances in some countries may hinder remittance of profits and repatriation of assets.

*Foreign currency fluctuations may reduce our net income and our capital levels adversely affecting our financial condition.*

We conduct business in a variety of non-U.S. currencies, the principal exposures being the euro, the British pound, the Canadian dollar and the Swedish krona. Assets and liabilities denominated in foreign currencies are exposed to changes in currency exchange rates. Our reporting currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results of operations and financial position. Our principal exposure to foreign currency risk is our obligation to settle claims in foreign currencies. In addition, we maintain and expect to continue to maintain a portion of our investment portfolio in investments denominated in currencies other than the U.S. dollar. While the Company may be able to match its foreign currency denominated assets against its net reinsurance liabilities both by currency and duration to protect the Company against foreign exchange and interest rate risks, a natural offset does not exist for all currencies.

We may employ various strategies (including hedging) to manage our exposure to foreign currency exchange risk. To the extent that these exposures are not fully hedged or the hedges are ineffective, our results or equity may be reduced by fluctuations in foreign currency exchange rates that could materially adversely affect our financial condition and results of operations. At December 31, 2018, no such hedges or hedging strategies were in force or had been entered into.

***If the European common currency, the euro, were to be devalued, undergo structural changes or in an extreme scenario collapse, in its participating countries or the basis on which they participate, we could be impacted, potentially significantly by the subsequent effects of such a circumstance.***

We conduct business in countries in which the euro is the local currency. We report our financial results in U.S. dollars and use widely reported exchange rates to convert this currency into U.S. dollars. Countries whose currency is the euro have experienced significant economic uncertainty in recent years, which continues through the present time. These circumstances are the cumulative result of the effect of excessive sovereign debt, deficits by numerous participating countries in the euro, uncertainty regarding the monetary policies of the EU and their underlying funding mechanisms and poor economic growth and prospects for the EU as a whole. While economic policy measures and commitments have stabilized the currency's volatility, the EU's fiscal outlook remains negative, and permanent solutions to resolve these issues by participating countries and other institutions to stabilize the EU and improve its economic outlook have not been resolved.

Irrespective of the ultimate future of the currency, the impact of these efforts may cause a further deterioration in the value of the euro and consequently exacerbate instability in global credit markets, and increase credit concerns resulting in the widening of bond yield spreads. The impact of these developments, while potentially severe, remains extremely difficult to predict. However, should European governments default on their obligations, there will be a negative impact on government and non-government issued bonds, government guaranteed corporate bonds and bonds and equities issued by financial institutions and held within the country of default which in turn could adversely impact euro-denominated assets held in our investment portfolio.

For the year ended December 31, 2018 and as at December 31, 2018, 10.2% of our net premiums written and 15.2% of our reserve for loss and LAE is euro denominated, respectively. At December 31, 2018 our fixed income portfolio contains \$284.4 million of euro-denominated corporate bonds, which constitutes 7.0% of the fixed income portfolio. We hold no sovereign bonds of Greece, Ireland, Italy, Portugal or Spain.

#### **Employee Issues**

***We are dependent on our key executives. We may not be able to attract and retain key employees or successfully integrate our new management team to fully implement our newly formulated business strategy.***

Our success depends largely on our senior management, which includes, among others, Lawrence F. Metz, our President and Chief Executive Officer ("CEO"), Patrick J. Haveron, our Executive Vice President, Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), and President of Maiden Bermuda. We have entered into employment agreements with each of these executive officers.

In addition to the officers listed above, we require key staff with actuarial, legal, reinsurance, accounting and administrative skills. As a result of the Strategic Review, we have a significantly smaller staff and given our current business circumstances, it may be difficult for us to retain staff and recruit competent new executives and staff. Our inability to attract and retain additional personnel or the loss of the services of any of our senior executives or key employees could delay or prevent us from fully implementing our business strategy and could significantly and negatively affect our business.

***Our employee attrition recently has been high and may affect our ability to adequately manage our business.***

We have sold Maiden US as well as terminated and sold certain lines of business. In connection with those transactions, a number of our employees have departed and we have recently hired new senior executives to replace certain of these employees. Our attrition due to these dispositions has been high and may affect our ability to manage our business as we train these new employees and integrate them into our company.

***Our business in Bermuda could be adversely affected by Bermuda employment restrictions.***

Currently, we employ eleven non-Bermudians in our Bermuda office including our President and CEO, our CFO, COO and Maiden Bermuda's President. We may hire additional non-Bermudians as our business grows. Under

Bermuda law, non-Bermudians (other than spouses of Bermudians, holders of permanent residents' certificates and holders of working residents' certificates) may not engage in any gainful occupation in Bermuda without a valid government work permit. A work permit may be granted or renewed upon showing that, after proper public advertisement, no Bermudian, spouse of a Bermudian, or holder of a permanent resident's or working resident's certificate who meets the minimum standards reasonably required by the employer has applied for the job. Work permits are issued with expiry dates that range from one, three, five, six or, in certain circumstances for key executives, ten years. We may not be able to use the services of one or more of our non-Bermudian employees if we are not able to obtain work permits for them, which could have a material adverse effect on our business, financial condition and results of operations.

**Insurance and Reinsurance Markets**

*The property and casualty insurance and reinsurance industry is cyclical in nature, which may affect our overall financial performance.*

Historically, the financial performance of the property and casualty insurance and reinsurance industry has tended to fluctuate in cyclical periods of price competition and excess capacity (known as a soft market) followed by periods of high premium rates and shortages of underwriting capacity (known as a hard market). Although the financial performance of an individual insurance or reinsurance company is dependent on its own specific business characteristics, the profitability of most property and casualty insurance and reinsurance companies tends to follow this cyclical market pattern.

In recent years, the market has been in a competitive environment in which underwriting capacity has expanded, risk selection became less disciplined and price competition increased sharply. During that period, market participants' capital levels have continued to improve due to positive earnings and improved values of risk assets over that time. In addition, an influx of new market participants with different operating models than traditional reinsurers such as us have entered the market place. While many of these new market participants specialize in property catastrophe oriented business and do not directly compete with us, they are influencing competitive conditions in the broader reinsurance market. This additional underwriting capacity resulted in increased competition from other insurance and reinsurance companies expanding the types or amounts of business they write, or from companies seeking to maintain or increase market share at the expense of underwriting discipline.

Because this cyclicity is due in large part to the actions of our competitors and general economic factors beyond our control, we cannot predict with certainty the timing or duration of changes in the market cycle. These cyclical patterns, the actions of our competitors, and general economic factors could cause our revenues and net income to fluctuate, which may cause the price of our common shares to be volatile. The ultimate outcome of these events and their market impact is not known at this time.

***Negative developments in the U.S. workers' compensation insurance industry could adversely affect our financial condition and results of operations.***

In 2018, reinsurance of U.S. workers' compensation insurance was 48.3% of total gross premiums written, which is our largest exposure to a particular line of business and written entirely in our AmTrust Reinsurance segment. Furthermore, 50.4% of our AmTrust Reinsurance segment's reserve for loss and LAE at December 31, 2018 were related to U.S. workers' compensation risks. Our AmTrust Reinsurance segment includes all business ceded by AmTrust to Maiden Bermuda, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share. Both contracts in this segment have been terminated effective January 1, 2019. Negative developments in the economic, competitive or regulatory conditions affecting the U.S. workers' compensation insurance industry could have an adverse effect on our financial condition and results of operations. For example, if legislators in our larger markets were to enact legislation to increase the scope or amount of benefits for employees under U.S. workers' compensation insurance policies without related premium increases or loss control measures, or if regulators made other changes to the regulatory system governing U.S. workers' compensation insurance, this could negatively affect the U.S. workers' compensation insurance industry in the affected markets.

