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Maiden Holdings, Ltd.

Form 10-Q

November 09, 2018

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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 September 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
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.

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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 November 2, 2018, the number of the Registrant's Common Stock (\$.01 par value) outstanding was 82,942,737.

INDEX

	Page
PART I - Financial Information	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>60</u>
<u>Item 4. Controls and Procedures</u>	<u>61</u>
PART II - Other Information	
<u>Item 1. Legal Proceedings</u>	<u>61</u>
<u>Item 1A. Risk Factors</u>	<u>61</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>62</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>62</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>62</u>
<u>Item 5. Other Information</u>	<u>62</u>
<u>Item 6. Exhibits</u>	<u>63</u>
<u>Signatures</u>	<u>64</u>

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)**

	September 30, 2018	December 31, 2017
ASSETS		
<i>Investments:</i>		
Fixed maturities, available-for-sale, at fair value (amortized cost 2018: \$2,867,251; 2017: \$2,699,297)	\$2,781,553	\$2,707,516
Fixed maturities, held-to-maturity, at amortized cost (fair value 2018: \$1,019,741; 2017: \$1,125,626)	1,032,885	1,097,801
Other investments, at fair value	22,586	6,600
Total investments	3,837,024	3,811,917
Cash and cash equivalents	94,578	54,470
Restricted cash and cash equivalents	169,996	94,905
Accrued investment income	29,658	28,798
Reinsurance balances receivable, net (includes \$125,046 and \$94,597 from related parties in 2018 and 2017, respectively)	161,436	72,494
Loan to related party	167,975	167,975
Deferred commission and other acquisition expenses (includes \$396,799 and \$379,395 from related parties in 2018 and 2017, respectively)	419,265	380,204
Other assets	41,083	131,608
Assets held for sale	1,615,486	1,901,818
Total assets	\$6,536,501	\$6,644,189
LIABILITIES		
Reserve for loss and loss adjustment expenses (includes \$2,749,601 and \$2,337,096 from related parties in 2018 and 2017, respectively)	\$2,851,685	\$2,386,722
Unearned premiums (includes \$1,223,736 and \$1,170,397 from related parties in 2018 and 2017, respectively)	1,298,933	1,230,882
Accrued expenses and other liabilities	18,460	90,069
Senior notes - principal amount	262,500	262,500
Less: unamortized debt issuance costs	7,860	8,018
Senior notes, net	254,640	254,482
Liabilities held for sale	1,339,618	1,449,408
Total liabilities	5,763,336	5,411,563
Commitments and Contingencies		
EQUITY		
Preference shares	465,000	465,000
Common shares (\$0.01 par value; 87,932,287 and 87,730,054 shares issued in 2018 and 2017, respectively; 82,942,737 and 82,974,895 shares outstanding in 2018 and 2017, respectively)	879	877
Additional paid-in capital	749,214	748,113
Accumulated other comprehensive (loss) income	(116,369)	) 13,354
(Accumulated deficit) retained earnings	(294,656)	) 35,472
Treasury shares, at cost (4,989,550 and 4,755,159 shares in 2018 and 2017, respectively)	(31,514)	) (30,642)
Total Maiden shareholders' equity	772,554	1,232,174
Noncontrolling interests in subsidiaries	611	452
Total equity	773,165	1,232,626

Total liabilities and equity

\$6,536,501 \$6,644,189

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

3

MAIDEN HOLDINGS, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(in thousands of U.S. dollars, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Gross premiums written	\$484,494	\$443,001	\$1,629,347	\$1,650,762
Net premiums written	\$482,806	\$432,677	\$1,626,485	\$1,603,414
Change in unearned premiums	37,271	24,601	(85,207)	(90,977)
Net premiums earned	520,077	457,278	1,541,278	1,512,437
Other insurance revenue	1,870	2,488	7,629	7,816
Net investment income	34,419	30,950	101,548	91,597
Net realized (losses) gains on investment	(225)	5,859	(282)	8,316
Total other-than-temporary impairment losses	(479)	—	(479)	—
Total revenues	555,662	496,575	1,649,694	1,620,166
Expenses				
Net loss and loss adjustment expenses	600,296	370,847	1,323,503	1,090,608
Commission and other acquisition expenses	167,618	145,352	497,026	487,771
General and administrative expenses	18,936	15,439	48,343	38,161
Interest and amortization expenses	4,829	4,829	14,487	18,430
Accelerated amortization of senior note issuance cost	—	—	—	2,809
Foreign exchange losses (gains)	552	3,550	(1,862)	12,193
Total expenses	792,231	540,017	1,881,497	1,649,972
Loss from continuing operations before income taxes	(236,569)	(43,442)	(231,803)	(29,806)
Less: income tax (benefit) expense	(7,437)	1,704	(930)	(1,978)
Net loss from continuing operations	(229,132)	(45,146)	(230,873)	(27,828)
Loss from discontinued operations, net of income tax	(71,100)	(9,908)	(44,336)	(17,060)
Net loss	(300,232)	(55,054)	(275,209)	(44,888)
Add: net (income) loss from continuing operations attributable to noncontrolling interests	(62)	3	(180)	34
Net loss attributable to Maiden	(300,294)	(55,051)	(275,389)	(44,854)
Dividends on preference shares	(8,545)	(8,545)	(25,636)	(20,611)
Net loss attributable to Maiden common shareholders	\$(308,839)	\$(63,596)	\$(301,025)	\$(65,465)
Basic and diluted loss from continuing operations per share attributable to Maiden common shareholders	\$(2.86)	\$(0.62)	\$(3.09)	\$(0.56)
Basic and diluted loss from discontinued operations per share attributable to Maiden common shareholders	\$(0.86)	\$(0.12)	\$(0.53)	\$(0.20)
Basic and diluted loss per share attributable to Maiden common shareholders	\$(3.72)	\$(0.74)	\$(3.62)	\$(0.76)
Dividends declared per common share	\$0.05	\$0.15	\$0.35	\$0.45
Weighted average number of common shares - basic and diluted	83,089,172	85,859,201	83,085,441	86,256,481

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 September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$ (300,232)	\$ (55,054)	\$ (275,209)	\$ (44,888)
Other comprehensive (loss) income				
Net unrealized holdings (losses) gains on available-for-sale fixed maturities arising during the period	(24,658)	25,019	(141,926)	68,798
Adjustment for reclassification of net realized losses (gains) recognized in net income	785	(3,650)	40	1,123
Foreign currency translation adjustment	4,458	(10,828)	12,123	(38,803)
Other comprehensive (loss) income, before tax	(19,415)	10,541	(129,763)	31,118
Income tax benefit (expense) related to components of other comprehensive income	2	(25)	19	5
Other comprehensive (loss) income, after tax	(19,413)	10,516	(129,744)	31,123
Comprehensive loss	(319,645)	(44,538)	(404,953)	(13,765)
Net (income) loss attributable to noncontrolling interests	(62)	3	(180)	34
Other comprehensive loss (income) attributable to noncontrolling interests	3	(12)	21	(41)
Comprehensive (income) loss attributable to noncontrolling interests	(59)	(9)	(159)	(7)
Comprehensive loss attributable to Maiden	\$ (319,704)	\$ (44,547)	\$ (405,112)	\$ (13,772)

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 Nine Months Ended September 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	13	1,072
Share-based compensation expense	1,088	2,194
Issuance costs of Preference Shares - Series D	—	(5,058)
Ending balance	749,214	747,464
Accumulated other comprehensive (loss) income		
Beginning balance	13,354	14,997
Change in net unrealized (losses) gains on investment	(141,867)	69,926
Foreign currency translation adjustment	12,144	(38,844)
Ending balance	(116,369)	46,079
(Accumulated deficit) retained earnings		
Beginning balance	35,472	285,662
Net loss attributable to Maiden	(275,389)	(44,854)
Dividends on preference shares	(25,636)	(20,611)
Dividends on common shares	(29,103)	(38,687)
Ending balance	(294,656)	181,510
Treasury shares		
Beginning balance	(30,642)	(4,991)
Shares repurchased	(872)	(14,912)
Ending balance	(31,514)	(19,903)
Noncontrolling interests in subsidiaries		
Beginning balance	452	355
Net income (loss) attributable to noncontrolling interests	180	(34)
Foreign currency translation adjustment	(21)	41
Ending balance	611	362
Total equity	\$773,165	\$1,421,389

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 Nine Months Ended September 30,****Cash flows from operating activities**

	2018	2017
Net loss	\$(275,209)	\$(44,888)
Less: net loss from discontinued operations	44,336	17,060
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization and share-based compensation	4,774	8,464
Net realized losses (gains) on investment	282	(8,316)
Total other-than-temporary impairment losses	479	—
Foreign exchange (gains) losses	(1,862)	) 12,193
<i>Changes in assets – (increase) decrease:</i>		
Reinsurance balances receivable, net	(92,904)	) (22,098)
Accrued investment income	(1,000)	) 1,124
Deferred commission and other acquisition expenses	(40,097)	) (38,773)
Other assets	91,422	(22,804)
<i>Changes in liabilities – increase (decrease):</i>		
Reserve for loss and loss adjustment expenses	481,227	325,221
Unearned premiums	72,200	94,489
Accrued expenses and other liabilities	(66,401)	) 6,877
Net cash provided by continuing operations	217,247	328,549
Net cash (used in) provided by discontinued operations	(54,624)	) 46,265
Net cash provided by operating activities	162,623	374,814
Cash flows from investing activities:		
Purchases of fixed-maturities – available-for-sale	(517,839)	) (538,429)
Purchases of other investments	(17,532)	) (986)
Proceeds from sales of fixed-maturities – available-for-sale	185,089	116,306
Proceeds from maturities, paydowns and calls of fixed maturities – available-for-sale	196,275	224,940
Proceeds from maturities and calls of fixed maturities – held to maturity	62,018	20,744
Proceeds from sale and redemption of other investments	2,160	11,119
Other, net	(2,985)	) (1,997)
Net cash used in investing activities for continuing operations	(92,814)	) (168,303)
Net cash provided by (used in) investing activities for discontinued operations	119,965	(16,710)
Net cash provided by (used in) investing activities	27,151	(185,013)
Cash flows from financing activities:		
Repurchase of common shares, net of issuance	(857)	) (13,836)
Dividends paid – Maiden common shareholders	(37,400)	) (38,935)
Dividends paid – preference shares	(25,636)	) (20,611)
Preference shares, net of issuance costs	—	144,942
Redemption of 2012 senior notes	—	(100,000)
Net cash used in financing activities	(63,893)	) (28,440)
Effect of exchange rate changes on foreign currency cash and cash equivalents	(1,131)	) 3,379
Net increase in cash and cash equivalents and restricted cash and cash equivalents	124,750	164,740
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	316,253	314,275
Less: cash and cash equivalents and restricted cash and cash equivalents of discontinued operations, end of period	(51,679)	) (88,606)
Cash and cash equivalents and restricted cash and cash equivalents of continuing operations, end of period	\$264,574	\$225,669

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*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	\$94,578	\$154,152
Restricted cash and cash equivalents, end of period	169,996	71,517
Total cash and cash equivalents and restricted cash and cash equivalents, end of period	\$264,574	\$225,669

See accompanying notes to the unaudited Condensed Consolidated Financial Statements.

