

Global Indemnity plc
Form 10-Q
November 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2011

OR

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

For the Transition Period From to

001-34809

Commission File Number

GLOBAL INDEMNITY PLC

(Exact name of registrant as specified in its charter)

Ireland
(State or other jurisdiction of
incorporation or organization)

98-0664891
(I.R.S. Employer
Identification No.)

ARTHUR COX BUILDING

EARLSFORT TERRACE

DUBLIN 2

IRELAND

(Address of principal executive office, including zip code)

353 (0) 1 618 0517

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that registrant was required to submit and post such files.). Yes No

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

Large accelerated filer ; Accelerated filer ;

Non-accelerated filer ; Smaller reporting company

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

As of November 4, 2011, the registrant had outstanding 18,381,059 Class A Ordinary Shares and 12,061,370 Class B Ordinary Shares.

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As used in this quarterly report, unless the context requires otherwise:

- 1) Global Indemnity refers to Global Indemnity plc, an exempted company incorporated with limited liability under the laws of Ireland, and its U.S. and Non-U.S. Subsidiaries;
- 2) we, us, our, and the Company refer to Global Indemnity and its subsidiaries or, prior to July 2, 2010, to United America Indemnity;
- 3) ordinary shares refers to Global Indemnity Class A and Class B ordinary shares, or, prior to July 2, 2010, to United America Indemnity Class A and Class B common shares;
- 4) United America Indemnity refers to United America Indemnity, Ltd., a Cayman Islands exempted company that, on July 2, 2010, became a direct, wholly-owned subsidiary of Global Indemnity plc, and its subsidiaries;
- 5) our U.S. Subsidiaries refers to Global Indemnity Group, Global Indemnity Group Services, LLC, AIS, Penn-America Group, Inc., and our Insurance Operations;

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- 6) our United States Based Insurance Operations and Insurance Operations refer to the insurance and related operations conducted by the U.S. Insurance Companies, American Insurance Adjustment Agency, Inc., Collectibles Insurance Services, LLC, United America Insurance Services, LLC, and J.H. Ferguson & Associates, LLC;
- 7) our U.S. Insurance Companies refers to the insurance and related operations conducted by United National Insurance

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- Company, Diamond State Insurance Company, United National Casualty Insurance Company, United National Specialty Insurance Company, Penn-America Insurance Company, Penn-Star Insurance Company and Penn-Patriot Insurance Company;
- 8) our Non-U.S. Subsidiaries refers to Global Indemnity Services Ltd., Global Indemnity (Gibraltar) Ltd., Global Indemnity (Cayman) Ltd., Global Indemnity (Luxembourg) Ltd., Wind River Reinsurance, the Luxembourg Companies, and U.A.I. (Ireland) Ltd.;
- 9) Wind River Reinsurance refers to Wind River Reinsurance Company, Ltd.;
- 10) the Luxembourg Companies refers to U.A.I. (Luxembourg) I S.à r.l., U.A.I. (Luxembourg) II S.à r.l., U.A.I. (Luxembourg) III S.à r.l., U.A.I. (Luxembourg) IV S.à r.l., U.A.I. (Luxembourg) Investment S.à r.l., and Wind River (Luxembourg) S.à r.l.;
- 11) AIS refers to American Insurance Service, Inc.;
- 12) our Predecessor Insurance Operations refers to Wind River Investment Corporation, which was dissolved on May 31, 2006, AIS, American Insurance Adjustment Agency, Inc., Emerald Insurance Company, which was dissolved on March 24, 2008, United National Insurance Company, Diamond State Insurance Company, United National Casualty Insurance Company, United National Specialty Insurance Company, and J.H. Ferguson & Associates, LLC;
- 13) our International Reinsurance Operations and Reinsurance Operations refer to the reinsurance and related operations of Wind River Reinsurance;
- 14) Global Indemnity Group refers to Global Indemnity Group, Inc., (formerly known as United America Indemnity Group, Inc.);
- 15) Penn-America refers to our product classification that includes property and general liability products for small commercial businesses distributed through a select network of wholesale general agents with specific binding authority;
- 16) United National refers to our product classification that includes property, casualty, and professional liability lines products distributed through program administrators with specific binding authority;
- 17) Diamond State refers to our product classification that includes property, casualty, and professional liability lines products distributed through wholesale brokers and program administrators with specific binding authority;
- 18) the Statutory Trusts refers to United National Group Capital Trust I, United National Group Capital Statutory Trust II, Penn-America Statutory Trust I, whose registration was cancelled effective January 15, 2008, and Penn-America Statutory Trust II, whose registration was cancelled effective February 2, 2009;
- 19) Fox Paine & Company refers to Fox Paine & Company, LLC and affiliated investment funds;
- 20) GAAP refers to accounting principles generally accepted in the United States of America; and