In many states, there are active regulatory activities that oversee the level of rates that can be charged by individual insurers. As a result, there is a risk that our clients may not be able to implement needed rate increases to maintain sufficient levels of profitability on business we write and clients may implement decreases that adversely affect us.

***We operate in a highly competitive industry.***

The reinsurance industry is highly competitive. We compete with major U.S. and non-U.S. reinsurers, including other Bermuda-based reinsurers, on an international and regional basis. Many of these entities have significantly larger amounts of capital, higher ratings from rating agencies and more resources than us. We currently do not have a financial strength or credit rating from S&P or A.M. Best and the lack of such ratings will likely limit the opportunities we have to write new reinsurance business. Historically, periods of increased capacity levels in our industry have led to increased competition which puts pressure on reinsurance pricing.

In recent years, significant increases in the use of risk-linked securities and derivative and other non-traditional risk transfer mechanisms and vehicles are being developed and offered by other parties, including entities other than insurance and reinsurance companies. The availability of both these non-traditional products and sources of capital could reduce the demand for traditional insurance and reinsurance and may result in fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention and less favorable policy terms and conditions, which could have a material adverse impact on our growth and profitability.

We cannot assure you that Maiden Bermuda will retain its clients or write new business as we may expect. Market conditions have been competitive for an extended period of time and are expected to remain competitive for the foreseeable future, particularly as new market participants with business objectives different from ours influence the competitive environment. In addition, other companies may continue to offer reinsurance and insurance products on more competitive terms than we can provide.

***Consolidation in the insurance and reinsurance industry and increased competition on premium rates could lead to lower margins for us and less demand for our products and services.***

The insurance and reinsurance industry continues to undergo a process of consolidation as industry participants seek to enhance their product and geographic reach, client base, operating efficiency and general market power through merger and acquisition activities. It is possible that the larger combined entities resulting from these mergers and acquisition activities may seek to use the benefits of consolidation, including improved efficiencies and economies of scale, to, among other things, implement price reductions for their products and services to increase their market shares. Consolidation among primary insurance companies may also lead to reduced use of reinsurance as the resulting larger companies may be able to retain more risk and may also have bargaining power in negotiations with reinsurers. If competitive pressures compel us to reduce our prices, our operating margins will decrease.

As the insurance and reinsurance industry consolidates, competition may become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, which could reduce our operating margins. When the property-casualty insurance industry has exhibited a greater degree of competition, premium rates have come under downward pressure as a result. Greater competition could result in reduced volumes of reinsurance written and could reduce our profitability.

### **Clients, Brokers and Financial Institutions**

*Our business has historically been dependent upon reinsurance brokers and other producers, including third party administrators and financial institutions, and the failure to develop or maintain these relationships could materially adversely affect our ability to market our products and services.*

Our failure to further develop or maintain relationships with brokers and other producers, including third party administrators and financial institutions, from whom we expect to receive our business could have a material adverse effect on our business, financial condition and results of operations.

*Our reliance on brokers subjects us to their credit risk.*

In accordance with industry practice, we anticipate that we will frequently pay amounts owed on claims under our reinsurance contracts to brokers, and these brokers in turn are required to pay and will pay these amounts over to the clients that have purchased reinsurance from us. If a broker fails to make such a payment, it is highly likely that we will be liable to the client for the deficiency under local laws or contractual obligations, notwithstanding the broker's obligation to make such payment. Likewise, when the client pays premiums for these policies to brokers for payment over to us, these premiums are considered to have been paid and, in most cases, the client will no longer be liable to us for those amounts, whether or not we actually receive the premiums from the brokers. Consequently, we will assume a degree of credit risk associated with brokers with whom we work with respect to some of our reinsurance business.

*We could incur substantial losses and reduced liquidity if one of the financial institutions we use in our operations fails.*

We have exposure to counterparties in many different industries and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the obligation.

We maintain cash balances, including restricted cash held in trust accounts, significantly in excess of the Federal Deposit Insurance Corporation insurance limits at various depository institutions. We also maintain cash balances in foreign banks and institutions. If one or more of these financial institutions were to fail, our ability to access cash balances may be temporarily or permanently limited, which could have a material adverse effect on our results of operations, financial condition or cash flows.

### **Taxation**

*We may become subject to taxes in Bermuda after 2035, which may have a material adverse effect on our financial condition and operating results and on an investment in our shares.*

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966, as amended, of Bermuda, has given each of Maiden Holdings and Maiden Bermuda an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Maiden Holdings, Maiden Bermuda or any of their respective operations or their respective shares, debentures or other obligations (except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by them in respect of real property or leasehold interests in Bermuda held by them) until March 31, 2035. Given the limited duration of the Minister of Finance's expected assurance, we cannot be certain that we will not be subject to any Bermuda tax after March 31, 2035. Since Maiden Holdings and Maiden Bermuda are incorporated in Bermuda, we will be subject to changes in law or regulation in Bermuda that may have an adverse impact on our operations, including imposition of tax liability.

*The financial results of our operations may be affected by measures taken in relation to Bermuda in response to the OECD Base Erosion and Profit Shifting ("BEPS") project.*

The OECD has published reports and launched a global dialog among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of jurisdictions perceived by the OECD to be tax havens or offering preferential tax regimes. The OECD has not listed Bermuda as an uncooperative tax haven jurisdiction because Bermuda has committed to eliminating harmful tax practices and to embracing international tax standards for transparency, exchange of information and the elimination

of any aspects of the regimes for financial and other services that attract business with no substantial domestic activity. We are not able to predict what changes will arise from the commitment or whether such changes will subject us to additional taxes. In addition, in 2015, the OECD published its final series of BEPS reports related to its attempt to coordinate multilateral action on international tax rules. The proposed actions include an examination of the definition of a “permanent establishment” and the rules for attributing profit to a permanent establishment. One of these reports covers “country-by-country” reporting, which calls for the provision, at a country-specific level, of information such as affiliate and non-affiliate revenues, profit or loss before tax, income taxes paid and accrued, capital, number of employees and tangible assets. It is expected that some countries, including some EU countries, would deem a failure to implement country-by-country reporting to be sufficient rationale to place another country on a “black-list”, thus potentially restricting in some way business between the two countries. Bermuda has agreed to implement country-by-country reporting in 2016 for 2017 reporting. The implementation and ongoing requirements of country-by-country reporting will require significant management, time and resources. Although we believe Bermuda’s agreement to implement country-by-country reporting has reduced the likelihood that Bermuda would appear on a “black-list”, some uncertainty remains. Any changes in the tax law of an OECD member state in response to the BEPS reports and recommendations could subject us to additional taxes.

***Our operations may be affected by the introduction of an EU financial transaction tax ("FTT").***

On February 14, 2013, the EU Commission published a proposal for a Directive for a common FTT in those EU Member States which choose to participate ("the FTT Zone"), currently Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal,

Slovenia and Slovakia. Currently this proposal is on hold pending the final outcome of the Brexit negotiations. The proposed FTT has broad scope and would apply to financial transactions where at least one party to the transaction is established in the FTT Zone and either that party or another party is a financial institution established in the FTT Zone. "Financial institution" covers a wide range of entities, including insurance and reinsurance undertakings. "Financial transaction" includes the sale and purchase of a financial instrument, a transfer of risk associated with a financial instrument and the conclusion or modification of a derivative. The proposed minimum rate of tax is 0.1% of the consideration, or 0.01% of the notional amount in relation to a derivative. A financial institution may be deemed to be "established" in the FTT Zone even if it has no business presence there, if the underlying financial instrument is issued in the FTT Zone.

The FTT proposal remains subject to negotiation between the participating EU Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. The introduction of FTT in this or similar form could have an adverse effect on the Company's economic performance.