7

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 including as discussed below. The effect of these reclassifications had no impact on previously reported shareholders' equity or net income (loss).

Discontinued Operations

As part of the strategic review initiated by the Company's Board of Directors earlier in 2018, during the third quarter of 2018, the Company made the strategic decision to divest its U.S. reinsurance treaty operations. 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. Please see "Note 8. Discontinued Operations" for additional information related to discontinued operations. All prior years presented in the Condensed Consolidated Financial Statements have been reclassified to conform to this new presentation.

Background

On August 29, 2018, the Company announced that it had entered into a Renewal Rights Agreement ("Renewal Rights"), dated as of August 29, 2018, with Transatlantic Reinsurance Company ("TransRe"), pursuant to which the Company agreed to sell, and TransRe agreed to purchase, Maiden Reinsurance North America, Inc.'s ("Maiden US") rights to: (i) renew Maiden US's 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. The payment received for the sale of the Renewal Rights was \$7,500 subject to potential additional amounts payable in the future in accordance with the agreement.

On August 31, 2018, the Company announced that its subsidiary, Maiden Holdings North America, Ltd. ("Maiden NA"), entered into a sale agreement ("Master Transaction Agreement") dated as of August 31, 2018, with Enstar Group Limited ("Enstar"), pursuant to which Maiden NA agreed to sell, and Enstar agreed to purchase Maiden NA's subsidiary Maiden US. Pursuant to and subject to the terms of the Master Transaction Agreement:

(i) Maiden NA will sell, and Enstar will purchase, all of the share capital of Maiden US (the "Maiden US Sale") for a price of \$321,500, which is subject to certain closing adjustments;

(ii) Cavello Bay Reinsurance Limited ("Cavello"), Enstar's Bermuda reinsurance affiliate, and Maiden Reinsurance Ltd. ("Maiden Bermuda"), the Company's Bermuda reinsurance subsidiary, will enter 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 will be novated for a ceding commission payable by Maiden Bermuda of \$12,250;
(iii) Cavello and Maiden Bermuda will enter into a retrocession agreement pursuant to which certain assets and liabilities associated with the Motors Insurance business held by Maiden Bermuda will be retroceded to Cavello in exchange for a \$1,750 ceding commission; and
(iv) Maiden Bermuda will provide Enstar with adverse loss reserve development cover up to a maximum of \$25,000 when losses are more than \$100,000 in excess of the net loss and loss adjustment expenses recorded as of June 30, 2018, for no additional consideration.

The transactions contemplated by the Master Transaction Agreement are expected to close in the fourth quarter of 2018 subject to regulatory approvals and customary closing conditions. The Company's current analysis indicates that the conditions to redeem the 2013 Senior Notes as stipulated by the securities may exist. Should final analysis support such a conclusion, the Company expects to redeem all of the \$152,500 2013 Senior Notes at that time pursuant to the terms of the underlying securities.

The assets and liabilities related to the sale of Maiden US were classified as held for sale in the Condensed Consolidated Balance Sheets as at September 30, 2018 and reclassified as held for sale as at December 31, 2017. The operations of the Company's U.S. reinsurance treaty business have been reported as discontinued operations in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017 since the Company has determined that the divestiture

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 (continued)

represents a strategic shift that will have a major effect on its ongoing operations and financial results and all of the held for sale criteria have been met. Please refer to "Note 8. Discontinued Operations" for additional information regarding the effect of the reclassifications on the Company's Condensed Consolidated Financial Statements.

Segments

As a result of the strategic decision to divest all of the Company's U.S. treaty reinsurance operations noted above, the Company has revised the composition of its reportable segments. As described in more detail below under "Note 3. Segment Information", the reportable segments include: (i) Diversified Reinsurance which consists of a portfolio of property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe; and (ii) AmTrust Reinsurance which includes all business ceded to the Company from subsidiaries of AmTrust Financial Services Inc. ("AmTrust"). In addition to these reportable segments, the results of operations of the former National General Holdings Corporation Quota Share ("NGHC Quota Share") segment is included in the "Other" category. All prior periods presented have been reclassified to conform to this new presentation.

For the three and nine months ended September 30, 2018, the Company's AmTrust Reinsurance segment accounted for 93.5% and 93.2%, respectively (2017 - 94.8% and 95.5%, respectively), of the Company's total consolidated gross premiums written.

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 nine months ended September 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 Condensed 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 condensed 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. 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"). 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 \$465 of net unrealized losses and \$358 of net unrealized gains on our investments in limited partnerships within net income during the three and nine months ended September 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.

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

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)**

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 any impact on the Company's results of operations, financial position or liquidity.

Presentation of Restricted Cash in the Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18 guidance that require entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet. This reconciliation can be presented either on the face of the statement of cash flows or in the notes to the financial statements. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. 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 Issued 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 2018-11 for targeted improvements related to Update 2016-02 which provides entities with an additional transition method to apply the new standard. Under the new optional transition method, an entity initially applies ASC 842 at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Updates related to Topic 842 become effective for the Company during the first quarter of 2019 and will be applied using a modified retrospective approach. The Company intends to elect the new transition method permitted by ASU No. 2018-11.

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

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)

Changes to the Disclosure Requirements for Fair Value Measurement

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

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

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 Europe. Our AmTrust Reinsurance segment includes all business ceded to our wholly owned subsidiary, Maiden Bermuda, from 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 NGHC Quota Share segment have been included in the "Other" category. Please refer to "Note 10. Related Party Transactions" for additional information.

As a result of the strategic decision to divest all of the Company's U.S. treaty reinsurance operations as discussed in "Note 1. Basis of Presentation" and "Note 8. Discontinued Operations", the Company has revised the composition of its reportable segments. Previously, the underwriting results associated with the discontinued operations of the Company's 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.

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, deferred commission and other acquisition expenses, loans, restricted cash and cash equivalents and investments and reinsurance recoverable on paid and unpaid losses,

unearned reinsurance premiums ceded and funds withheld receivable (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 loss from continuing operations:

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 September 30, 2018	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Gross premiums written	\$31,699	\$452,795	\$—	\$484,494	
Net premiums written	\$31,291	\$451,515	\$—	\$482,806	
Net premiums earned	\$28,784	\$491,293	\$—	\$520,077	
Other insurance revenue	1,870	—	—	1,870	
Net loss and loss adjustment expenses ("loss and LAE")	(19,764)	(579,163)	(1,369)	(600,296)	
Commission and other acquisition expenses	(8,961)	(158,657)	—	(167,618)	
General and administrative expenses	(4,256)	(952)	—	(5,208)	
Underwriting loss	\$(2,327)	\$(247,479)	\$(1,369)	(251,175)	
<i>Reconciliation to net loss from continuing operations</i>					
Net investment income and realized losses on investment				34,194	
Total other-than-temporary impairment losses				(479)	
Interest and amortization expenses				(4,829)	
Foreign exchange losses				(552)	
Other general and administrative expenses				(13,728)	
Income tax benefit				7,437	
Net loss from continuing operations				\$(229,132)	
Net loss and LAE ratio ⁽¹⁾	64.5	% 117.9	%	115.0	%
Commission and other acquisition expense ratio ⁽²⁾	29.2	% 32.3	%	32.1	%
General and administrative expense ratio ⁽³⁾	13.9	% 0.2	%	3.6	%
Expense ratio ⁽⁴⁾	43.1	% 32.5	%	35.7	%
Combined ratio⁽⁵⁾	107.6	% 150.4	%	150.7	%

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 September 30, 2017	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Gross premiums written	\$22,982	\$420,019	\$—	\$443,001	
Net premiums written	\$22,484	\$410,193	\$—	\$432,677	
Net premiums earned	\$20,925	\$436,353	\$—	\$457,278	
Other insurance revenue	2,488	—	—	2,488	
Net loss and LAE	(13,979)	(355,030)	(1,838)	(370,847)	
Commission and other acquisition expenses	(6,702)	(138,650)	—	(145,352)	
General and administrative expenses	(4,158)	(771)	—	(4,929)	
Underwriting loss	\$(1,426)	\$(58,098)	\$(1,838)	(61,362)	
<i>Reconciliation to net loss from continuing operations</i>					
Net investment income and realized gains on investment				36,809	
Interest and amortization expenses				(4,829)	
Foreign exchange losses				(3,550)	
Other general and administrative expenses				(10,510)	
Income tax expense				(1,704)	
Net loss from continuing operations				\$(45,146)	
Net loss and LAE ratio ⁽¹⁾	59.7	% 81.4	%	80.6	%
Commission and other acquisition expense ratio ⁽²⁾	28.6	% 31.7	%	31.6	%
General and administrative expense ratio ⁽³⁾	17.8	% 0.2	%	3.4	%
Expense ratio ⁽⁴⁾	46.4	% 31.9	%	35.0	%
Combined ratio⁽⁵⁾	106.1	% 113.3	%	115.6	%

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 Nine Months Ended September 30, 2018	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Gross premiums written	\$ 111,139	\$ 1,518,208	\$—	\$ 1,629,347	
Net premiums written	\$ 109,279	\$ 1,517,206	\$—	\$ 1,626,485	
Net premiums earned	\$ 82,838	\$ 1,458,440	\$—	\$ 1,541,278	
Other insurance revenue	7,629	—	—	7,629	
Net loss and LAE	(51,828)	(1,270,306)	(1,369)	(1,323,503)	
Commission and other acquisition expenses	(28,261)	(468,765)	—	(497,026)	
General and administrative expenses	(13,330)	(2,954)	—	(16,284)	
Underwriting loss	\$(2,952)	\$(283,585)	\$(1,369)	(287,906)	
<i>Reconciliation to net loss from continuing operations</i>					
Net investment income and realized losses on investment				101,266	
Total other-than-temporary impairment losses				(479)	
Interest and amortization expenses				(14,487)	
Foreign exchange gains				1,862	
Other general and administrative expenses				(32,059)	
Income tax benefit				930	
Net loss from continuing operations				\$(230,873)	
Net loss and LAE ratio ⁽¹⁾	57.3	% 87.1	%	85.5	%
Commission and other acquisition expense ratio ⁽²⁾	31.3	% 32.1	%	32.1	%
General and administrative expense ratio ⁽³⁾	14.7	% 0.2	%	3.1	%
Expense ratio ⁽⁴⁾	46.0	% 32.3	%	35.2	%
Combined ratio⁽⁵⁾	103.3	% 119.4	%	120.7	%

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 Nine Months Ended September 30, 2017	Diversified Reinsurance	AmTrust Reinsurance	Other	Total	
Gross premiums written	\$75,085	\$1,575,677	\$—	\$1,650,762	
Net premiums written	\$73,434	\$1,529,980	\$—	\$1,603,414	
Net premiums earned	\$61,626	\$1,450,811	\$—	\$1,512,437	
Other insurance revenue	7,816	—	—	7,816	
Net loss and LAE	(41,548)	(1,047,222)	(1,838)	(1,090,608)	
Commission and other acquisition expenses	(21,982)	(465,789)	—	(487,771)	
General and administrative expenses	(11,831)	(2,240)	—	(14,071)	
Underwriting loss	\$(5,919)	\$(64,440)	\$(1,838)	(72,197)	
Reconciliation to net loss from continuing operations					
Net investment income and realized gains on investment				99,913	
Interest and amortization expenses				(18,430)	
Accelerated amortization of senior note issuance cost				(2,809)	
Foreign exchange losses				(12,193)	
Other general and administrative expenses				(24,090)	
Income tax benefit				1,978	
Net loss from continuing operations				\$(27,828)	
Net loss and LAE ratio ⁽¹⁾	59.8	% 72.2	%	71.7	%
Commission and other acquisition expense ratio ⁽²⁾	31.7	% 32.1	%	32.1	%
General and administrative expense ratio ⁽³⁾	17.0	% 0.1	%	2.5	%
Expense ratio ⁽⁴⁾	48.7	% 32.2	%	34.6	%
Combined ratio⁽⁵⁾	108.5	% 104.4	%	106.3	%

(1) Calculated by dividing net loss and LAE by the sum of net premiums earned and other insurance revenue.