21) \$ or dollars refers to U.S. dollars.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GLOBAL INDEMNITY PLC****Consolidated Balance Sheets**

(In thousands, except share amounts)

	(Unaudited) September 30, 2011	December 31, 2010
ASSETS		
Fixed maturities:		
Available for sale, at fair value (amortized cost: \$1,370,288 and \$1,393,655)	\$ 1,406,342	\$ 1,444,392
Equity securities:		
Available for sale, at fair value (cost: \$154,110 and \$121,604)	146,067	147,526
Other invested assets		
Available for sale, at fair value (cost: \$14,150 and \$4,255)	16,169	4,268
Securities classified as trading, at fair value (cost: \$0 and \$1,112)		1,112
Total investments	1,568,578	1,597,298
Cash and cash equivalents	93,281	119,888
Premiums receivable, net	60,268	56,657
Reinsurance receivables	303,950	422,844
Deferred federal income taxes	20,173	6,926
Deferred acquisition costs	28,753	35,344
Intangible assets	18,798	19,082
Goodwill	4,820	4,820
Prepaid reinsurance premiums	7,762	11,104
Receivable for securities sold	4,388	
Other assets	22,118	20,720
Total assets	\$ 2,132,889	\$ 2,294,683
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 971,222	\$ 1,052,743
Unearned premiums	135,866	135,872
Ceded balances payable	8,539	12,376
Contingent commissions	5,693	9,260
Payable for securities purchased		4,768
Federal income taxes payable	1,993	55
Notes and debentures payable	103,071	121,285
Other liabilities	29,018	29,655
Total liabilities	1,255,402	1,366,014

Commitments and contingencies (Note 11)

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Shareholders equity:

Ordinary shares, \$0.0001 par value, 900,000,000 ordinary shares authorized; Class A ordinary shares issued: 21,414,007 and 21,340,821, respectively; Class A ordinary shares outstanding: 18,365,802 and 18,300,544, respectively; Class B ordinary shares issued and outstanding: 12,061,370 and 12,061,370, respectively		
	3	3
Additional paid-in capital	621,442	622,725
Accumulated other comprehensive income, net of taxes	23,500	57,211
Retained earnings	333,621	349,642
Class A ordinary shares in treasury, at cost: 3,048,205 and 3,040,277 shares, respectively	(101,079)	(100,912)
Total shareholders equity	877,487	928,669
Total liabilities and shareholders equity	\$ 2,132,889	\$ 2,294,683

See accompanying notes to consolidated financial statements.

Table of Contents**GLOBAL INDEMNITY PLC****Consolidated Statements of Operations**

(In thousands, except shares and per share data)

	(Unaudited) Quarters Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Gross premiums written	\$ 73,092	\$ 86,235	\$ 255,720	\$ 271,138
Net premiums written	\$ 64,934	\$ 73,206	\$ 234,449	\$ 234,210
Net premiums earned	\$ 77,090	\$ 70,089	\$ 231,114	\$ 215,579
Net investment income	12,880	14,089	41,224	42,609
Net realized investment gains:				
Other-than-temporary impairment losses on investments	(1,824)	(15)	(3,730)	(467)
Other-than-temporary impairment losses on investments recognized in other comprehensive income				43
Other net realized investment gains	3,112	1,833	25,401	22,043
Total net realized investment gains	1,288	1,818	21,671	21,619
Other income	167	173	11,999	515
Total revenues	91,425	86,169	306,008	280,322
Losses and Expenses:				
Net losses and loss adjustment expenses	86,234	29,789	206,329	104,253
Acquisition costs and other underwriting expenses	34,597	28,541	94,646	87,697
Corporate and other operating expenses	2,862	5,106	10,329	15,065
Interest expense	1,525	1,825	5,020	5,397
Income (loss) before income taxes	(33,793)	20,908	(10,316)	67,910
Income tax expense	454	1,146	5,758	4,706
Income (loss) before equity in net income (loss) of partnerships	(34,247)	19,762	(16,074)	63,204
Equity in net income (loss) of partnerships, net of taxes			53	(29)
Net income (loss)	\$ (34,247)	\$ 19,762	\$ (16,021)	\$ 63,175
Per share data ⁽¹⁾:				
Net income (loss)				
Basic	\$ (1.13)	\$ 0.65	\$ (0.53)	\$ 2.09
Diluted	\$ (1.13)	\$ 0.65	\$ (0.53)	\$ 2.09
Weighted-average number of shares outstanding				