***We may be subject to U.S. federal income tax, which would have an adverse effect on our financial condition and results of operations and on an investment in our shares.***

If either Maiden Holdings or Maiden Bermuda were considered to be engaged in a trade or business in the U.S., it could be subject to U.S. federal income and additional branch profits taxes on the portion of its earnings that are effectively connected to such U.S. business or in the case of Maiden Bermuda, if it is entitled to benefits under the U.S. income tax treaty with Bermuda and if Maiden Bermuda were considered engaged in a trade or business in the U.S. through a permanent establishment. Maiden Bermuda could be subject to U.S. federal income tax on the portion of its earnings that are attributable to its permanent establishment in the U.S., in which case its results of operations could be materially adversely affected. Maiden Holdings and Maiden Bermuda are Bermuda companies. We intend to manage our business so that each of these companies should operate in such a manner that neither of these companies should be treated as engaged in a U.S. trade or business and, thus, should not be subject to U.S. federal taxation (other than the U.S. federal excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. federal withholding tax on certain U.S. source investment income).

However, because (i) there is considerable uncertainty as to activities which constitute being engaged in a trade or business within the U.S.; (ii) a significant portion of Maiden Bermuda's business was reinsurance of AmTrust's insurance subsidiaries; (iii) our non-executive Chairman of the Board is AmTrust's President and Chief Executive Officer, and one of our directors is related to a significant shareholder of AmTrust; (iv) the family of one of our Founding Shareholders, Michael Karfunkel, controls NGHC, and (v) we have an asset management agreement with a subsidiary of AmTrust and may also have additional contractual relationships with AmTrust and its subsidiaries in the future, we cannot be certain that the IRS will not contend successfully that we are engaged in a trade or business in the U.S.

***U.S. Persons who hold our shares may be subject to U.S. federal income taxation at ordinary income rates on their proportionate share of Maiden Bermuda's related person insurance income.***

If U.S. persons are treated as owning 25% or more of Maiden Bermuda's shares (by vote or by value) (as is expected to be the case) and the RPII of Maiden Bermuda (determined on a gross basis) were to equal or exceed 20% of Maiden Bermuda's gross insurance income in any taxable year and direct or indirect insureds (and persons related to those insureds) own directly or indirectly through entities 20% or more of the voting power or value of our shares, then a U.S. Person who owns any shares of Maiden Bermuda (directly or indirectly through non-U.S. entities) on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes such person's pro rata share of Maiden Bermuda's RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. Persons at that date, regardless of whether such income is distributed. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization generally will be treated as unrelated business taxable income. The amount of RPII earned by Maiden Bermuda (generally, premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of shares or any person related to such holder) will depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by Maiden Bermuda.



At December 31, 2018, we believe that either (i) the direct or indirect insureds of Maiden Bermuda (and related persons) should not directly or indirectly own 20% or more of either the voting power or value of our shares or (ii) the RPII (determined on a gross basis) of Maiden Bermuda should not equal or exceed 20% of Maiden Bermuda's gross insurance income for the taxable year ended December 31, 2018 and we do not expect both of these thresholds to be exceeded in the foreseeable future. However, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

***U.S. Persons who dispose of our shares may be subject to U.S. federal income taxation at the rates applicable to dividends on a portion of their gains if any.***

The RPII rules provide that if a U.S. Person disposes of shares in a non-U.S. insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as a dividend to the extent of the holder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a holder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the holder. These RPII rules should not apply to dispositions of our shares because Maiden Holdings will not be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury Department in final regulations, and regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts, or otherwise, might have retroactive effect. The U.S. Treasury Department has authority to impose, among

other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and the application thereof to Maiden Holdings and Maiden Bermuda is uncertain.

***U.S. Persons who hold our shares will be subject to adverse U.S. federal income tax consequences if Maiden Holdings is considered to be a passive foreign investment company.***

If Maiden Holdings is considered a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes, a U.S. Person who owns directly or, in some cases, indirectly (e.g. through a non-U.S. partnership) any of our shares will be subject to adverse U.S. federal income tax consequences, including subjecting the investor to a greater tax liability than might otherwise apply and subjecting the investor to a tax on amounts in advance of when such tax would otherwise be imposed, in which case your investment could be materially adversely affected. In addition, if Maiden Holdings were considered a PFIC, upon the death of any U.S. individual owning our shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares which might otherwise be available under U.S. federal income tax laws. We believe that we are not, and we currently do not expect to become, a PFIC for U.S. federal income tax purposes; however, there can be no assurance that we will not be deemed a PFIC by the IRS. There are currently only proposed regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on a shareholder that is subject to U.S. federal income taxation.

***U.S. Persons who hold 10% or more of Maiden Holdings' shares directly or through foreign entities may be subject to taxation under the U.S. CFC rules.***

Each 10% U.S. shareholder of a foreign corporation that is a CFC at any time during a taxable year that owns shares in the foreign corporation directly or indirectly through foreign entities on the last day of the foreign corporation's taxable year during which it is a CFC must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. In addition, upon a sale of shares of a CFC, certain 10% U.S. shareholders may be subject to U.S. federal income tax on a portion of their gain at ordinary income rates.

The Company believes that because of the dispersion of the share ownership in Maiden Holdings, no U.S. Person who owns Maiden Holdings' shares directly or indirectly through foreign entities should be treated as a 10% U.S. shareholder of Maiden Holdings or of any of its foreign subsidiaries. However, Maiden Holdings' shares may not be as widely dispersed as we believe due to, for example, the application of certain ownership attribution rules, and no assurance may be given that a U.S. Person who owns our shares will not be characterized as a 10% U.S. shareholder, in which case such U.S. Person may be subject to taxation under U.S. CFC rules.

***Recently enacted U.S. tax reform legislation, as well as possible future tax legislation and regulations, could materially adversely affect an investment in our shares.***

The 2017 Act amends a range of U.S. federal tax rules applicable to individuals, businesses and international taxation, with certain provisions intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections and U.S. persons investing in such companies. For example, the 2017 Act includes a BEAT that could make affiliate reinsurance between U.S. and non-U.S. members of our group economically unfeasible. In addition, the 21% corporate income tax rate could lead to higher after-tax income for most U.S. insurance companies in the long term that could result in increased competition for our products and services.

The 2017 Act may also increase the likelihood that we or our non-U.S. subsidiaries will be deemed to be CFCs for U.S. federal tax purposes. Specifically, the 2017 Act expands the definition of "10% U.S. shareholder" for CFC purposes to include U.S. persons who own 10% or more of the value of a foreign corporation's shares, rather than only looking to voting power held. As a result, the "voting cut-back" provisions included in our Amended and Restated Bye-laws that limit the voting power of any shareholder to 9.5% of the total voting power of our capital stock will be ineffective in avoiding "10% U.S. shareholder" status for U.S. persons who own 10% or more of the value of our shares. The 2017 Act also expands certain attribution rules for stock ownership in a way that would cause foreign subsidiaries in a foreign parent group that includes at least one U.S. subsidiary to be treated as CFCs. In the event a

corporation is characterized as a CFC, any "10% U.S. shareholder" of the CFC is required to include its pro rata share of certain insurance and related investment income in income for a taxable year, even if such income is not distributed. In addition, U.S. tax exempt entities subject to the unrelated business taxable income ("UBTI") rules that own 10% or more of the value of our non-U.S. subsidiaries that are characterized as CFCs may recognize UBTI with respect to such investment.