(2) Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.

(3) Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.

(4) Calculated by adding together the commission and other acquisition expense ratio and general and administrative expense ratio.

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

The following tables summarize the financial position of our reportable segments including the reconciliation to our consolidated assets at September 30, 2018 and December 31, 2017:

September 30, 2018	Diversified Reinsurance	AmTrust Reinsurance	Total
Total assets - reportable segments	\$ 180,676	\$4,297,992	\$4,478,668
Corporate assets	—	—	442,347
Assets held for sale	—	—	1,615,486
Total Assets	\$ 180,676	\$4,297,992	\$6,536,501

December 31, 2017	Diversified Reinsurance	AmTrust Reinsurance	Total
Total assets - reportable segments	\$ 167,638	\$4,258,607	\$4,426,245
Corporate assets	—	—	316,126
Assets held for sale	—	—	1,901,818
Total Assets	\$ 167,638	\$4,258,607	\$6,644,189

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)

The following tables set forth financial information relating to net premiums written by major line of business and reportable segment for the three and nine months ended September 30, 2018 and 2017:

For the Three Months Ended September 30,	2018		2017	
<i>Net premiums written</i>	Total	% of Total	Total	% of Total
Diversified Reinsurance				
International	\$31,291	6.5 %	\$22,503	5.2 %
Casualty	—	— %	(19)	— %
Total Diversified Reinsurance	31,291	6.5 %	22,484	5.2 %
AmTrust Reinsurance				
Small Commercial Business	232,163	48.1 %	295,499	68.3 %
Specialty Program	94,077	19.5 %	63,816	14.7 %
Specialty Risk and Extended Warranty	125,275	25.9 %	50,878	11.8 %
Total AmTrust Reinsurance	451,515	93.5 %	410,193	94.8 %
Total Net Premiums Written	\$482,806	100.0 %	\$432,677	100.0 %
For the Nine Months Ended September 30,	2018		2017	
<i>Net premiums written</i>	Total	% of Total	Total	% of Total
Diversified Reinsurance				
International	\$109,238	6.7 %	\$73,475	4.6 %
Casualty	41	— %	(41)	— %
Total Diversified Reinsurance	109,279	6.7 %	73,434	4.6 %
AmTrust Reinsurance				
Small Commercial Business	879,403	54.1 %	1,028,905	64.2 %
Specialty Program	286,404	17.6 %	255,767	15.9 %
Specialty Risk and Extended Warranty	351,399	21.6 %	245,308	15.3 %
Total AmTrust Reinsurance	1,517,206	93.3 %	1,529,980	95.4 %
Total Net Premiums Written	\$1,626,485	100.0 %	\$1,603,414	100.0 %

The following tables set forth financial information relating to net premiums earned by major line of business and reportable segment for the three and nine months ended September 30, 2018 and 2017:

For the Three Months Ended September 30,	2018		2017	
<i>Net premiums earned</i>	Total	% of Total	Total	% of Total
Diversified Reinsurance				
International	\$28,784	5.5 %	\$20,943	4.6 %
Casualty	—	— %	(18)	— %
Total Diversified Reinsurance	28,784	5.5 %	20,925	4.6 %
AmTrust Reinsurance				
Small Commercial Business	273,456	52.6 %	314,773	68.8 %
Specialty Program	98,359	18.9 %	59,143	12.9 %
Specialty Risk and Extended Warranty	119,478	23.0 %	62,437	13.7 %
Total AmTrust Reinsurance	491,293	94.5 %	436,353	95.4 %
Total Net Premiums Earned	\$520,077	100.0 %	\$457,278	100.0 %

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 Nine Months Ended September 30,	2018		2017	
<i>Net premiums earned</i>	Total	% of Total	Total	% of Total
Diversified Reinsurance				
International	\$82,797	5.4 %	\$61,667	4.1 %
Casualty	41	— %	(41)	— %
Total Diversified Reinsurance	82,838	5.4 %	61,626	4.1 %
AmTrust Reinsurance				
Small Commercial Business	882,679	57.3 %	946,782	62.6 %
Specialty Program	283,592	18.4 %	251,153	16.6 %
Specialty Risk and Extended Warranty	292,169	18.9 %	252,876	16.7 %
Total AmTrust Reinsurance	1,458,440	94.6 %	1,450,811	95.9 %
Total Net Premiums Earned	\$1,541,278	100.0%	\$1,512,437	100.0 %

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

4. Investments**a) Fixed Maturities**

The original or amortized cost, estimated fair value and gross unrealized gains and losses of fixed maturities at September 30, 2018 and December 31, 2017 are as follows:

September 30, 2018	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS fixed maturities:				
U.S. treasury bonds	\$ 125	\$—	\$(1	) \$ 124
U.S. agency bonds – mortgage-backed	1,484,434	830	(58,068	) 1,427,196
U.S. agency bonds – other	24,870	—	(1,180	) 23,690
Non-U.S. government and supranational bonds	22,550	122	(1,827	) 20,845
Asset-backed securities	226,652	552	(2,000	) 225,204
Corporate bonds	1,108,620	8,834	(32,960	) 1,084,494
Total AFS fixed maturities	2,867,251	10,338	(96,036	) 2,781,553
Held-to-maturity ("HTM") fixed maturities:				
Corporate bonds	974,947	6,103	(18,190	) 962,860
Municipal bonds	57,938	—	(1,057	) 56,881
Total HTM fixed maturities	1,032,885	6,103	(19,247	) 1,019,741
Total fixed maturity investments	\$3,900,136	\$ 16,441	\$(115,283)	\$ 3,801,294
December 31, 2017	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
AFS fixed maturities:				
U.S. treasury bonds	\$35,093	\$4	\$—	\$35,097
U.S. agency bonds – mortgage-backed	1,475,682	6,181	(13,723	) 1,468,140
U.S. agency bonds – other	19,868	—	(149	) 19,719
Non-U.S. government and supranational bonds	32,380	231	(1,713	) 30,898
Asset-backed securities	225,015	3,457	(79	) 228,393
Corporate bonds	911,259	28,423	(14,413	) 925,269
Total AFS fixed maturities	2,699,297	38,296	(30,077	) 2,707,516
HTM fixed maturities:				
Corporate bonds	1,037,464	28,694	(913	) 1,065,245
Municipal bonds	60,337	128	(84	) 60,381
Total HTM fixed maturities	1,097,801	28,822	(997	) 1,125,626
Total fixed maturity investments	\$3,797,098	\$67,118	\$(31,074)	\$3,833,142

During the nine months ended September 30, 2018, we did not designate any additional fixed maturities as HTM. During 2017, we designated additional fixed maturities with a fair value of \$391,934 as HTM reflecting our intent to hold these securities to maturity. The net unrealized holding gain of \$4,313 as at the designation date continues to be reported in the carrying value of the HTM securities and is amortized through other comprehensive income over the remaining life of the securities using the effective yield method in a manner consistent with the amortization of any premium or discount.

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

4. Investments (continued)

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

September 30, 2018	AFS fixed maturities		HTM fixed maturities	
	Amortized cost	Fair value	Amortized cost	Fair value
Maturity				
Due in one year or less	\$3,873	\$3,522	\$9,297	\$9,289
Due after one year through five years	596,895	583,069	371,750	372,294
Due after five years through ten years	555,397	542,562	651,838	638,158
	1,156,165	1,129,153	1,032,885	1,019,741
U.S. agency bonds – mortgage-backed	1,484,434	1,427,196	—	—
Asset-backed securities	226,652	225,204	—	—
Total fixed maturities	\$2,867,251	\$2,781,553	\$1,032,885	\$1,019,741

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

September 30, 2018	Less than 12 Months		12 Months or More		Total	Unrealized losses
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	
Fixed maturities						
U.S. treasury bonds	\$124	\$(1)	\$—	\$—	\$124	\$(1)
U.S. agency bonds – mortgage-backed	831,457	(25,160)	595,740	(32,908)	1,427,197	(58,068)
U.S. agency bonds – other	23,689	(1,180)	—	—	23,689	(1,180)
Non-U.S. government and supranational bonds	6,637	(148)	14,209	(1,679)	20,846	(1,827)
Asset-backed securities	221,300	(1,896)	3,904	(104)	225,204	(2,000)
Corporate bonds	1,793,528	(31,031)	253,825	(20,119)	2,047,353	(51,150)
Municipal bonds	56,882	(1,057)	—	—	56,882	(1,057)
Total temporarily impaired fixed maturities	\$2,933,617	\$(60,473)	\$867,678	\$(54,810)	\$3,801,295	\$(115,283)

At September 30, 2018, there were approximately 406 securities in an unrealized loss position with a fair value of \$3,801,295 and unrealized losses of \$115,283. Of these securities, there were 99 securities that have been in an unrealized loss position for 12 months or greater with a fair value of \$867,678 and unrealized losses of \$54,810.

December 31, 2017	Less than 12 Months		12 Months or More		Total	Unrealized losses
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	
Fixed maturities						
U.S. agency bonds – mortgage-backed	\$632,142	\$(5,299)	\$327,339	\$(8,424)	\$959,481	\$(13,723)
U.S. agency bonds – other	19,718	(149)	—	—	19,718	(149)
Non-U.S. government and supranational bonds	1,909	(2)	25,192	(1,711)	27,101	(1,713)
Asset-backed securities	12,408	(30)	3,017	(49)	15,425	(79)
Corporate bonds	161,661	(1,557)	290,592	(13,769)	452,253	(15,326)
Municipal bonds	39,492	(84)	—	—	39,492	(84)
Total temporarily impaired fixed maturities	\$867,330	\$(7,121)	\$646,140	\$(23,953)	\$1,513,470	\$(31,074)

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

4. Investments (continued)

At December 31, 2017, there were approximately 156 securities in an unrealized loss position with a fair value of \$1,513,470 and unrealized losses of \$31,074. Of these securities, there were 89 securities that have been in an unrealized loss position for 12 months or greater with a fair value of \$646,140 and unrealized losses of \$23,953.

