

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

Maiden Holdings, Ltd.
Form 10-Q
August 09, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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

For the transition period from _____ to _____

Commission File No. 001-34042

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

Bermuda 98-0570192
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

94 Pitts Bay Road, Pembroke, Bermuda HM08
(Address of principal executive offices) (Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

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

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Emerging growth company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act).

Yes No

As of August 3, 2018, the number of the Registrant's Common Stock (\$.01 par value) outstanding was 83,143,237.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAIDEN HOLDINGS, LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost 2018: \$4,064,595; 2017: \$4,027,993)	\$3,966,910	\$4,044,370
Fixed maturities, held-to-maturity, at amortized cost (fair value 2018: \$1,026,672; 2017: \$1,125,626)	1,039,144	1,097,801
Other investments, at fair value	5,898	6,600
Total investments	5,011,952	5,148,771
Cash and cash equivalents	72,102	67,919
Restricted cash and cash equivalents	154,677	123,584
Accrued investment income	34,228	34,993
Reinsurance balances receivable, net (includes \$129,584 and \$50,415 from related parties in 2018 and 2017, respectively)	467,646	345,043
Reinsurance recoverable on unpaid losses (includes \$2,006 and \$2,204 from related parties in 2018 and 2017, respectively)	109,805	117,611
Loan to related party	167,975	167,975
Deferred commission and other acquisition expenses (includes \$408,013 and \$359,964 from related parties in 2018 and 2017, respectively)	472,202	439,597
Goodwill and intangible assets, net	74,659	75,583
Other assets	152,942	123,113
Total assets	\$6,718,188	\$6,644,189
LIABILITIES		
Reserve for loss and loss adjustment expenses (includes \$2,450,846 and \$2,298,822 from related parties in 2018 and 2017, respectively)	\$3,653,303	\$3,547,248
Unearned premiums (includes \$1,262,735 and \$1,179,285 from related parties in 2018 and 2017, respectively)	1,603,883	1,477,038
Accrued expenses and other liabilities	100,121	132,795
Senior notes - principal amount	262,500	262,500
Less: unamortized debt issuance costs	7,913	8,018
Senior notes, net	254,587	254,482
Total liabilities	5,611,894	5,411,563
Commitments and Contingencies		
EQUITY		
Preference shares	465,000	465,000
Common shares (\$0.01 par value; 87,927,787 and 87,730,054 shares issued in 2018 and 2017, respectively; 83,143,237 and 82,974,895 shares outstanding in 2018 and 2017, respectively)	879	877
Additional paid-in capital	749,319	748,113
Accumulated other comprehensive (loss) income	(96,959)) 13,354
Retained earnings	18,338	35,472
Treasury shares, at cost (4,784,550 and 4,755,159 shares in 2018 and 2017, respectively)	(30,835)) (30,642)
Total Maiden shareholders' equity	1,105,742	1,232,174

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Noncontrolling interests in subsidiaries	552	452
Total equity	1,106,294	1,232,626
Total liabilities and equity	\$6,718,188	\$6,644,189

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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MAIDEN HOLDINGS, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