In addition to changes in the CFC rules, the 2017 Act contains modifications to certain provisions relating to PFIC status that could, for example, discourage U.S. persons from investing in our company. The 2017 Act makes it more difficult for a non-U.S. insurance company to avoid PFIC status under an exception for certain non-U.S. insurance companies engaged in the active conduct of an insurance business. The 2017 Act limits this exception to a non-U.S. insurance company that would be taxable as an insurance company if it were a U.S. corporation and that maintains insurance liabilities of more than 25% of such company's assets for a taxable year (or maintains reserves that at least equal 10% of its assets and it satisfies a facts and circumstances test that requires a showing that the failure to exceed the 25% threshold is due to run-off or rating agency circumstances). While we believe that we should satisfy this reserve test for the foreseeable future, we cannot assure you that this will continue to be the case in future years. The IRS has been considering other changes to the PFIC rules for several years. In 2015, the IRS issued proposed regulations intended to clarify the application of this insurance company exception to the classification of a non-U.S. insurer as a PFIC. These proposed regulations provide that a non-U.S. insurer will qualify for the insurance company exception only if, among other things, the non-U.S. insurer's officers and employees perform its substantial managerial and operational activities. This proposed regulation will not be effective until adopted in final form.

Although we are currently unable to predict the ultimate impact of the 2017 Act on our business, shareholders and results of operations, it is possible that the 2017 Act may increase the U.S. federal income tax liability of U.S. members of our group that cede risk to non-U.S. group members and may affect the timing and amount of U.S. federal income taxes imposed on certain U.S.

shareholders. Further, it is possible that other legislation could be introduced and enacted by the current Congress or future Congresses that could have an adverse impact on us. In addition, U.S. federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the U.S. is a PFIC, or whether U.S. Persons would be required to include in their gross income the "subpart F income" of a CFC or RPII are subject to change, possibly on a retroactive basis. There currently are only recently proposed regulations regarding the application of the PFIC rules to insurance companies, and the regulations regarding RPII have been in proposed form since 1991. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. The Company cannot be certain if, when, or in what form such regulations or pronouncements may be implemented or made, or whether such guidance will have a retroactive effect. Further, it is possible that other legislation could be introduced and enacted in the future that would have an adverse impact on us.

***We may be subject to U.K. taxes, which would have an adverse effect on our financial condition and results of operations and on an investment in our shares.***

A company which is resident in the U.K. for U.K. corporation tax purposes is subject to U.K. corporation tax in respect of its worldwide income and gains. While Maiden Global is a U.K. company, neither Maiden Holdings nor Maiden Bermuda are incorporated in the U.K. Nevertheless, Maiden Holdings or Maiden Bermuda would be treated as being resident in the U.K. for U.K. corporation tax purposes if its central management and control were exercised in the U.K. The concept of central management and control is indicative of the highest level of control of a company's affairs, which is wholly a question of fact. The directors and officers of both Maiden Holdings and Maiden Bermuda intend to manage their affairs so that both companies are resident in Bermuda, and not resident in the U.K., for U.K. tax purposes. However, HM Revenue & Customs could challenge our tax residence status.

A company which is not resident in the U.K. for U.K. corporation tax purposes can nevertheless be subject to U.K. corporation tax at the rate of 19% if it carries on a trade in the U.K. through a permanent establishment in the U.K., but the charge to U.K. corporation tax is limited to profits (both income profits and chargeable gains) attributable directly or indirectly to such permanent establishment.

The directors and officers of Maiden Bermuda intend to operate the business of Maiden Bermuda in such a manner that it does not carry on a trade in the U.K. through a permanent establishment in the U.K. Nevertheless, HM Revenue & Customs might contend successfully that Maiden Bermuda is trading in the U.K. through a permanent establishment in the U.K. because there is considerable uncertainty as to the activities which constitute carrying on a trade in the U.K. through a permanent establishment in the U.K.

The U.K. has no income tax treaty with Bermuda. Companies that are neither resident in the U.K. nor entitled to the protection afforded by a double tax treaty between the U.K. and the jurisdiction in which they are resident are liable to income tax in the U.K., at the basic rate of 20%, on the profits of a trade carried on in the U.K., where that trade is not carried on through a permanent establishment in the U.K. The directors and officers of Maiden Bermuda intend to operate the business in such a manner that Maiden Bermuda will not fall within the charge to income tax in the U.K. (other than by way of deduction or withholding).

In addition, diverted profits tax ("DPT") applies to foreign companies with sales in the U.K. (such as Maiden Bermuda) that design their affairs to avoid creating a taxable presence (in the form of a permanent establishment) in the U.K., or to U.K. companies that enter into transactions with connected companies which lack economic substance to exploit differentials in tax rates. DPT is charged at 25% of the profits representing the contribution of the U.K. activities to the group's results.

If either Maiden Holdings or Maiden Bermuda were treated as being resident in the U.K. for U.K. corporation tax purposes, or if Maiden Bermuda were treated as carrying on a trade in the U.K., whether through a permanent establishment or otherwise, or if DPT applied, the results of our operations would be materially adversely affected. Any arrangements (including with regard to the provision of services or financing) between Maiden Global and any non-U.K. resident members of the group are subject to the U.K. transfer pricing regime. Consequently, if any such arrangement were found not to be on arm's length terms and, as a result, a U.K. tax advantage was being obtained, an adjustment would be required to compute U.K. tax profits as if such arrangement were on arm's length terms. Any transfer pricing adjustment could adversely impact the tax charge suffered by Maiden Global. The U.K. has implemented the BEPS recommendation for "country-by-country" reporting. As a result, our approach to transfer

pricing may become subject to greater scrutiny from the U.K. tax authorities.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We currently lease office space in Pembroke, Bermuda (our corporate headquarters), the U.S., the U.K., Germany, Ireland, Australia and Netherlands for the operation of our business. We also lease a property for employee use in Bermuda. We renew and enter into new leases in the ordinary course of business as needed. While we believe that the office space from these leased properties is sufficient for us to conduct our operations for the foreseeable future, we may need to expand into additional facilities to accommodate future growth. To date, the cost of acquiring and maintaining our office space has not been material to us as a whole.

**Item 3. Legal Proceedings.**

We may become involved in various claims and legal proceedings that arise in the normal course of our business, which are not likely to have a material adverse effect on our financial position, results of operations or liquidity. Except as noted below, we are not a party to any material legal proceedings. From time to time, we are 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 us in the ordinary course of insurance or reinsurance operations. Based on our opinion, the eventual outcome of these legal proceedings is not expected to have a material adverse effect on our financial condition or results of operations.

In April 2009, we learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Bermuda, sent a letter to the U.S. Department of Labor claiming that his employment with the Company was terminated in retaliation for corporate whistleblowing in violation of the whistleblower 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 Maiden Holdings and Maiden Bermuda, 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. We believe that we had good and sufficient reasons for terminating Mr. Turin's employment and that the claim is without merit. We will continue to vigorously defend ourselves against this claim.

A putative class action complaint was filed against Maiden Holdings, Arturo M. Raschbaum, Karen L. Schmitt, and John M. Marshaleck in the United States District Court for the District of New Jersey on February 11, 2019, alleging that Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 (and Section 20(a) for control person liability) by making misrepresentations about the Company and its business, including the Company's risk management and underwriting policies and practices. Plaintiffs further claim that these misrepresentations inflated the price of Maiden Holdings' common stock, and that when the truth about the misrepresentations was revealed, the Company's stock price fell, causing Plaintiffs to incur losses. Maiden has not yet been served with the complaint, but believe the claims are without merit and intends to vigorously defend itself. There exist and the Company expects additional lawsuits to be filed against the Company, its subsidiaries and its respective officers due to the diminution in value of our securities as a result of our operating results and financial condition. It is currently uncertain as to the effect of such litigation on our business, operating results and financial conditions.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## **PART II**

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common shares began publicly trading on NASDAQ under the symbol "MHL" on May 6, 2008. At March 8, 2019, the last reported sale price of our common share was \$0.8791 per share and there were 22 holders of record of our common shares. This figure does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by securities dealers and others for the benefit of beneficial owners who may vote the shares.