Other-than-temporarily impaired ("OTTI")

The Company performs quarterly reviews of its fixed maturities in order to determine whether declines in fair value below the amortized cost basis were considered other-than-temporary in accordance with applicable guidance. At September 30, 2018, we have determined that the unrealized losses on fixed maturities were primarily due to interest rates rising as well as the impact of foreign exchange rate changes on certain foreign currency denominated AFS fixed maturities since their date of purchase. All fixed maturity securities in the investment portfolio continue to pay the expected coupon payments under the contractual terms of the securities. Any credit-related impairment related to fixed maturity securities that the Company does not plan to sell and for which the Company is not more likely than not to be required to sell is recognized in net earnings, with the non-credit related impairment recognized in comprehensive earnings. Based on our analysis, our fixed maturity portfolio is of high credit quality and we believe we will recover the amortized cost basis of our fixed maturity securities. We continually monitor the credit quality of our fixed maturity investments to assess if it is probable that we will receive our contractual or estimated cash flows in the form of principal and interest. For the three and nine months ended September 30, 2018, we recognized \$479 in OTTI charges in earnings on one fixed maturity security. Comparatively, there were no OTTI losses recognized in earnings on the fixed maturity portfolio in the three and nine months ended September 30, 2017.

The following summarizes the credit ratings of our fixed maturities:

Ratings ⁽¹⁾ at September 30, 2018	Amortized cost	Fair value	% of Total fair value
U.S. treasury bonds	\$ 125	\$ 124	— %
U.S. agency bonds	1,509,304	1,450,886	38.2 %
AAA	166,512	163,099	4.3 %
AA+, AA, AA-	174,111	169,207	4.4 %
A+, A, A-	1,136,634	1,113,761	29.3 %
BBB+, BBB, BBB-	851,348	839,940	22.1 %
BB+ or lower	62,102	64,277	1.7 %
Total fixed maturities	\$ 3,900,136	\$ 3,801,294	100.0 %
Ratings ⁽¹⁾ at December 31, 2017	Amortized cost	Fair value	% of Total fair value
U.S. treasury bonds	\$ 35,093	\$ 35,097	0.9 %
U.S. agency bonds	1,495,550	1,487,859	38.8 %
AAA	156,631	159,682	4.2 %
AA+, AA, AA-	146,264	147,054	3.8 %
A+, A, A-	1,089,230	1,106,430	28.9 %
BBB+, BBB, BBB-	824,351	845,244	22.1 %
BB+ or lower	49,979	51,776	1.3 %
Total fixed maturities	\$ 3,797,098	\$ 3,833,142	100.0 %

(1) Based on Standard & Poor's ("S&P"), or equivalent, ratings

b) Other Investments

The table below shows our portfolio of other investments:

	September 30, 2018	December 31, 2017	
	Fair value	Fair value	Fair value
	% of Total fair value	% of Total fair value	% of Total fair value

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Investment in limited partnerships	\$3,554	15.7 %	\$5,100	77.3 %
Other	19,032	84.3 %	1,500	22.7 %
Total other investments	\$22,586	100.0%	\$6,600	100.0%

The Company has a remaining unfunded commitment on its investment in limited partnerships of approximately \$414 at September 30, 2018 (December 31, 2017 - \$306).

20

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(in thousands of U.S. dollars, except share and per share data)****4. Investments (continued)**

The Company also has a remaining unfunded commitment on its other investments of approximately \$7,468 at September 30, 2018. There were no such commitments outstanding at December 31, 2017.

c) Net Investment Income

Net investment income was derived from the following sources:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Fixed maturities	\$32,443	\$30,496	\$97,485	\$91,954
Cash and cash equivalents	905	899	1,596	1,328
Loan to related party	1,658	913	4,651	2,441
Other	471	569	1,061	1,460
	35,477	32,877	104,793	97,183
Investment expenses	(1,058)	(1,927)	(3,245)	(5,586)
Net investment income	\$34,419	\$30,950	\$101,548	\$91,597

d) Realized Gains (Losses) on Investment

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

For the Three Months Ended September 30, 2018	Gross gains	Gross losses	Net
AFS fixed maturities	\$40	\$(558)	\$(518)
Other investments	293	—	293
Net realized gains (losses) on investment	\$333	\$(558)	\$(225)

For the Three Months Ended September 30, 2017	Gross gains	Gross losses	Net
AFS fixed maturities	\$1,366	\$(997)	\$369
Other investments	5,490	—	5,490
Net realized gains (losses) on investment	\$6,856	\$(997)	\$5,859

For the Nine Months Ended September 30, 2018	Gross gains	Gross losses	Net
AFS fixed maturities	\$2,979	\$(5,256)	\$(2,277)
Other investments	1,995	—	1,995
Net realized gains (losses) on investment	\$4,974	\$(5,256)	\$(282)

For the Nine Months Ended September 30, 2017	Gross gains	Gross losses	Net
AFS fixed maturities	\$3,854	\$(1,253)	\$2,601
Other investments	5,715	—	5,715
Net realized gains (losses) on investment	\$9,569	\$(1,253)	\$8,316

Proceeds from sales of AFS fixed maturities were \$20,198 and \$185,089 for the three and nine months ended September 30, 2018, respectively (2017 - \$30,440 and \$116,306, respectively).

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

4. Investments (continued)

Net unrealized (losses) gains on investments, including those allocated to discontinued operations and classified as held for sale, were as follows:

	September 30, 2018	December 31, 2017
Fixed maturities	\$(119,919)	\$20,586
Other investments	—	1,381
Total net unrealized (losses) gains	(119,919)	21,967
Deferred income tax	(59)	(78)
Net unrealized (losses) gains, net of deferred income tax	\$(119,978)	\$21,889
Change, net of deferred income tax	\$(141,867)	\$42,605

The portion of unrealized gains recognized in net income for the three and nine months ended September 30, 2018 and 2017 that are related to other investments still held at the end of the reporting period were as follows:

For the Three Months Ended September 30,	2018	2017
Net gains recognized in net income on other investments during the period	\$293	\$5,490
Net realized gains recognized on other investments divested during the period	(758)	(5,490)
Net unrealized losses recognized on other investments still held at end of period	\$(465)	\$—

For the Nine Months Ended September 30,	2018	2017
Net gains recognized in net income on other investments during the period	\$1,995	\$5,715
Net realized gains recognized on other investments divested during the period	(1,637)	(5,715)
Net unrealized gains recognized on other investments still held at end of period	\$358	\$—

e) Restricted Cash and Cash Equivalents and Investments

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

	September 30, 2018	December 31, 2017
Restricted cash – third party agreements	\$20,884	\$21,889
Restricted cash – related party agreements	149,112	73,016
Total restricted cash	169,996	94,905
Restricted investments – in trust for third party agreements at fair value (<i>amortized cost: 2018 – \$75,279; 2017 – \$212,507</i>)	75,233	211,331
Restricted investments AFS – in trust for related party agreements at fair value (<i>amortized cost: 2018 – \$2,515,190; 2017 – \$2,281,668</i>)	2,447,970	2,294,367
Restricted investments HTM – in trust for related party agreements at fair value (<i>amortized cost: 2018 – \$1,032,885; 2017 – \$1,097,801</i>)	1,019,741	1,125,626
Total restricted investments	3,542,944	3,631,324
Total restricted cash and investments	\$3,712,940	\$3,726,229

5. Fair Value of Financial Instruments**(a) Fair Values of Financial Instruments**

Fair Value Measurements — ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly

transaction between open market participants at the measurement date. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 — Valuations based on unadjusted quoted market prices for identical assets or liabilities that we have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

5. Fair Value of Financial Instruments (continued)

of these products does not entail a significant degree of judgment. Examples of assets and liabilities utilizing Level 1 inputs include: U.S. Treasury bonds;

Level 2 — Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities,

- etc.) or can be corroborated by observable market data. Examples of assets and liabilities utilizing Level 2 inputs include: U.S. government-sponsored agency securities; non-U.S. government and supranational obligations; commercial mortgage-backed securities ("CMBS"); collateralized loan obligations ("CLO"); corporate and municipal bonds; and

Level 3 — Valuations based on models where significant inputs are not observable. The unobservable inputs reflect our own assumptions about assumptions that market participants would use. Examples of assets and liabilities utilizing Level 3 inputs include: an investment in preference shares of a start-up insurance producer.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment.

Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. We use prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

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

ASC 825, "*Disclosure About Fair Value of Financial Instruments*", requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held at September 30, 2018 and December 31, 2017.

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

Non-U.S. government and supranational bonds — These securities are generally priced by independent pricing services. The Pricing Service may use current market trades for securities with similar quality, maturity and coupon. If no such

trades are available, the Pricing Service typically uses analytical models which may incorporate spreads, interest rate data and market/sector news. As the significant inputs used to price non-U.S. government and supranational bonds are observable market inputs, the fair values of non-U.S. government and supranational bonds are included in the Level 2 fair value hierarchy.

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

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

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

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

5. Fair Value of Financial Instruments (continued)

Other investments — Includes unquoted investments comprised of investments in limited partnerships and other investments which includes investments in lending vehicles as well as investments in start-up insurance entities. The fair values of the limited partnerships are determined by the fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals. The fair value of these investments are measured using the NAV practical expedient and therefore have not been categorized within the fair value hierarchy. If there is a reporting lag between the current period end and reporting date of the latest available fund valuation, we estimate fair values by starting with the most recently available valuation and adjusting for return estimates as well as any subscriptions and distributions that took place during the current period. The fair value of the other investments, including those investments in lending vehicles and start-up insurance entities, was determined using recent private market transactions and as such, the fair value is included in the Level 3 fair value hierarchy.

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

Loan to related party — The carrying value reported in the Condensed Consolidated Balance Sheets for this financial instrument approximates its fair value and it is included in the Level 2 hierarchy.

Senior notes — The amount reported in the Condensed Consolidated Balance Sheets for these financial instruments represents the carrying value of the notes. The fair values are based on indicative market pricing obtained from a third-party service provider and as such, are included in the Level 2 hierarchy.