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

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Revenues				
Gross premiums written	\$654,236	\$705,198	\$1,506,876	\$1,628,625
Net premiums written	\$645,589	\$684,072	\$1,494,922	\$1,584,620
Change in unearned premiums	21,757	27,053	(142,144)	(164,011)
Net premiums earned	667,346	711,125	1,352,778	1,420,609
Other insurance revenue	2,033	1,547	5,759	5,328
Net investment income	44,313	40,512	87,183	82,669
Net realized (losses) gains on investment	(414)	1,572	(57)	2,457
Total revenues	713,278	754,756	1,445,663	1,511,063
Expenses				
Net loss and loss adjustment expenses	491,554	528,620	964,878	1,009,189
Commission and other acquisition expenses	198,745	210,039	407,359	432,068
General and administrative expenses	19,574	15,346	39,524	32,760
Interest and amortization expenses	4,829	6,745	9,658	13,601
Accelerated amortization of senior note issuance cost	—	2,809	—	2,809
Amortization of intangible assets	462	533	924	1,066
Foreign exchange (gains) losses	(4,821)	6,722	(2,414)	8,643
Total expenses	710,343	770,814	1,419,929	1,500,136
Income (loss) before income taxes	2,935	(16,058)	25,734	10,927
Less: income tax expense	255	277	711	761
Net income (loss)	2,680	(16,335)	25,023	10,166
Add: net (income) loss attributable to noncontrolling interests	(47)	9	(118)	31
Net income (loss) attributable to Maiden	2,633	(16,326)	24,905	10,197
Dividends on preference shares	(8,546)	(6,033)	(17,091)	(12,066)
Net (loss) income attributable to Maiden common shareholders	\$(5,913)	\$(22,359)	\$7,814	\$(1,869)
Basic (loss) earnings per share attributable to Maiden common shareholders	\$(0.07)	\$(0.26)	\$0.09	\$(0.02)
Diluted (loss) earnings per share attributable to Maiden common shareholders	\$(0.07)	\$(0.26)	\$0.09	\$(0.02)
Dividends declared per common share	\$0.15	\$0.15	\$0.30	\$0.30
Weighted average number of common shares - basic	83,126,204	86,564,794	83,083,545	86,458,413
Adjusted weighted average number of common shares and assumed conversions - diluted	83,126,204	86,564,794	83,373,285	86,458,413

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

MAIDEN HOLDINGS, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in thousands of U.S. dollars)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$2,680	\$(16,335)	\$25,023	\$10,166
Other comprehensive (loss) income				
Net unrealized holdings (losses) gains on available-for-sale fixed maturities arising during the period	(50,425)	41,995	(117,268)	47,656
Adjustment for reclassification of net realized losses (gains) recognized in net income	745	(199)	(745)	896
Foreign currency translation adjustment	15,605	(21,777)	7,665	(27,975)
Other comprehensive (loss) income, before tax	(34,075)	20,019	(110,348)	20,577
Income tax benefit (expense) related to components of other comprehensive income	2	(11)	17	30
Other comprehensive (loss) income, after tax	(34,073)	20,008	(110,331)	20,607
Comprehensive (loss) income	(31,393)	3,673	(85,308)	30,773
Net (income) loss attributable to noncontrolling interests	(47)	9	(118)	31
Other comprehensive loss (income) attributable to noncontrolling interests	29	(24)	18	(29)
Comprehensive (income) loss attributable to noncontrolling interests	(18)	(15)	(100)	2
Comprehensive (loss) income attributable to Maiden	\$(31,411)	\$3,658	\$(85,408)	\$30,775

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

MAIDEN HOLDINGS, LTD.

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

(in thousands of U.S. dollars)

For the Six Months Ended June 30,	2018	2017	
Preference shares - Series A, C and D			
Beginning balance	\$465,000	\$315,000	
Issuance of Preference Shares – Series D	—	150,000	
Ending balance	465,000	465,000	
Common shares			
Beginning balance	877	873	
Exercise of options and issuance of shares	2	4	
Ending balance	879	877	
Additional paid-in capital			
Beginning balance	748,113	749,256	
Exercise of options and issuance of common shares	(2) 1,006	
Share-based compensation expense	1,208	1,470	
Issuance costs of Preference Shares - Series D	—	(5,025)
Ending balance	749,319	746,707	
Accumulated other comprehensive (loss) income			
Beginning balance	13,354	14,997	
Change in net unrealized (losses) gains on investment	(117,996) 48,582	
Foreign currency translation adjustment	7,683	(28,004)
Ending balance	(96,959) 35,575	
Retained earnings			
Beginning balance	35,472	285,662	
Net income attributable to Maiden	24,905	10,197	
Dividends on preference shares	(17,091) (12,066)
Dividends on common shares	(24,948) (25,987)
Ending balance	18,338	257,806	
Treasury shares			
Beginning balance	(30,642) (4,991)
Shares repurchased	(193) (575)
Ending balance	(30,835) (5,566)
Noncontrolling interests in subsidiaries			
Beginning balance	452	355	
Net income (loss) attributable to noncontrolling interests	118	(31)
Foreign currency translation adjustment	(18) 29	
Ending balance	552	353	
Total equity	\$1,106,294	\$1,500,752	