During the years ended December 31, 2018 and 2017, we declared regular quarterly dividends totaling \$0.35 and \$0.60 per common share, respectively. The quarterly dividend was \$0.15 per common share for the first two quarters of 2018 and subsequently reduced to \$0.05 per common share for the third quarter of 2018. No dividends were declared by our Board on the common shares for the fourth quarter of 2018. The future declaration and payment of dividends to holders of common shares will be at the discretion of our Board and is subject to specified legal, regulatory, financial and other restrictions. Please see "*Notes to Consolidated Financial Statements - Note 16. Statutory Requirements and Dividend Restrictions*" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K for discussion regarding dividend restrictions on subsidiary's ability to transfer funds to Maiden Holdings.

On February 21, 2017, our Board approved the repurchase of up to \$100.0 million of our common shares from time to time at market prices. During the year ended December 31, 2018, the Company repurchased a total of 205,000 common shares (2017 - 3,667,134) at an average price per share of \$3.31 (2017 - \$6.84) under its share repurchase authorization. At December 31, 2018, we have a remaining authorization of \$74.2 million for share repurchases. In addition, during the year ended December 31, 2018, we repurchased a total of 29,801 (2017 - 38,122) shares at an average price per share of \$6.52 (2017 - \$15.06) from employees, which represent withholdings in respect of tax obligations on the vesting of restricted shares and performance based shares.

Our common stock is currently listed on NASDAQ. NASDAQ has minimum requirements that a company must meet in order to remain listed on NASDAQ. These requirements include maintaining a minimum closing bid price of \$1.00 per share. Recently, the closing prices of our common stock has been below \$1.00 per share, and there can be no assurance that we will continue to meet this, or any other, requirement in the future, and, if we do not, it is possible that NASDAQ may notify us that we have failed to meet the minimum listing requirements and initiate the delisting process. If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease further.

In addition, if delisted, we would no longer be subject to NASDAQ rules, including rules requiring us to have a certain number of independent directors and to meet other corporate governance standards. Our failure to be listed on NASDAQ or another established securities market would have a material adverse effect on the value of your investment in us.

We did not repurchase any common shares under our share repurchase authorization during the three months ended December 31, 2018. In November 2018, we repurchased 410 common shares at an average price per share of \$2.63 from an employee, which represent withholdings in respect of tax obligations on the vesting of restricted shares. Subsequent to December 31, 2018 and through the period ended March 8, 2019, we repurchased a total of 182 shares at an average price per share of \$1.48 from an employee, which represent withholdings in respect of tax obligations on the vesting of restricted shares.

See "*Notes to Consolidated Financial Statements - Note 14. Shareholders' Equity*" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K. Also, please see "*Notes to Consolidated Financial Statements - Note 15. Share Compensation and Pension Plans*" included under Item 8 "*Financial Statements and Supplementary Data*" of this Annual Report on Form 10-K for a discussion about the Company's equity compensation plans.

**Performance Graph**

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.

The following graph shows the cumulative total return, including reinvestment of dividends, on the common shares compared to such return for the S&P 500 Composite Index and NASDAQ Insurance Index for the five year period beginning December 31, 2013, assuming \$100 was invested on that date and ending on December 31, 2018.

The measurement point on the graph represents the cumulative shareholder return as measured by the last reported sale price on such date during the relevant period.

**Total Return To Shareholders**

**(Includes Reinvestment of Dividends)**

**Comparison of Cumulative Total Return**

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**Item 6. Selected Financial Data.**

The following tables set forth our selected consolidated financial data and other financial information at the end of and for each of the years in the five-year period ended December 31, 2018.

Statement of income data and balance sheet data are derived from our audited Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to our continuing operations except for net loss, net loss attributable to Maiden and net loss attributable to Maiden common shareholders. These historical results are not necessarily indicative of results to be expected from any future period. For further discussion of this risk, please see Item 1A. "Risk Factors" in this Annual Report on Form 10-K. You should read the following selected financial data in conjunction with the other information contained in this Annual Report on Form 10-K, including Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

For the Year Ended December 31,	2018	2017	2016	2015	2014
	(\$ in thousands, except per share amounts and ratios)				
<b>Summary Consolidated Statement of Income Data:</b> <sup>(10)</sup>					
Gross premiums written	\$2,017,798	\$2,078,091	\$2,089,029	\$1,965,413	\$1,735,208
Net premiums written	\$2,014,597	\$2,037,377	\$1,967,671	\$1,855,050	\$1,731,116
Net premiums earned	\$2,026,202	\$1,992,659	\$1,925,588	\$1,771,512	\$1,512,542
Other insurance revenue	9,681	9,802	10,817	11,512	13,080
Net investment income	136,285	124,135	108,689	97,643	82,362
Net realized (losses) gains on investment	(1,529)	) 12,222	6,774	2,498	1,163
Net impairment losses recognized in earnings	(5,832)	) —	—	(1,060)	) (2,364)
Total revenues	2,164,807	2,138,818	2,051,868	1,882,105	1,606,783
Net loss and loss adjustment expenses	1,880,121	1,555,433	1,289,512	1,140,486	980,308
Commissions and other acquisition expenses	654,740	643,797	615,523	558,627	464,316
General and administrative expenses	64,940	53,004	50,254	49,414	47,167
Interest and amortization expenses	19,318	23,260	28,173	29,063	29,959
Accelerated amortization of debt discount and senior note issuance cost	—	2,809	2,345	—	28,240
Foreign exchange (gains) losses	(4,461)	) 14,921	(13,412)	) (7,753)	) (4,150)
Income tax expense (benefit)	441	(6,757)	) 413	(1)	) (7,158)
Income (loss) attributable to noncontrolling interests	219	151	(842)	) (192)	) 142
Total expenses	2,615,318	2,286,618	1,971,966	1,769,644	1,538,824
(Loss) income from continuing operations after noncontrolling interests, net of income tax	(450,511)	) (147,800)	) 79,902	112,461	67,959
(Loss) income from discontinued operations, net of income tax	(94,113)	) (22,096)	) (30,922)	) 12,015	33,432
Dividends on preference shares	(25,636)	) (29,156)	) (33,756)	) (24,337)	) (24,337)
<b>Net (loss) income attributable to Maiden common shareholders</b>	<b>\$(570,260)</b>	<b>\$(199,052)</b>	<b>\$15,224</b>	<b>\$100,139</b>	<b>\$77,054</b>
<b>Per Common Share Data:</b>					
(Loss) earnings per common share ("EPS") <sup>(11)</sup> :					
Basic EPS from continuing operations	\$(5.74)	) \$(2.06)	) \$0.60	\$1.20	\$0.60
Basic EPS from discontinued operations	(1.13)	) (0.26)	) (0.40)	) 0.16	0.46
<b>Basic EPS</b>	<b>\$(6.87)</b>	<b>\$(2.32)</b>	<b>\$0.20</b>	<b>\$1.36</b>	<b>\$1.06</b>
Diluted <sup>(2)</sup> EPS from continuing operations	\$(5.74)	) \$(2.06)	) \$0.58	\$1.17	\$0.59
Diluted <sup>(2)</sup> EPS from discontinued operations	(1.13)	) (0.26)	) (0.39)	) 0.14	0.45
<b>Diluted<sup>(2)</sup> EPS</b>	<b>\$(6.87)</b>	<b>\$(2.32)</b>	<b>\$0.19</b>	<b>\$1.31</b>	<b>\$1.04</b>
Weighted average common shares outstanding:					
Basic	83,050,362	85,678,232	77,534,860	73,478,544	72,843,782
Diluted <sup>(2)</sup>	83,050,362	85,678,232	78,686,943	85,638,235	74,117,568