(b) Fair Value Hierarchy

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

At September 30, 2018 and December 31, 2017, we classified our financial instruments measured at fair value on a recurring basis in the following valuation hierarchy:

September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV Practical Expedient	Total Fair Value
AFS fixed maturities					
U.S. treasury bonds	\$124	\$—	\$—	\$—	\$124
U.S. agency bonds – mortgage-backed	—	1,427,196	—	—	1,427,196
U.S. agency bonds – other	—	23,690	—	—	23,690
Non-U.S. government and supranational bonds	—	20,845	—	—	20,845
Asset-backed securities	—	225,204	—	—	225,204
Corporate bonds	—	1,084,494	—	—	1,084,494
Other investments	—	—	19,032	3,554	22,586
Total	\$124	\$2,781,429	\$19,032	\$3,554	\$2,804,139
As a percentage of total assets	—	% 42.6	% 0.3	% 0.1	% 43.0

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

5. Fair Value of Financial Instruments (continued)

December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV Practical Expedient	Total Fair Value
AFS fixed maturities					
U.S. treasury bonds	\$35,097	\$—	\$—	\$—	\$35,097
U.S. agency bonds – mortgage-backed	—	1,468,140	—	—	1,468,140
U.S. agency bonds – other	—	19,719	—	—	19,719
Non-U.S. government and supranational bonds	—	30,898	—	—	30,898
Asset-backed securities	—	228,393	—	—	228,393
Corporate bonds	—	925,269	—	—	925,269
Other investments	—	—	1,500	5,100	6,600
Total	\$35,097	\$2,672,419	\$1,500	\$5,100	\$2,714,116
As a percentage of total assets	0.5	% 40.2	% —	% 0.1	% 40.8

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

The Pricing Service was utilized to estimate fair value measurements for 100.0% and 99.8% of our fixed maturities at September 30, 2018 and December 31, 2017, respectively. The Pricing Service utilizes market quotations for fixed maturity securities that have quoted market prices in active markets. Since fixed maturities other than U.S. treasury bonds generally do not trade actively on a daily basis, the Pricing Service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing and these have been classified as Level 2.

At December 31, 2017, 0.2% of the fixed maturities are valued using the market approach. Three securities or approximately \$9,489 of Level 2 fixed maturities, were priced using a quotation from a broker and/or custodian as opposed to the Pricing Service due to lack of information available. At September 30, 2018 and December 31, 2017, we have not adjusted any pricing provided to us based on the review performed by our investment managers. There were no transfers between Level 1 and Level 2 and there were no transfers to or from Level 3 during the periods represented by these Condensed Consolidated Financial Statements.

(c) Level 3 Financial Instruments

At September 30, 2018, the Company has other investments of \$19,032 (December 31, 2017 - \$1,500) including investments in lending vehicles as well as investments in start-up insurance entities, the fair value of each was determined using recent private market transactions. Due to the significant unobservable inputs in these valuations, the Company includes the estimate of the fair value of these unquoted investments as Level 3. During the three and nine months ended September 30, 2018 and 2017, there have been no transfers into or out of Level 3.

(d) Financial Instruments not measured at Fair Value

The following table presents the fair value and carrying value or principal amount of the financial instruments not measured at fair value:

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
HTM – corporate bonds	\$974,947	\$962,860	\$1,037,464	\$1,065,245

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HTM – municipal bonds	57,938	56,881	60,337	60,381
Total financial assets	\$1,032,885	\$1,019,741	\$1,097,801	\$1,125,626

Financial Liabilities

Senior Notes - MHLA – 6.625%	\$110,000	\$75,812	\$110,000	\$101,200
Senior Notes - MHNC – 7.75%	152,500	124,135	152,500	149,029
Total financial liabilities	\$262,500	\$199,947	\$262,500	\$250,229

25

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

6. Goodwill and Intangible Assets

The goodwill and intangible assets are assigned to our Diversified Reinsurance segment. The following table shows the change in the carrying value of goodwill and intangible assets held:

	Goodwill	Intangible Assets	Total
December 31, 2016	\$57,192	\$20,523	\$77,715
Amortization	—	(2,132)	(2,132)
December 31, 2017	\$57,192	\$18,391	\$75,583
Amortization	—	(1,387)	(1,387)
Impairment losses	(57,192)	(17,004)	(74,196)
September 30, 2018	\$—	\$—	\$—

The goodwill and intangible assets are subject to annual impairment testing on October 1 or when “triggering events” occur or circumstances change that could potentially reduce the fair value of a reporting unit below its carrying amount. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds the fair value.

The announced sale of our U.S. treaty reinsurance operations resulted in a triggering event and consequently during the three and nine months ended September 30, 2018, the Company has written off the remaining balance of goodwill and intangible assets. The goodwill and intangible assets were deemed to be permanently impaired due to the sale of the U.S. treaty reinsurance renewal rights and the anticipated sale of the U.S. Diversified Reinsurance business. Please refer to "Note 8. Discontinued Operations" for further details of this disposal. The Company recognized an impairment loss of \$74,196 as a result of these dispositions, which is presented in the Condensed Consolidated Statements of Income as part of the loss from discontinued operations for the three and nine months ended September 30, 2018. No impairment was recorded during the same periods in 2017.

The following tables show the analysis of goodwill and intangible assets classified as held for sale at September 30, 2018 and December 31, 2017 (please refer to "Note 8. Discontinued Operations" for further details):

September 30, 2018	Gross	Accumulated Amortization	Accumulated Impairment	Net	Useful Life
Goodwill	\$58,992	\$—	\$(58,992)	\$—	Indefinite
State licenses	4,527	—	(4,527)	—	Indefinite
Customer relationships	51,400	(38,923)	(12,477)	—	15 years double declining
Net balance	\$114,919	\$(38,923)	\$(75,996)	\$—	
December 31, 2017	Gross	Accumulated Amortization	Accumulated Impairment	Net	Useful Life
Goodwill	\$58,992	\$—	\$(1,800)	\$57,192	Indefinite
State licenses	4,527	—	—	4,527	Indefinite
Customer relationships	51,400	(37,536)	—	13,864	15 years double declining
Net balance	\$114,919	\$(37,536)	\$(1,800)	\$75,583	

7. Long-Term Debt**Senior Notes**

At September 30, 2018 and December 31, 2017, Maiden Holdings and its wholly owned subsidiary, Maiden NA, both have an outstanding public debt offering of senior notes, (the "Senior Notes"). The 2013 Senior Notes issued by the subsidiary are fully and unconditionally guaranteed by Maiden Holdings. The Senior Notes are unsecured and unsubordinated obligations of the Company. As discussed in "Note 1. Basis of Presentation", the transactions

contemplated by the Master Transaction Agreement are expected to close in the fourth quarter of 2018 subject to regulatory approvals and customary closing conditions. The Company's current analysis indicates that the conditions to redeem the 2013 Senior Notes as stipulated by the securities may exist. Should final analysis support such a conclusion, the Company expects to redeem all of the \$152,500 2013 Senior Notes at that time pursuant to the terms of the underlying securities.

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

7. Long-Term Debt (continued)

The following table details the Company's Senior Notes issuances as of September 30, 2018 and December 31, 2017:

September 30, 2018	2016 Senior Notes	2013 Senior Notes	Total
Principal amount	\$ 110,000	\$ 152,500	\$ 262,500
Less: unamortized issuance costs	3,622	4,238	7,860
Carrying value	\$ 106,378	\$ 148,262	\$ 254,640

December 31, 2017	2016 Senior Notes	2013 Senior Notes	Total
Principal amount	\$ 110,000	\$ 152,500	\$ 262,500
Less: unamortized issuance costs	3,654	4,364	8,018
Carrying value	\$ 106,346	\$ 148,136	\$ 254,482

Other details:

Original debt issuance costs	\$ 3,715	\$ 5,054	
Maturity date	June 14, 2046	Dec 1, 2043	
Earliest redeemable date (for cash)	June 14, 2021	Dec 1, 2018	
Coupon rate	6.625	% 7.75	%
Effective interest rate	7.07	% 8.04	%

The interest expense incurred on the Senior Notes for the three and nine months ended September 30, 2018 was \$4,776 and \$14,329, respectively (2017 - \$4,776 and \$18,218, respectively) of which \$1,342 was accrued at September 30, 2018 and December 31, 2017, respectively. The issuance costs related to the Senior Notes were capitalized and are being amortized over the life of the Senior Notes. The amount of amortization expense for the three and nine months ended September 30, 2018 was \$53 and \$158, respectively (2017 - \$53 and \$212, respectively). On June 27, 2017, we fully redeemed all of the 2012 Senior Notes using a portion of the proceeds from the Preference Shares - Series D issuance as previously disclosed in the Annual Report on Form 10-K for the year ended December 31, 2017. The 2012 Senior Notes were redeemed at a redemption price equal to 100% of the principal amount of \$100,000 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 \$2,809 for the nine months ended September 30, 2017.

8. Discontinued Operations***Sale of U.S. Treaty Reinsurance operations***

As described in "Note 1. Basis of Presentation", on August 29, 2018, the Company entered into a Renewal Rights transaction with TransRe. The Company continues 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. Subsequently, on August 31, 2018, the Company entered into a Master Transaction Agreement with Enstar. The Company estimated the fair value of the net assets held for sale to be based on the estimated selling price less costs to sell and was classified as Level 2 within the fair value hierarchy as of September 30, 2018. The classes of assets and liabilities to be sold and classified as held for sale as of September 30, 2018 and December 31, 2017 consist of the following:

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

8. Discontinued Operations (continued)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Fixed maturities, available-for-sale, at fair value	\$ 1,153,793	\$ 1,336,854
Cash and cash equivalents	16,723	13,449
Restricted cash and cash equivalents	34,956	28,679
Accrued investment income	6,575	6,195
Reinsurance balances receivable, net	227,454	272,549
Reinsurance recoverable on unpaid losses	75,197	92,728
Deferred commission and other acquisition expenses	50,532	59,393
Goodwill and intangible assets, net	—	75,583
Other assets	50,256	16,388
Total assets held for sale	\$ 1,615,486	\$ 1,901,818
LIABILITIES		
Reserve for loss and loss adjustment expenses	\$ 1,098,119	\$ 1,160,526
Unearned premiums	224,794	246,156
Accrued expenses and other liabilities	16,705	42,726
Total liabilities held for sale	\$ 1,339,618	\$ 1,449,408

The following table summarizes the major classes of line items constituting the total loss from discontinued operations for the three and nine months ended September 30, 2018 and 2017, respectively, in which the results of operations of the discontinued operations are presented in the Condensed Consolidated Statements of Income:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Gross premiums written	\$ 130,200	\$ 187,971	\$ 492,222	\$ 608,835
Net premiums written	\$ 128,398	\$ 184,653	\$ 479,640	\$ 598,536
Net premiums earned	170,579	196,588	502,156	562,038
Net investment income	9,675	9,873	29,729	31,895
Net loss and loss adjustment expenses	(129,414)	(165,121)	(371,085)	(454,549)
Commission and other acquisition expenses	(44,158)	(48,110)	(122,109)	(137,759)
General and administrative expenses	(10,929)	(4,053)	(21,046)	(14,091)
Amortization of intangible assets	(462)	(533)	(1,387)	(1,599)
(Loss) income from discontinued operations before income taxes	(4,709)	(11,356)	16,258	(14,065)
Loss on disposal of discontinued operations	(66,697)	—	(66,697)	—
Income tax benefit (expense)	306	1,448	6,103	(2,995)
Loss from discontinued operations, net of income tax	\$(71,100)	\$(9,908)	\$(44,336)	\$(17,060)

The loss on disposal from discontinued operations for the three and nine months ended September 30, 2018 includes the impairment of goodwill and intangible assets of \$74,196 that was recognized due to the sale of Maiden US partly offset by the proceeds of the sale of the Renewal Rights of \$7,500. Please refer to "Note 6. Goodwill and Intangible Assets" for additional information regarding the Company's impairment of goodwill and intangible assets that was recognized during the three and nine months ended September 30, 2018.