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

MAIDEN HOLDINGS, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands of U.S. dollars)

For the Six Months Ended June 30,

	2018	2017
Cash flows from operating activities		
Net income	\$25,023	\$10,166
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and share-based compensation	5,611	7,480
Net realized losses (gains) on investment	57	(2,457)
Foreign exchange (gains) losses	(2,414)	8,643
Changes in assets – (increase) decrease:		
Reinsurance balances receivable, net	(126,242)	(84,743)
Reinsurance recoverable on unpaid losses	7,765	12,441
Accrued investment income	653	1,132
Deferred commission and other acquisition expenses	(33,340)	(49,773)
Other assets	(38,507)	(14,669)
Changes in liabilities – increase (decrease):		
Reserve for loss and loss adjustment expenses	118,404	180,462
Unearned premiums	129,892	163,689
Accrued expenses and other liabilities	(30,798)	(8,824)
Net cash provided by operating activities	56,104	223,547
Cash flows from investing activities:		
Purchases of fixed-maturities – available-for-sale	(529,247)	(260,963)
Purchases of other investments	—	(147)
Proceeds from sales of fixed-maturities – available-for-sale	301,690	102,394
Proceeds from maturities, paydowns and calls of fixed maturities – available-for-sale	194,045	205,606
Proceeds from maturities and calls of fixed maturities – held to maturity	56,788	7,856
Proceeds from sale and redemption of other investments	1,022	388
Other, net	(2,098)	(864)
Net cash provided by investing activities	22,200	54,270
Cash flows from financing activities:		
Repurchase of common shares	(193)	(575)
Dividends paid – Maiden common shareholders	(24,924)	(25,936)
Dividends paid – preference shares	(17,091)	(12,066)
Preference shares, net of issuance costs	—	145,120
Redemption of 2012 senior notes	—	(100,000)
Issuance of common shares	—	1,010
Net cash (used in) provided by financing activities	(42,208)	7,553
Effect of exchange rate changes on foreign currency cash and cash equivalents and restricted cash and cash equivalents	(820)	2,391
Net increase in cash and cash equivalents and restricted cash and cash equivalents	35,276	287,761
Cash and cash equivalents and restricted cash and cash equivalents, beginning of period	191,503	149,535
Cash and cash equivalents and restricted cash and cash equivalents, end of period	\$226,779	\$437,296
Reconciliation of cash and cash equivalents, and restricted cash and cash equivalents reported within Condensed Consolidated Balance Sheets that sum to the total shown above:		
Cash and cash equivalents, end of period	\$72,102	\$246,826
Restricted cash and cash equivalents, end of period	154,677	190,470
Total cash and cash equivalents, and restricted cash and cash equivalents shown in the Condensed Consolidated Statements of Cash Flows, end of period	\$226,779	\$437,296

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

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MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

1. Basis of Presentation

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

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

These unaudited Condensed Consolidated Financial Statements, including these notes, should be read in conjunction with the Company's audited Consolidated Financial Statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Certain prior year comparatives have been reclassified for 2017 to conform to the 2018 presentation. The effect of these reclassifications had no impact on previously reported shareholders' equity or net income (loss).