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Dividends declared per common share	\$0.35	\$0.60	\$0.57	\$0.53	\$0.46
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For the Year Ended December 31,	2018	2017	2016	2015	2014
<b>Selected Consolidated Ratios:</b>					
Loss and LAE ratio <sup>(3)</sup>	92.3 %	77.7 %	66.6 %	64.0%	64.3 %
Commission and other acquisition expense ratio <sup>(4)</sup>	32.2 %	32.2 %	31.8 %	31.3%	30.4 %
General and administrative expense ratio <sup>(5)</sup>	3.2 %	2.6 %	2.6 %	2.8 %	3.1 %
Expense ratio <sup>(6)</sup>	35.4 %	34.8 %	34.4 %	34.1%	33.5 %
Combined ratio <sup>(7)</sup>	127.7 %	112.5 %	101.0%	98.1 %	97.8 %

December 31,	2018	2017	2016	2015	2014
(\$ in thousands, except per share amounts)					
<b>Summary Consolidated Balance Sheet Data:</b>					
Loan to related party	\$167,975	\$167,975	\$167,975	\$167,975	\$167,975
Total assets	5,287,460	6,644,189	6,252,299	5,703,578	5,153,650
Senior notes, net	254,694	254,482	351,409	349,933	349,558
Total Maiden shareholders' equity	554,275	1,232,174	1,360,797	1,347,821	1,240,694
<b>Book Value:</b>					
Book value per common share <sup>(8)</sup>	\$1.08	\$9.25	\$12.12	\$11.77	\$12.69
Accumulated dividends per common share	4.27	3.92	3.32	2.75	2.22
Book value per common share plus accumulated dividends	\$5.35	\$13.17	\$15.44	\$14.52	\$14.91
Change in book value per common share plus accumulated dividends	(59.4 )%	(14.7 )%	6.3 %	(2.6 )%	15.6 %
Diluted book value per common share <sup>(9)</sup>	\$1.08	\$9.18	\$12.00	\$11.61	\$12.47

- Please refer to "Notes to Consolidated Financial Statements - Note 13. Earnings per Common Share" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K for the calculation of basic and diluted (loss) earnings per common share.
- (1) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.
- (2) Calculated by dividing net loss and LAE by the sum of net premiums earned and other insurance revenue.
- (3) Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.
- (4) Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.
- (5) Calculated by adding together the commission and other acquisition expense ratio and the general and administrative expense ratio.
- (6) Calculated by adding together the net loss and LAE ratio and the expense ratio.
- (7) Book value per common share is defined as total shareholders' equity available to common shareholders divided by the number of common shares issued and outstanding at the end of the period, giving no effect to dilutive securities.
- (8) Diluted book value per common share is calculated by dividing common shareholders' equity, adjusted for assumed proceeds from the exercise of dilutive options, by the number of outstanding common shares plus dilutive options and restricted share units (assuming exercise of all dilutive share based awards).
- (9) The Mandatory Convertible Preference Shares - Series B, which were converted into common shares on September 15, 2016, are excluded at December 31, 2015 and 2014 as they are anti-dilutive.
- (10) As a result of the recent disposition of our U.S. treaty reinsurance operations, these operations are now classified as discontinued operations, and all amounts presented in the Summary of Consolidated Statement of Income Data have been reclassified to relate to our continuing operations, except for net loss, net loss attributable to Maiden and net loss attributable to Maiden common shareholders, for each of the years presented above.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K and Item 1, "*Business - General Overview*" on page 2. 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, net loss attributable to Maiden and net loss attributable to Maiden common shareholders. Amounts in tables may not reconcile due to rounding differences. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risk and uncertainties. Please see the "*Special Note About Forward-Looking Statements*" in this Annual Report on Form 10-K for more information on factors that could cause actual results to differ materially from the results described in or implied by any forward-looking statements contained in this discussion and analysis. You should review the "*Risk Factors*" set forth in this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

### **Overview**

We are a Bermuda-based holding company, formerly focused on serving the needs of regional and specialty insurers in the U.S., Europe and select other global markets. We operate internationally providing branded auto and credit life insurance products through insurer partners to retail clients in the EU and other global markets. These products also produce reinsurance programs which are underwritten by Maiden Bermuda. Certain international credit life business is written on a primary basis by Maiden LF. We are also presently running off the liabilities associated with AmTrust whose contracts we terminated in early 2019.

While we expect to continue to pursue our international reinsurance solutions written through Maiden Bermuda, as discussed in Item 1. "*Business*", the sale of Maiden US, the Partial Termination Amendment and the termination of both of our quota share contracts with AmTrust will materially reduce our gross and net premiums written in 2019. We have significantly reduced our operating expenses and continue to review the steps necessary to reduce these costs further commensurate with the reduction in revenues we expect to experience.

Our business consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. As a result of the strategic decision to divest all of our U.S. treaty reinsurance operations as discussed below, we have revised the composition of our reportable segments. Our Diversified Reinsurance segment now only consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe. Our AmTrust Reinsurance segment includes all business ceded by AmTrust to Maiden Bermuda, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share. Please refer to Item 1. "*Business - Our Reportable Segments*" section for further discussion on our reportable segments.

### **Recent Developments**

In early 2018, our Board initiated the Strategic Review to evaluate ways to increase shareholder value as a result of continuing higher than targeted combined ratios and lower returns on equity than planned. This Strategic Review has resulted in a series of transactions that have transformed our operations and materially reduced the risk on our balance sheet. These transactions include:

On August 29, 2018, we entered into a Renewal Rights Agreement ("Renewal Rights"), with TransRe, pursuant to which we agreed to sell, and TransRe agreed to purchase Maiden US's rights to: (i) renew its treaty reinsurance agreements upon their expiration or cancellation, (ii) solicit renewals of and replacement coverages for the treaty reinsurance agreements and (iii) replicate and use the products and contract forms used in Maiden US's business. The sale was consummated on August 29, 2018. We continue to earn premiums and remain liable for losses occurring subsequent to August 29, 2018 for any policies in force prior to and as of August 29, 2018, until those policies expire. The payment received for sale of the Renewal Rights was \$7.5 million, subject to further increases in accordance with the agreement.

On December 27, 2018, we completed the previously announced US MTA with Enstar, pursuant to which Maiden NA sold, and Enstar purchased, all of the outstanding shares of common stock of Maiden US for gross consideration of \$286.4 million, including estimated closing adjustments but subject to post-closing adjustments. The 2013 Senior Notes - 7.75% due 2043 and issued by Maiden NA, which are fully and unconditionally guaranteed by the Company, remain outstanding following the completion of the disposition of Maiden US. As previously disclosed, pursuant to the terms of the US MTA, Maiden Bermuda entered into a novation agreement and a retrocession agreement pursuant to which certain assets and liabilities associated with the U.S. treaty reinsurance business held by Maiden Bermuda were either novated or retroceded to Cavello, Enstar Holdings's Bermuda reinsurance affiliate, in exchange for a ceding commission of \$14.0 million, and (iii) Maiden Bermuda provided Enstar with a reinsurance cover for loss reserve development, up to a maximum of \$25.0 million, when losses are more than \$100.0 million in excess of the net loss and LAE recorded as of June 30, 2018.

As a result of the above decision to divest all of our U.S. treaty reinsurance operations, these operations are now classified as discontinued operations, and except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to our continuing operations, except for net loss, net loss attributable to Maiden and net loss attributable to Maiden common shareholders.

As part of the Strategic Review during the fourth quarter of 2018, Maiden Holdings contributed as capital 35% of its ownership in Maiden Bermuda, to Maiden NA. Additionally, the proceeds of the sale of Maiden US were partially used by Maiden NA, among other things, to settle inter-company balances due to its Bermuda affiliates and as described below. In December 2018 and January 2019, Maiden NA contributed its proportionate share of capital contributions in the amount of \$68.3 million in cash. Maiden NA also now maintains a portfolio of short-term investments, along with other strategic investments of \$148.6 million at

December 31, 2018. We believe Maiden NA's investments will create opportunities to utilize NOL which total \$208.9 million as of December 31, 2018. These NOL's are not presently recognized as deferred tax assets as a full valuation allowance is currently carried against them (for further details please see "Note 17. Taxation" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K). Taken together, we believe these measures should generate additional income for Maiden NA in a tax-efficient manner, while sharing in the improvement in profitability we anticipate in Maiden Bermuda as a result of the measures enacted in the Strategic Review.