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(in thousands of U.S. dollars, except share and per share data)****9. Reserve for Loss and Loss Adjustment Expenses**

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

The anticipated effect of inflation is implicitly considered when estimating liabilities for loss and LAE. While anticipated changes in claim costs due to inflation are considered in estimating the ultimate claim costs, changes in average severity of claims are caused by a number of factors that vary with the individual type of policy written.

Ultimate losses are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

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

	September 30, 2018	December 31, 2017
Reserve for reported loss and LAE	\$1,577,494	\$1,393,560
Reserve for losses incurred but not reported ("IBNR")	1,274,191	993,162
Reserve for loss and LAE	\$2,851,685	\$2,386,722
The following table represents a reconciliation of our beginning and ending gross and net loss and LAE reserves:		
For the Nine Months Ended September 30,	2018	2017
Gross loss and LAE reserves, January 1	\$2,386,722	\$1,845,407
Less: reinsurance recoverable on unpaid losses, January 1	24,883	35,948
Net loss and LAE reserves, January 1	2,361,839	1,809,459
Net incurred losses related to:		
Current year	1,073,052	979,416
Prior years	250,451	111,192
	1,323,503	1,090,608
Net paid losses related to:		
Current year	(283,477)	(273,050)
Prior years	(555,718)	(501,799)
	(839,195)	(774,849)
Commutated recoverables	19,929	—
Effect of foreign exchange movements	(16,202)	48,622
Net loss and LAE reserves, September 30	2,849,874	2,173,840
Reinsurance recoverable on unpaid losses, September 30	1,811	45,643
Gross loss and LAE reserves, September 30	\$2,851,685	\$2,219,483

Effective July 1, 2018, Maiden Bermuda commuted its retrocessional quota share agreements with a highly rated global insurer which inceptioned on January 1, 2015.

Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves in previous calendar years. The development reflects changes in management's best estimate of the ultimate

losses under the relevant reinsurance policies after review of changes in actuarial assessments. During the three and nine months ended September 30, 2018, the Company recognized approximately \$212,473 and \$250,451, respectively (2017 - \$64,044 and \$111,192, respectively) of net adverse development in both the Diversified Reinsurance and AmTrust Reinsurance segments as well as in its run-off business.

In the Diversified Reinsurance segment, the adverse prior year loss development was \$671 and \$1,756, respectively for the three and nine months ended September 30, 2018 (2017 - \$1,079 and \$8,482, respectively) primarily due to adverse prior year loss development in facultative reinsurance run-off partially offset by favorable development in International Auto.

MAIDEN HOLDINGS, LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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

In the AmTrust Reinsurance segment, the adverse prior year loss development was \$210,433 and \$247,326 for the three and nine months ended September 30, 2018, respectively (2017 - \$61,127 and \$100,872, respectively). The 2018 development was largely from Workers Compensation which represented nearly half of the adverse development and was primarily driven by accident years 2014 to 2017, and to a lesser extent, development in European hospital liability and Commercial Auto and General Liability lines of business. The development in 2017 was primarily due to Worker's Compensation, General liability as well as Commercial Auto liability lines of business for both Specialty Programs and Small Commercial Business where elevated loss activity had been observed.

Our Other category also incurred adverse prior year loss development of \$1,369 for both the three and nine months ended September 30, 2018 (2017 - \$1,838 and \$1,838, respectively) due to increased reserves in the run-off of the NGHC Quota Share Reinsurance Agreement.

10. Related Party Transactions

The Founding Shareholders of the Company are Michael Karfunkel, George Karfunkel and Barry Zyskind. Michael Karfunkel passed away on April 27, 2016. Based on each individual's most recent public filing, Leah Karfunkel (wife of Michael Karfunkel) owns or controls approximately 8.2% of the outstanding shares of the Company and Barry Zyskind (the Company's non-executive chairman) owns or controls approximately 7.7% of the outstanding shares of the Company. George Karfunkel owns or controls less than 5.0% of the outstanding shares of the Company. 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 44.0% of the outstanding shares of AmTrust. AmTrust owns 1.6% of the issued and outstanding shares of National General Holdings Corporation ("NGHC"), and Leah Karfunkel and the Michael Karfunkel 2005 Family Trust (which is controlled by Leah Karfunkel) owns 41.7% of the outstanding common shares of NGHC.

AmTrust

The following describes transactions between the Company and AmTrust:

AmTrust Quota Share Reinsurance Agreement

Effective July 1, 2007, the Company and AmTrust entered into a master agreement, as amended (the "Master Agreement"), by which they caused Maiden Bermuda, a wholly owned subsidiary of the Company, and AmTrust's Bermuda reinsurance subsidiary, AmTrust International Insurance, Ltd. ("AII"), to enter into a quota share reinsurance agreement (the "Reinsurance Agreement") by which AII retrocedes to Maiden Bermuda an amount equal to 40% of the premium written by subsidiaries of AmTrust, net of the cost of unaffiliated inuring reinsurance and 40% of losses. The Master Agreement further provided that AII receives a ceding commission of 31% of ceded written premiums. On June 11, 2008, Maiden Bermuda and AII amended the Reinsurance Agreement to add Retail Commercial Package Business to the Covered Business. AII receives a ceding commission of 34.375% on Retail Commercial Package Business.

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

Effective July 1, 2018, the amount AEL cedes to the Company was reduced to 20%.

Additionally, for the Specialty Program portion of Covered Business only, AII will be responsible for ultimate net loss otherwise recoverable from Maiden Bermuda to the extent that the loss ratio to Maiden Bermuda, which shall be

determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95%. Above and below the defined corridor, Maiden Bermuda will continue to reinsure losses at its proportional 40% share per the Reinsurance Agreement.

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

Effective April 1, 2011, Maiden Bermuda, entered into a quota share reinsurance contract with AEL and AmTrust International Underwriters Limited ("AIUL"), both wholly owned subsidiaries of AmTrust. Pursuant to the terms of the contract, Maiden Bermuda assumed 40% of the premiums and losses related to policies classified as European Hospital Liability, including associated liability coverages and policies covering physician defense costs, written or renewed on or after April 1, 2011. The contract also covers policies written or renewed on or before March 31, 2011, but only with respect to losses that occur, accrue or arise on or after April 1, 2011. The maximum limit of liability attaching shall be €5,000 (€10,000 effective January 1, 2012) or currency equivalent (on a 100% basis) per original claim for any one original policy. Maiden Bermuda will pay a ceding commission of 5%. The agreement is renewed through March 31, 2019 and can be terminated at any April 1 by either party on four months notice.

Effective July 1, 2016, the contract was 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.

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(in thousands of U.S. dollars, except share and per share data)****10. Related Party Transactions (continued)**

The table below shows the effect of both of these quota share arrangements with AmTrust on the Company's results of operations for the three and nine months ended September 30, 2018 and 2017:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Gross and net premiums written	\$452,795	\$420,019	\$1,518,208	\$1,575,677
Net premiums earned	491,613	451,372	1,472,614	1,492,948
Net loss and LAE	(579,240)	(364,574)	(1,275,723)	(1,080,480)
Commission expenses	(152,511)	(138,171)	(456,861)	(460,667)

Collateral provided to AmTrust***a) AmTrust Quota Share Reinsurance Agreement***

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

- by lending funds in the amount of \$167,975 at September 30, 2018 and December 31, 2017 pursuant to a loan agreement entered into between those parties. Advances under the loan, are secured by promissory notes. Effective December 18, 2017, the maturity date with respect to each advance shall be the earliest of (i) June 30, 2019, (ii) such time as there are no remaining obligations due to AmTrust under the Reinsurance Agreement in respect of which such advance was originally made or (iii) such time as AII is no longer required to secure its proportionate share of such obligations. This loan was assigned by AII to AmTrust effective December 31, 2014 and is carried at cost. Effective December 18, 2017, interest is payable at a rate equivalent to the Federal Funds Effective Rate ("Fed Funds") plus 200 basis points per annum. Prior to that date, the interest was payable at a rate equivalent to the one-month LIBOR plus 90 basis points per annum; and
- effective December 1, 2008, the Company entered into a Reinsurer Trust Assets Collateral agreement to provide to AII sufficient collateral to secure its proportional share of AII's obligations to the U.S. AmTrust subsidiaries. The amount of the collateral at September 30, 2018 was approximately \$3,351,365 (December 31, 2017 - \$3,328,757) and the accrued interest was \$22,391 (December 31, 2017 - \$20,830). Please refer to "Note 4. (e) Investments" for additional information.

b) European Hospital Liability Quota Share

AEL requested that Maiden Bermuda provide collateral to secure its proportional share under the European Hospital Liability Quota Share agreement. Please refer to "Note 4. (e) Investments" for additional information.

Brokerage Agreement

Effective July 1, 2007, the Company entered into a reinsurance brokerage agreement with AII Reinsurance Broker Ltd. ("AIIB"), a wholly owned subsidiary of AmTrust. Pursuant to the brokerage agreement, AIIB provides brokerage services relating to the Reinsurance Agreement and the European Hospital Liability Quota Share agreement for a fee

equal to 1.25% of the premium assumed. AIIB is not the Company's exclusive broker. The agreement may be terminated upon 30 days written notice by either party. Maiden Bermuda recorded approximately \$6,145 and \$18,408 of reinsurance brokerage expense for the three and nine months ended September 30, 2018, respectively (2017 - \$5,642 and \$18,662, respectively) and deferred reinsurance brokerage of \$15,297 at September 30, 2018 (December 31, 2017 - \$14,741) as a result of this agreement.

Asset Management Agreement

Effective July 1, 2007, the Company entered into an asset management agreement with AII Insurance Management Limited ("AIIM"), a wholly owned subsidiary of AmTrust, pursuant to which AIIM has agreed to provide investment management services to the Company. Effective January 1, 2018, AIIM provides investment management services for a quarterly fee of 0.02125% of the average value of the account. Prior to that date, the fee was payable at a rate of 0.0375%. The agreement may be terminated upon 30 days written notice by either party. The Company recorded approximately \$1,055 and \$3,137 of investment management fees for the three and nine months ended September 30, 2018, respectively (2017 - \$1,927 and \$5,586, respectively) as a result of this agreement.

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

10. Related Party Transactions (continued)***Other***

The Company entered into time sharing agreements for the lease of aircraft owned by AmTrust Underwriters, Inc. ("AUI"), a wholly owned subsidiary of AmTrust, and by AmTrust on March 1, 2011 and November 5, 2014, respectively. The agreements automatically renew for successive one-year terms unless terminated in accordance with the provisions of the agreements. Pursuant to the agreements, the Company will reimburse AUI and AmTrust for actual expenses incurred as allowed by Federal Aviation Regulations. For the three and nine months ended September 30, 2018, the Company recorded an expense of \$21 and \$54, respectively (2017 - \$0 and \$39, respectively) for the use of the aircraft.