2. Significant Accounting Policies

There have been no material changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2017 except for the following:

Recently Adopted Accounting Standards Updates

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09 guidance that supersedes most existing revenue recognition guidance. The standard excludes from its scope the accounting for insurance contracts, leases, financial instruments, and certain other agreements that are governed under other GAAP guidance, but could affect the revenue recognition for certain of our other insurance revenue activities. This guidance is effective for reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. The Company has adopted the guidance in ASU 2014-09 on January 1, 2018. Our analysis of revenues for the three and six months ended June 30, 2018 indicates that substantially all of our revenues are from sources not within the scope of the standard. The Company generates an insignificant amount of fee income which is reported under other insurance revenue in the Consolidated Statements of Income and is within the scope of ASU 2014-09. The Company's current accounting policy for this revenue is to recognize fee income as earned when the related services are performed which is consistent with the guidance in this ASU. Other insurance revenue is currently less than 1% of total revenues so the expanded disclosure requirements mandated by this ASU are not required or deemed relevant due to materiality. As substantially all of our revenue sources are not within the scope of the standard, the adoption of the standard did not have a material effect on our reported consolidated financial condition, results of operations or cash flows.

Scope of Modification Accounting

In May 2017, the FASB issued ASU 2017-09 to amend the guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The Company currently has a number of share based payment awards as disclosed in the Annual Report on Form 10-K for the year ended December 31, 2017. The adoption of this guidance on January 1, 2018 did not have an impact on the Company's Condensed Consolidated Financial Statements as no modifications were made in any of its current share based payment awards.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01 that will change how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. It does not change the guidance for classifying and measuring investments in debt securities and loans. Under the new guidance, entities will have to measure many equity investments at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. This includes investments in partnerships, unincorporated joint ventures and limited liability companies that do not result in consolidation and are not accounted for under the equity method. Entities will no longer be able to recognize unrealized holding gains and losses on equity securities they classify today as available-for-sale ("AFS") in Accumulated Other Comprehensive Income ("AOCI"). They also will no longer be able to use the cost method of accounting for equity securities that do not have readily determinable fair values. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this guidance on January 1, 2018 resulted in the recognition of \$67 of net unrealized losses and \$823 of net unrealized gains on our investments in limited partnerships within net income during the three and six months ended June 30, 2018, respectively. Our investments in limited partnerships do not have a readily determinable fair value and therefore, the new guidance was adopted prospectively. Please refer to "Note 4. Investments (d) - Realized Gains on Investment" for additional information.

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

2. Significant Accounting Policies (continued)

Classification of Certain Cash Receipts and Cash Payments

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

Presentation of Restricted Cash in the Statement of Cash Flows

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

Recently Adopted Accounting Standards Not Yet Adopted

Improvements to Non-employee Share-Based Payment Accounting

In June 2018, the FASB issued ASU 2018-07 guidance that simplifies the accounting for share-based payments granted to non-employees for goods and services. Under the guidance, most of the guidance on such payments to non-employees would be aligned with the requirements for share-based payments granted to employees as the board viewed the awards to both employees and non-employees to be economically similar and that two different accounting models are not justified. Under the new guidance, i) non-employee share-based payment awards should be measured at the grant date fair value rather than the fair value of the consideration received or the fair value of the equity instruments issued, whichever can be more reliably measured, ii) the measurement date for equity classified non-employee share-based payment awards is at the grant date and not the earlier of the date at which a commitment for performance by the counterparty is reached and the date at which the counterparty's performance is complete, and iii) entities should consider the probability of satisfying the performance conditions when awards contain such conditions. The amendments in this guidance are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but not earlier than an entity's adoption date of Topic 606. The Company is currently evaluating the impact of this guidance on the Company's results of operations and financial position; however, it is not expected to have a material impact on the Company's Consolidated Financial Statements.

Codification Improvements

In July 2018, the FASB issued ASU 2018-09 which includes clarifications to existing codifications or corrections of unintended application of guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this update include items raised for board consideration through the codification's feedback system that met the scope of this project, making due process necessary. The amendments affect a wide variety of topics in the codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. None of the topics deemed applicable have a material impact in the Company's interim consolidated financial statements. However, the Company is currently evaluating the impact of applicable sections on its results of operations and financial position once those sections are adopted beginning after December 15, 2018.