On December 31, 2018, Maiden Bermuda entered into the Partial Termination Amendment with AmTrust through AmTrust's subsidiary, AII, by which the parties agreed to amend the Amended and Restated Quota Share Agreement between Maiden Bermuda and AII, originally entered into on July 1, 2007 (the "AmTrust Quota Share") and subsequently amended, that is currently in-force and set to expire on June 30, 2019. The Partial Termination Amendment provided for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business and U.S. Specialty Risk and Extended Warranty business as of December 31, 2018, with the remainder of the AmTrust Quota Share remaining in place. The Partial Termination Amendment resulted in Maiden Bermuda returning approximately \$716.1 million in unearned premium to AII, which nets to approximately \$480.0 million after consideration of ceding commission and brokerage, which is subject to adjustment as discussed in the "Notes to Consolidated Financial Statements - Note 18. Subsequent Events" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. The Amendment was effective as of January 1, 2019. 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 (i) the Amended and Restated Quota Share Agreement between Maiden Bermuda and AII, originally entered into on July 1, 2007 by which AII retrocedes to Maiden Bermuda certain lines of business assumed by AII from certain of AmTrust's U.S., Irish and U.K. insurance company subsidiaries; and (ii) the Quota Share Reinsurance Contract among Maiden Bermuda, AEL and AIU DAC, originally entered into on April 1, 2011, by which AEL cedes 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 March 1, 2019, we terminated the Old LPT MTA with Enstar 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 \$2.4 billion retention up to \$675.0 million. The retention will be subject to adjustment for paid losses since December 31, 2018. The New LPT/ADC MTA and associated pending reinsurance agreement, which is subject to regulatory approval, will provide Maiden Bermuda with \$175.0 million 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 \$500.0 million 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 \$500.0 million, may result in significant losses from operations until those periods when the deferred gain is recognized as a benefit to earnings.

#### **Capital Transactions**

There were no capital transactions during 2018. The following capital transactions occurred during the year ended December 31, 2017.

##### *Redemption of 2012 Senior Notes*

On June 27, 2017, Maiden Holdings fully redeemed all of the Maiden NA's 8.0% 2012 Senior Notes due 2042, using a portion of the proceeds from the Preference Shares - Series D issuance, thus lowering our cost of capital. The 2012 Senior Notes were redeemed at a redemption price equal to 100% of the principal amount of \$100.0 million plus accrued and unpaid interest on the principal amount being redeemed up to, but not including, the redemption date. As a result, the Company accelerated the amortization of the remaining 2012 Senior Note issuance cost of \$2.8 million.

##### *Issuance of Preference Shares - Series D*

On June 15, 2017, Maiden Holdings issued 6,000,000 shares of 6.7% Preference Shares - Series D ("Preference Shares - Series D"), par value \$0.01, at a price of \$25 per preference share. We received net proceeds of \$144.9

million from the offering after deducting issuance costs of \$5.1 million, which were recognized as a reduction in additional paid-in capital. Each share, which is redeemable at our sole option beginning June 15, 2022, will be paid non-cumulative dividends at a rate of 6.7% per annum on the initial liquidation preference of \$25 per share. The Preference Shares - Series D have no voting rights other than to elect two additional members of the board of directors if dividends on the Preference Shares - Series D have not been declared and paid for the equivalent of six or more dividend periods. The Preference Shares - Series D have been listed on NYSE and trading commenced on June 15, 2017 under the symbol "MHPRD".

**2018 Financial Highlights****For the Year Ended December 31,***Summary Consolidated Statement of Income Data:*

	<b>2018</b>	<b>2017</b>	<b>Change</b>
	(\$ in thousands except per share data)		
Net loss from continuing operations	\$(450,292)	\$(147,649)	\$(302,643)
Loss from discontinued operations, net of income tax	(94,113 )	(22,096 )	(72,017 )
Net loss	(544,405 )	(169,745 )	(374,660 )
Net loss attributable to Maiden common shareholders	(570,260 )	(199,052 )	(371,208 )
Non-GAAP operating loss <sup>(1)</sup>	(471,562 )	(169,608 )	(301,954 )
<i>Basic and diluted loss per common share:</i>			
Net loss attributable to Maiden common shareholders <sup>(2)</sup>	(6.87 )	(2.32 )	(4.55 )
Non-GAAP operating loss attributable to Maiden common shareholders <sup>(1)</sup>	(5.68 )	(1.98 )	(3.70 )
Dividends per common share	0.35	0.60	(0.25 )
Gross premiums written	2,017,798	2,078,091	(60,293 )
Net premiums earned	2,026,202	1,992,659	33,543
Underwriting loss <sup>(3)</sup>	(520,219 )	(215,797 )	(304,422 )
Net investment income	136,285	124,135	12,150
Combined ratio <sup>(4)</sup>	127.7	% 112.5	% 15.2
Non-GAAP operating return on average common shareholders' equity <sup>(1)</sup>	(110.1 )	)% (18.7 )	)% (91.4 )

**At December 31,***Consolidated Financial Condition*

	<b>2018</b>	<b>2017</b>	<b>Change</b>
	(\$ in thousands except per share data)		
Total investments and cash and cash equivalents <sup>(5)</sup>	\$4,421,954	\$3,961,292	\$460,662
Total assets	5,287,460	6,644,189	(1,356,729)
Reserve for loss and loss adjustment expense ("loss and LAE")	3,055,976	2,386,722	669,254
Senior notes - principal amount	262,500	262,500	—
Maiden common shareholders' equity	89,275	767,174	(677,899 )
Maiden shareholders' equity	554,275	1,232,174	(677,899 )
Total capital resources <sup>(6)</sup>	816,775	1,494,674	(677,899 )
Ratio of debt to total capital resources	32.1	% 17.6	% 14.5
Book value per common share <sup>(7)</sup>	\$1.08	\$9.25	\$(8.17 )
Accumulated dividends per common share	4.27	3.92	0.35
Book value per common share plus accumulated dividends	\$5.35	\$13.17	\$(7.82 )
Diluted book value per common share <sup>(8)</sup>	\$1.08	\$9.18	\$(8.10 )

Non-GAAP operating (loss) earnings, non-GAAP operating (loss) earnings per common share, non-GAAP operating return on average common equity and (1) underwriting loss are non-GAAP financial measures. Please see "Key Financial Measures" for additional information and a reconciliation to the nearest U.S. GAAP financial measure of net (loss) income.

Please refer to "Notes to Consolidated Financial Statements - Note 13. Earnings per Common Share" included under Item 8 "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K for the calculation of basic and diluted (loss) earnings per common share.

(3) Calculated by adding together the net loss and LAE ratio and the expense ratio.

(4) Total investments and cash and cash equivalents includes both restricted and unrestricted.

(5) The sum of the Company's principal amount of debt and Maiden shareholders' equity. See "Key Financial Measures" for additional information.

(6) Book value per common share is calculated using common shareholders' equity (shareholders' equity excluding the aggregate liquidation value of our preference shares) divided by the number of common shares outstanding. See "Key Financial Measures" for additional information.

(7) Diluted book value per common share is calculated by dividing common shareholders' equity, adjusted for assumed proceeds from the exercise of dilutive options, by the number of outstanding common shares plus dilutive options and restricted share units (assuming exercise of all dilutive share based awards).

(8) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.