NGHC Quota Share

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

11. Commitments and Contingencies***a) Concentrations of Credit Risk***

At September 30, 2018 and December 31, 2017, the Company's assets where significant concentrations of credit risk may exist include investments, cash and cash equivalents, loan to related party, reinsurance balances receivable and reinsurance recoverable on unpaid losses (presented as part of other assets in the Condensed Consolidated Balance Sheet).

The Company's reinsurance recoverable on unpaid losses balance at September 30, 2018 was \$1,811 (December 31, 2017 - \$24,883). At September 30, 2018, 94.6% (December 31, 2017 - 99.5%) of the reinsurance recoverable on unpaid losses was due from reinsurers and retrocessionaires with credit ratings from A.M Best of A+ or better. At September 30, 2018 and December 31, 2017, the Company had no valuation allowance against reinsurance recoverable on unpaid losses.

The Company manages concentration of credit risk in the investment portfolio through issuer and sector exposure limitations. The Company believes it bears minimal credit risk in its cash on deposit. The Company also monitors the credit risk related to the loan to related party and its reinsurance balances receivable. To mitigate credit risk, we generally have a contractual right of offset thereby allowing us to settle claims net of any premiums or loan receivable. The Company believes these balances as at September 30, 2018 will be fully collectible.

b) Concentrations of Revenue

During the three and nine months ended September 30, 2018, our gross premiums written from AmTrust accounted for \$452,795 or 93.5% and \$1,518,208 or 93.2%, respectively, of our total gross premiums written (2017 - \$420,019 or 94.8% and \$1,575,677 or 95.5%, respectively).

c) Dividends Declared

On August 8, 2018, the Company's Board of Directors authorized the following quarterly dividend:

	Dividend per Share	Payable on:	Record date:
Common shares	\$0.05	October 15, 2018	October 1, 2018

d) Redemption of 2013 Senior Notes

As discussed in "Note 1. Basis of Presentation", the transactions contemplated by the Master Transaction Agreement are expected to close in the fourth quarter of 2018 subject to regulatory approvals and customary closing conditions. The Company's current analysis indicates that the conditions to redeem the 2013 Senior Notes as stipulated by the securities may exist. Should final analysis support such a conclusion, the Company expects to redeem all of the \$152,500 2013 Senior Notes at that time pursuant to the terms of the underlying securities.

e) Legal Proceedings

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

In April 2009, the Company learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of 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,

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****(in thousands of U.S. dollars, except share and per share data)****11. Commitments and Contingencies (continued)**

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 we expect the hearings to conclude in 2018. The Company believes that it had good and sufficient reasons for terminating Mr. Turin's employment and that the claim is without merit. The Company will continue to vigorously defend itself against this claim.

12. Earnings per Common Share

The following is a summary of the elements used in calculating basic and diluted earnings per common share:

For the Three Months Ended September 30,	2018	2017
Numerator:		
Net loss from continuing operations	\$(229,132)	\$(45,146)
Add: net (income) loss from continuing operations attributable to noncontrolling interests	(62)	3)
Net loss attributable to Maiden from continuing operations	(229,194)	(45,143)
Loss from discontinued operations, net of income tax expense	(71,100)	(9,908)
Net loss attributable to Maiden	(300,294)	(55,051)
Dividends on preference shares – Series A, C and D	(8,545)	(8,545)
Amount allocated to participating common shareholders ⁽¹⁾	(8)	(6)
Net loss allocated to Maiden common shareholders	\$(308,847)	\$(63,602)
Denominator:		
Weighted average number of common shares – basic and diluted	83,089,172	85,859,201
Basic and diluted loss from continuing operations per share attributable to Maiden common shareholders	\$(2.86)	\$(0.62)
Basic and diluted loss from discontinued operations per share attributable to Maiden common shareholders	(0.86)	(0.12)
Basic and diluted loss per share attributable to Maiden common shareholders:	\$(3.72)	\$(0.74)
For the Nine Months Ended September 30,	2018	2017
Numerator:		
Net loss from continuing operations	\$(230,873)	\$(27,828)
Add: net (income) loss from continuing operations attributable to noncontrolling interests	(180)	34)
Net loss attributable to Maiden from continuing operations	(231,053)	(27,794)
Loss from discontinued operations, net of income tax expense	(44,336)	(17,060)
Net loss attributable to Maiden	(275,389)	(44,854)
Dividends on preference shares – Series A, C and D	(25,636)	(20,611)
Amount allocated to participating common shareholders ⁽¹⁾	(17)	(17)
Net loss allocated to Maiden common shareholders	\$(301,042)	\$(65,482)
Denominator:		
Weighted average number of common shares – basic and diluted	83,085,441	86,256,481
Basic and diluted loss from continuing operations per share attributable to Maiden common shareholders	\$(3.09)	\$(0.56)
Basic and diluted loss from discontinued operations per share attributable to Maiden common shareholders	(0.53)	(0.20)
Basic and diluted loss per share attributable to Maiden common shareholders:	\$(3.62)	\$(0.76)

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(1) This represents earnings allocated to the holders of non-vested restricted shares issued to the Company's employees under the 2007 Share Incentive Plan.

33

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

13. Shareholders' Equity**a) Common Shares**

At September 30, 2018, the aggregate authorized share capital of the Company is 150,000,000 shares from which the Company has issued 87,932,287 common shares, of which 82,942,737 common shares are outstanding, and 18,600,000 preference shares, all of which are outstanding. The remaining 43,467,713 are undesignated at September 30, 2018. For further discussion on the components of Shareholders' Equity, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

b) Treasury Shares

During the nine months ended September 30, 2018, the Company repurchased a total of 29,391 (2017 - 38,122) shares at an average price per share of \$6.57 (2017 - \$15.06) from employees, which represent withholdings in respect of tax obligations on the vesting of restricted shares and performance based shares.

During the three and nine months ended September 30, 2018, 205,000 shares (2017 - 2,015,700) were repurchased on the open market at an average price per share of \$3.31 (2017- \$7.11) under the Company's share repurchase plan which has a remaining authorization of \$74,245 at September 30, 2018 (December 31, 2017 - \$74,924).

c) Accumulated Other Comprehensive (Loss) Income

The following tables set forth financial information regarding the changes in the balances of each component of AOCI:

	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
For the Three Months Ended September 30, 2018			
Beginning balance	\$(96,107)	\$(918)	\$(97,025)
Other comprehensive (loss) income before reclassifications	(24,656)	4,458	(20,198)
Amounts reclassified from AOCI to net income, net of tax	785	—	785
Net current period other comprehensive (loss) income	(23,871)	4,458	(19,413)
Ending balance	(119,978)	3,540	(116,438)
Less: AOCI attributable to noncontrolling interest	—	(69)	(69)
Ending balance, Maiden shareholders	\$(119,978)	\$ 3,609	\$(116,369)

	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
For the Three Months Ended September 30, 2017			
Beginning balance	\$27,866	\$ 7,629	\$35,495
Other comprehensive income (loss) before reclassifications	24,994	(10,828)	14,166
Amounts reclassified from AOCI to net income, net of tax	(3,650)	—	(3,650)
Net current period other comprehensive income (loss)	21,344	(10,828)	10,516
Ending balance	49,210	(3,199)	46,011
Less: AOCI attributable to noncontrolling interest	—	(68)	(68)
Ending balance, Maiden shareholders	\$49,210	\$(3,131)	\$46,079

MAIDEN HOLDINGS, LTD.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

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

13. Shareholders' Equity (continued)

	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
For the Nine Months Ended September 30, 2018			
Beginning balance	\$21,889	\$(8,583)	\$13,306
Other comprehensive (loss) income before reclassifications	(141,907)	12,123	(129,784)
Amounts reclassified from AOCI to net income, net of tax	40	—	40
Net current period other comprehensive (loss) income	(141,867)	12,123	(129,744)
Ending balance	(119,978)	3,540	(116,438)
Less: AOCI attributable to noncontrolling interest	—	(69)	(69)
Ending balance, Maiden shareholders	\$(119,978)	\$3,609	\$(116,369)

	Change in net unrealized gains on investment	Foreign currency translation adjustments	Total
For the Nine Months Ended September 30, 2017			
Beginning balance	\$(20,716)	\$35,604	\$14,888
Other comprehensive income (loss) before reclassifications	68,803	(38,803)	30,000
Amounts reclassified from AOCI to net income, net of tax	1,123	—	1,123
Net current period other comprehensive income (loss)	69,926	(38,803)	31,123
Ending balance	49,210	(3,199)	46,011
Less: AOCI attributable to noncontrolling interest	—	(68)	(68)
Ending balance, Maiden shareholders	\$49,210	\$(3,131)	\$46,079

14. Subsequent Events

On November 9, 2018, the Company signed an agreement ("Enstar Master Agreement") with Enstar, pursuant to which, an Enstar subsidiary would enter into a retrocession agreement to effect a loss portfolio transfer in which the Enstar subsidiary would assume all of the liabilities for loss reserves as of June 30, 2018 associated with the quota share reinsurance agreements that Maiden Bermuda has with AmTrust or its subsidiaries. Enstar will assume \$2,675,000 of net loss and loss adjustment expense reserves upon closing, subject to adjustment for paid losses since June 30, 2018. The transaction is subject to regulatory approvals and other closing conditions.

Both of the Company's current quota share reinsurance contracts with AmTrust remain in-force. As previously disclosed in "Note 10. Related Party Transactions", the Company and AmTrust have mutually agreed to extend the notice period of non-renewal for the current Master Agreement until January 31, 2019.

Item 2. 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 unaudited Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (this "Form 10-Q" or this "Report"). References in this Form 10-Q to the terms "we", "us", "our", "the Company" or other similar terms mean the consolidated operations of Maiden Holdings, Ltd. and its subsidiaries, unless the context requires otherwise. References in this Form 10-Q to the term "Maiden Holdings" means Maiden Holdings, Ltd. only. Certain reclassifications have been made for 2017 to conform to the 2018 presentation and have no impact on consolidated net income and total equity previously reported.

Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q includes projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 and are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, our strategy for growth, product development, financial results and reserves. Our actual results and financial condition may differ, possibly materially, from these projections and statements and therefore you should not place undue reliance on them. Factors that could cause our actual results and financial condition to differ, possibly materially, from those in the specific projections and statements are discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations and in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 1, 2018, however these factors should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by law.

Overview

We are a Bermuda-based holding company, primarily focused on serving the needs of regional and specialty insurers in the United States ("U.S."), Europe and select other global markets by providing innovative reinsurance solutions designed to support their capital needs. We specialize in reinsurance solutions that optimize financing and risk management by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper.

Our Board of Directors initiated a review of strategic alternatives earlier this year to evaluate ways to increase shareholder value as a result of continuing higher than targeted combined ratios and lower returns on equity than planned.