Codification Improvements to Topic 842, Leases

In July 2018, the FASB issued ASU 2018-10 for improvements related to Update 2016-02 to increase stakeholders' awareness of the amendments and to expedite the improvements. The amendments in this Update affect narrow aspects of the guidance issued in the amendments in Update 2016-02. For entities that early adopted Topic 842, the amendments are effective upon issuance of this Update, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements will be the same as the effective date and transition requirements in Topic 842. The Company is currently evaluating the impact of this guidance on the Company's results of operations and financial position.

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

3. Segment Information

The Company currently has two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. Our Diversified Reinsurance segment consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located, primarily, in the U.S. and Europe. Our AmTrust Reinsurance segment includes all business ceded to our wholly owned subsidiary, Maiden Reinsurance Ltd. ("Maiden Bermuda") from AmTrust Financial Services, Inc. ("AmTrust"), primarily the AmTrust Quota Share and the European Hospital Liability Quota Share. In addition to our reportable segments, the results of operations of the former National General Holdings Corporation Quota Share ("NGHC Quota Share") segment and the remnants of the U.S. excess and surplus ("E&S") business have been included in the "Other" category. Please refer to "Note 8. Related Party Transactions" for additional information.

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

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

For the Three Months Ended June 30, 2018	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Gross premiums written	\$ 162,751	\$ 491,485	\$—	\$ 654,236	
Net premiums written	\$ 154,278	\$ 491,311	\$—	\$ 645,589	
Net premiums earned	\$ 191,497	\$ 475,849	\$—	\$ 667,346	
Other insurance revenue	2,033	—	—	2,033	
Net loss and loss adjustment expenses ("loss and LAE")	(138,561)	(353,836)	843	(491,554)	
Commission and other acquisition expenses	(46,112)	(152,792)	159	(198,745)	
General and administrative expenses	(10,907)	(1,082)	—	(11,989)	
Underwriting (loss) income	\$ (2,050)	\$ (31,861)	\$ 1,002	(32,909)	
Reconciliation to net income					
Net investment income and realized losses on investment				43,899	
Interest and amortization expenses				(4,829)	
Amortization of intangible assets				(462)	
Foreign exchange gains				4,821	
Other general and administrative expenses				(7,585)	
Income tax expense				(255)	
Net income				\$ 2,680	
Net loss and LAE ratio ⁽¹⁾	71.7	% 74.4	%	73.4	%
Commission and other acquisition expense ratio ⁽²⁾	23.8	% 32.1	%	29.7	%
General and administrative expense ratio ⁽³⁾	5.6	% 0.2	%	2.9	%
Expense ratio ⁽⁴⁾	29.4	% 32.3	%	32.6	%
Combined ratio ⁽⁵⁾	101.1	% 106.7	%	106.0	%

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

3. Segment Information (continued)

For the Three Months Ended June 30, 2017	Diversified Reinsurance	AmTrust Reinsurance	Other	Total
Gross premiums written	\$ 140,841	\$ 564,276	\$ 81	\$ 705,198
Net premiums written	\$ 137,247	\$ 546,735	\$ 90	\$ 684,072
Net premiums earned	\$ 204,219	\$ 506,816	\$ 90	\$ 711,125
Other insurance revenue	1,547	—	—	1,547
Net loss and LAE	(176,837)	(350,561)	(1,222)	(528,620)
Commission and other acquisition expenses	(46,989)	(163,055)	5	(210,039)
General and administrative expenses	(8,494)	(664)	—	(9,158)
Underwriting loss	\$ (26,554)	\$ (7,464)	\$ (1,127)	(35,145)
Reconciliation to net loss				
Net investment income and realized gains on investment				