**Key Financial Measures**

In addition to the Consolidated Balance Sheets and Consolidated Statements of Income and Comprehensive Income, management uses certain key financial measures, some of which are non-GAAP measures, to evaluate its financial performance and the overall growth in value generated for the Company's common shareholders. Management believes that these measures, which may be defined differently by other companies, explain the Company's results in a manner that allows for a more complete understanding of the underlying trends in the Company's business. The non-GAAP measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. These key financial measures are:

*Non-GAAP operating (loss) earnings and non-GAAP diluted operating (loss) earnings per common share:*

Management believes that the use of non-GAAP operating (loss) earnings and non-GAAP diluted operating (loss) earnings per share enables investors and other users of the Company's financial information to analyze its performance in a manner similar to how management analyzes performance. Management also believes that these measures generally follow industry practice and, therefore, allow the users of financial information to compare the Company's performance with its industry peer group, and that the equity analysts and certain rating agencies which follow the Company, and the insurance industry as a whole, generally exclude these items from their analyses for the same reasons. Non-GAAP operating (loss) earnings should not be viewed as a substitute for U.S. GAAP net (loss) income. Non-GAAP operating (loss) earnings is an internal performance measure used by management as these measures focus on the underlying fundamentals of the Company's operations by excluding, on a recurring basis: (1) net realized gains or losses on investment; (2) total other-than-temporary impairment losses; (3) foreign exchange gains or losses; and (4) loss and related activity from our NGHC Quota Share run-off operations. It also excludes on a non-recurring basis accelerated amortization of senior note issuance costs and loss from discontinued operations, net of income tax. We exclude net realized gains or losses on investment, total other-than-temporary impairment losses and foreign exchange gains or losses as we believe these are influenced by market opportunities and other factors. We do not believe the loss from discontinued operations, accelerated amortization of senior note issuance costs, and loss and related activity from our NGHC Quota Share run-off operations are representative of our ongoing and future business. We believe all of these amounts are largely independent of our business and future underwriting process and including them distorts the analysis of trends in our operations.

Non-GAAP operating (loss) earnings and non-GAAP diluted operating (loss) earnings per common share can be reconciled to the nearest U.S. GAAP financial measure as follows:

<b>For the Year Ended December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	(\$ in thousands except per share data)		
Net (loss) income attributable to Maiden common shareholders	\$(570,260)	\$(199,052)	\$15,224
Add (subtract):			
Net realized losses (gains) on investment	1,529	(12,222 )	(6,774 )
Total other-than-temporary impairment losses	5,832	—	—
Foreign exchange and other (gains) losses	(4,461 )	14,921	(13,412 )
Loss from discontinued operations, net of income tax	94,113	22,096	30,922
Loss from NGHC Quota Share run-off	1,685	1,840	11,341
Accelerated amortization of senior note issuance cost	—	2,809	2,345
Non-GAAP operating (loss) earnings attributable to Maiden common shareholders	\$(471,562)	\$(169,608)	\$39,646
Diluted (loss) earnings per share attributable to Maiden common shareholders	\$(6.87 )	\$(2.32 )	\$0.19
Add (subtract):			
Net realized losses (gains) on investment	0.02	(0.14 )	(0.09 )
Total other-than-temporary impairment losses	0.07	—	—
Foreign exchange and other (gains) losses	(0.05 )	0.17	(0.17 )
Loss from discontinued operations, net of income tax	1.13	0.26	0.39
Loss from NGHC Quota Share run-off	0.02	0.02	0.15
Accelerated amortization of senior note issuance cost	—	0.03	0.03

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Non-GAAP diluted operating (loss) earnings per common share \$(5.68 ) \$(1.98 ) \$0.50

Non-GAAP operating loss attributable to Maiden common shareholders increased by \$302.0 million for the year ended December 31, 2018 compared to the same period in 2017. This was largely due to an increase in underwriting loss of \$304.4 million particularly caused by both significantly higher adverse prior year loss development and reserve strengthening during the year in our AmTrust Reinsurance segment. As a result of these factors, the combined ratio increased by 15.2 points year-over-year. The unfavorable underwriting performance was partially offset by net investment income which increased \$12.2 million compared to the prior period.

Non-GAAP operating loss attributable to Maiden common shareholders was \$169.6 million for the year ended December 31, 2017 compared to non-GAAP operating earnings in the same period in 2016 of \$39.6 million, a decrease of \$209.2 million. This

was due to an increased underwriting loss of \$228.7 million primarily caused by \$247.2 million of adverse prior year loss development during 2017, largely related to Workers Compensation business, and to a lesser extent, the General Liability business within the AmTrust Reinsurance segment. As a result of these factors, the total loss ratio increased by 11.1% points year-over-year. The unfavorable underwriting performance was partially offset by net investment income which increased \$15.4 million compared to the prior period.

*Non-GAAP Operating Return on Average Common Equity ("Non-GAAP Operating ROACE"):* Management uses non-GAAP operating return on average common shareholders' equity as a measure of profitability that focuses on the return to common shareholders. It is calculated using non-GAAP operating (loss) earnings available to common shareholders (as defined above) divided by average common shareholders' equity.

Non-GAAP Operating ROACE for the years ended December 31, 2018, 2017 and 2016 was computed as follows:

<b>For the Year Ended December 31, and at December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	(\$ in thousands)		
Non-GAAP operating (loss) earnings attributable to Maiden common shareholders	\$(471,562)	\$(169,608)	\$39,646
Opening Maiden common shareholders' equity	767,174	1,045,797	867,821
Ending Maiden common shareholders' equity	89,275	767,174	1,045,797
Average Maiden common shareholders' equity <sup>(1)</sup>	428,225	906,486	922,999
Non-GAAP Operating ROACE	(110.1 )%	(18.7 )%	4.3 %

(1) Average common shareholders' equity for the year ended December 31, 2016 is adjusted for the period the Mandatory Convertible Preference Shares - Series B are outstanding (prior to mandatory conversion date of September 15, 2016).

*Book Value per Common Share and Diluted Book Value per Common Share:* Management uses growth in both of these metrics as a prime measure of the value we are generating for our common shareholders, as management believes that growth in each metric ultimately results in growth in the Company's common share price. These metrics are impacted by the Company's net (loss) income and external factors, such as interest rates, which can drive changes in unrealized gains or losses on our investment portfolio and share repurchases which amounted to \$0.9 million during the year ended December 31, 2018 (2017 - \$25.7 million). At December 31, 2018, book value per common share decreased by 88.3% and diluted book value per common share decreased by 88.2%, compared to December 31, 2017, primarily due to decreased retained earnings caused by our net loss during the year as well as the decline in accumulated other comprehensive income ("AOCI") during the year due to unrealized losses on our investment portfolio. Please see "*Liquidity and Capital Resources - Investments*" on page 72 for further information on the change in fair value of our fixed maturity investment portfolio.

Book value and diluted book value per common share at December 31, 2018, 2017 and 2016 were computed as follows:

<b>December 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	(\$ in thousands except share and per share data)		
Ending Maiden common shareholders' equity	\$89,275	\$767,174	\$1,045,797
Proceeds from assumed conversion of dilutive options	362	9,416	13,383
Numerator for diluted book value per common share calculation	\$89,637	\$776,590	\$1,059,180
Common shares outstanding	82,948,572	82,974,895	86,271,109
Shares issued from assumed conversion of dilutive options and restricted share units	398,390	1,627,236	1,961,457
Denominator for diluted book value per common share calculation	83,346,962	84,602,131	88,232,566
<b>Book value per common share</b>	<b>\$1.08</b>	<b>\$9.25</b>	<b>\$12.12</b>
<b>Diluted book value per common share</b>	<b>\$1.08</b>	<b>\$9.18</b>	<b>\$12.00</b>

*Ratio of Debt to Total Capital Resources:* Management uses this non-GAAP measure to monitor the financial leverage of the Company. This measure is calculated using the total principal amount of debt divided by the sum of total capital resources. The ratio of Debt to Total Capital Resources at December 31, 2018 and 2017 was computed as follows:

December 31, 20182017