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. 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 August 31, 2018, we entered into a sale agreement (the "Master Transaction Agreement"), with Enstar Group Limited ("Enstar"), pursuant to which Maiden Holdings North America, Ltd. ("Maiden NA") will sell, and Enstar will purchase, all of the capital stock of our subsidiary Maiden US, the entity that conducts our U.S. reinsurance business. Maiden Reinsurance Ltd. ("Maiden Bermuda") will enter 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 will be novated or retroceded to Cavello Bay Reinsurance Limited ("Cavello"), Enstar's Bermuda reinsurance affiliate in exchange for a ceding commission of \$14.0 million, and (iii) Maiden Bermuda will provide Enstar with a reinsurance cover for adverse reinsurance cover for loss reserve development up to a maximum of \$25,000 when losses are more than \$100,000 in excess of the net loss and loss adjustment expenses recorded as of June 30, 2018. The purchase price for the Maiden US Sale is \$321.5 million payable in cash, which amount is gross of the ceding commission referred to above and subject to certain closing adjustments. The transactions contemplated by the Master Transaction Agreement are expected to close in the fourth quarter of 2018 subject to regulatory approvals and customary closing conditions. The Company's current analysis indicates that the conditions to redeem the 2013 Senior Notes as stipulated by the securities may exist. Should final analysis support such a conclusion, the Company expects to redeem all of the \$152.5 million 2013 Senior Notes at that time pursuant to the terms of the underlying securities. As a result of the above decision to divest all of our U.S. reinsurance treaty 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 contemplated by the Master Transaction Agreement have significantly reduced revenues in our Diversified Reinsurance segment, we expect to continue to pursue our international reinsurance solutions written through Maiden Bermuda and in our AmTrust Reinsurance segment, also through Maiden Bermuda. The current AmTrust Financial Services, Inc. ("AmTrust") reinsurance agreements expire on March 31, 2019 and June 30, 2019, respectively, and are subject to renewal negotiations between AmTrust and us.

We continue to provide reinsurance in Europe through our wholly owned subsidiary, Maiden Bermuda. Internationally, we continue to provide insurance sales and distribution services through 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 European Union ("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").

Our principal operating subsidiaries, Maiden Bermuda and Maiden US, each currently has a financial strength rating of "A-" (Excellent, the fourth highest out of sixteen rating levels) with a negative outlook by A.M. Best Company ("A.M. Best"). Our common shares trade on the NASDAQ Global Select Market ("NASDAQ") under the symbol "MHLDD".

Our business consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. As a result of the strategic decision to divest all of the Company's U.S. treaty reinsurance operations as discussed above, the Company has revised the composition of its 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.

On November 9, 2018, the Company signed an agreement ("Enstar Master Agreement") with Enstar, pursuant to which, an Enstar subsidiary would enter into a retrocession agreement to effect a loss portfolio transfer in which the Enstar subsidiary would assume all of the liabilities for loss reserves as of June 30, 2018 associated with the quota share reinsurance agreements that Maiden Bermuda has with AmTrust or its subsidiaries. Enstar will assume \$2.675 billion of net loss and loss adjustment expense reserves upon closing, subject to adjustment for paid losses since June 30, 2018. The transaction is subject to regulatory approvals and other closing conditions.

Both of the Company's current quota share reinsurance contracts with AmTrust remain in-force. As previously disclosed, the Company and AmTrust have mutually agreed to extend the notice period of non-renewal for the current Master Agreement until January 31, 2019.

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.

As market conditions continue to develop, we continue to maintain our adherence to disciplined underwriting by declining business when pricing terms and conditions do not meet our underwriting standards.

Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017 for further information.

Three and Nine Months Ended September 30, 2018 and 2017 Financial Highlights

For the Three Months Ended September 30,	2018	2017	Change
<i>Summary Consolidated Statement of Income Data:</i>	(\$ in thousands except per share data)		
Net loss	\$ (300,232)	\$ (55,054)	\$ (245,178)
Net loss attributable to Maiden common shareholders	(308,839)	(63,596)	(245,243)
Non-GAAP operating loss ⁽¹⁾	(235,114)	(54,159)	(180,955)
<i>Basic and diluted loss per common share⁽⁹⁾:</i>			
Net loss attributable to Maiden common shareholders ⁽²⁾	(3.72)	(0.74)	(2.98)
Non-GAAP operating loss attributable to Maiden common shareholders ⁽¹⁾	(2.83)	(0.63)	(2.20)
Dividends per common share	0.05	0.15	(0.10)
Gross premiums written	484,494	443,001	41,493
Net premiums earned	520,077	457,278	62,799
Underwriting loss ⁽¹⁾⁽³⁾	(251,175)	(61,362)	(189,813)
Net investment income	34,419	30,950	3,469
Combined ratio ⁽⁴⁾	150.7	% 115.6	% 35.1
Annualized non-GAAP operating return on average common shareholders' equity ⁽¹⁾	(196.7)%	(21.6)%	(175.1)
For the Nine Months Ended September 30,	2018	2017	Change
<i>Summary Consolidated Statement of Income Data:</i>	(\$ in thousands except per share data)		
Net loss	\$ (275,209)	\$ (44,888)	\$ (230,321)
Net loss attributable to Maiden common shareholders	(301,025)	(65,465)	(235,560)
Non-GAAP operating loss ⁽¹⁾	(256,421)	(39,881)	(216,540)
<i>Basic and diluted loss per common share⁽⁹⁾:</i>			
Net loss attributable to Maiden common shareholders ⁽²⁾	(3.62)	(0.76)	(2.86)
Non-GAAP operating loss attributable to Maiden common shareholders ⁽¹⁾	(3.09)	(0.46)	(2.63)
Dividends per common share	0.35	0.45	(0.10)
Gross premiums written	1,629,347	1,650,762	(21,415)
Net premiums earned	1,541,278	1,512,437	28,841
Underwriting loss ⁽¹⁾⁽³⁾	(287,906)	(72,197)	(215,709)
Net investment income	101,548	91,597	9,951
Combined ratio ⁽⁴⁾	120.7	% 106.3	% 14.4
	(63.8)%	(5.3)%	(58.5)

Annualized non-GAAP operating return on average common shareholders'
equity⁽¹⁾

38

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	September 30, 2018	December 31, 2017	Change
<i>Consolidated Financial Condition</i>			
(\$ in thousands except per share data)			
Total investments and cash and cash equivalents ⁽⁵⁾	\$4,101,598	\$3,961,292	\$ 140,306
Total assets	6,536,501	6,644,189	(107,688)
Reserve for loss and loss adjustment expenses ("loss and LAE")	2,851,685	2,386,722	464,963
Senior notes - principal amount	262,500	262,500	—
Maiden common shareholders' equity	307,554	767,174	(459,620)
Maiden shareholders' equity	772,554	1,232,174	(459,620)
Total capital resources ⁽⁶⁾	1,035,054	1,494,674	(459,620)
Ratio of debt to total capital resources	25.4	% 17.6	% 7.8

Book Value

Book value per common share ⁽⁷⁾	\$3.71	\$9.25	\$(5.54)
Accumulated dividends per common share	4.27	3.92	0.35
Book value per common share plus accumulated dividends	\$7.98	\$13.17	\$(5.19)
Diluted book value per common share ⁽⁸⁾	\$3.70	\$9.18	\$(5.48)

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

(2) Please refer to "Notes to Condensed Consolidated Financial Statements (unaudited) Note 12. Earnings per Common Share" for the calculation of basic and diluted loss per common share.

(3) Underwriting loss is a non-GAAP measure and is calculated as net premiums earned plus other insurance revenue less net loss and LAE, commission and other acquisition expenses and general and administrative expenses directly related to underwriting activities.

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

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

(6) Total capital resources is the sum of the Company's principal amount of debt and Maiden shareholders' equity. See "Key Financial Measures" for additional information.

(7) Book value per common share is calculated using Maiden common shareholders' equity (shareholders' equity excluding the aggregate liquidation value of our preference shares) divided by the number of common shares outstanding.

(8) Diluted book value per common share is calculated by dividing Maiden common shareholders' equity, adjusted for assumed proceeds from the exercise of (8) 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) 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 Condensed Consolidated Balance Sheets and Condensed 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 and non-GAAP diluted operating loss per common share: Management believes that the use of non-GAAP operating loss and non-GAAP diluted operating loss 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 should not be viewed as a substitute for U.S. GAAP net income.

Non-GAAP operating loss 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: (1) in 2017, accelerated amortization of senior note issuance cost; and (2) in 2018, 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 loss and related activity from our NGHC Quota Share run-off operations, accelerated amortization of senior note issuance cost and loss from discontinued 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.

Underwriting loss is a non-GAAP measure and is calculated as net premiums earned plus other insurance revenue less net loss and LAE, commission and other acquisition expenses and general and administrative expenses directly related to underwriting

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activities. Management believes that this measure is important in evaluating the underwriting performance of the Company and its segments. This measure is also a useful tool to measure the profitability of the Company separately from the investment results and is also a widely used performance indicator in the insurance industry. A reconciliation of the Company's underwriting results can be found in the Company's Condensed Consolidated Financial Statements. Please refer to "Notes to Condensed Consolidated Financial Statements (unaudited) Note 3. Segment Reporting" for further details.

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

For the Three Months Ended September 30,	2018	2017
	(\$ in thousands except per share data)	
Net loss attributable to Maiden common shareholders	\$(308,839)	\$(63,596)
Add (subtract):		
Net realized losses (gains) on investment	225	(5,859)
Total other-than-temporary impairment losses	479	—
Foreign exchange losses	552	3,550
Loss from discontinued operations, net of income tax	71,100	9,908
Loss from divested NGHC Quota Share run-off	1,369	1,838
Non-GAAP operating loss attributable to Maiden common shareholders	\$(235,114)	\$(54,159)
Diluted loss per share attributable to Maiden common shareholders	\$(3.72)	\$(0.74)
Add (subtract):		
Net realized losses (gains) on investment	—	(0.07)
Total other-than-temporary impairment losses	0.01	—
Foreign exchange losses	0.01	0.04
Loss from discontinued operations, net of income tax	0.85	0.12
Loss from divested NGHC Quota Share run-off	0.02	0.02
Non-GAAP diluted operating loss per common share	\$(2.83)	\$(0.63)
For the Nine Months Ended September 30,	2018	2017
	(\$ in thousands except per share data)	
Net loss attributable to Maiden common shareholders	\$(301,025)	\$(65,465)
Add (subtract):		
Net realized losses (gains) on investment	282	(8,316)
Total other-than-temporary impairment losses	479	—
Foreign exchange (gains) losses	(1,862)	12,193
Loss from discontinued operations, net of income tax	44,336	17,060
Loss from divested NGHC Quota Share run-off	1,369	1,838
Accelerated amortization of senior note issuance cost	—	2,809
Non-GAAP operating loss attributable to Maiden common shareholders	\$(256,421)	\$(39,881)
Diluted loss per share attributable to Maiden common shareholders	\$(3.62)	\$(0.76)
Add (subtract):		
Net realized losses (gains) on investment	—	(0.10)
Total other-than-temporary impairment losses	0.01	—
Foreign exchange (gains) losses	(0.03)	0.14
Loss from discontinued operations, net of income tax	0.53	0.20
Loss from divested NGHC Quota Share run-off		