GREENLIGHT CAPITAL RE, LTD.
Form 10-Q
July 31, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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

For the transition period from to
Commission file number 001-33493

GREENLIGHT CAPITAL RE, LTD.
(Exact name of registrant as specified in its charter)

CAYMAN ISLANDS	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
65 MARKET STREET SUITE 1207, JASMINE COURT, CAMANA BAY, P.O. BOX 31110 GRAND CAYMAN CAYMAN ISLANDS	KY1-1205
(Address of principal executive offices)	(Zip code)

(345) 943-4573
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No ¨

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. (Check one):
Large accelerated filer ¨ Accelerated filer x 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 registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

Class A Ordinary Shares, $0.10 par value	31,160,544
Class B Ordinary Shares, $0.10 par value	6,254,715
(Class)	Outstanding as of July 27, 2018

GREENLIGHT CAPITAL RE, LTD.

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PART I — FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2018 and December 31, 2017
(expressed in thousands of U.S. dollars, except per share and share amounts)

	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Investments		
Debt instruments, trading, at fair value	$ 13,831	$ 7,180
Equity securities, trading, at fair value	820,493	1,203,672
Other investments, at fair value	69,251	152,132
Total investments	903,575	1,362,984
Cash and cash equivalents	65,441	27,285
Restricted cash and cash equivalents	1,264,941	1,503,813
Financial contracts receivable, at fair value	68,123	12,893
Reinsurance balances receivable	321,873	301,762
Loss and loss adjustment expenses recoverable	37,005	29,459
Deferred acquisition costs, net	56,136	62,350
Unearned premiums ceded	28,735	25,120
Notes receivable, net	28,612	28,497
Other assets	4,327	3,230
Total assets	$ 2,778,768	$ 3,357,393
Liabilities and equity		
Liabilities		
Securities sold, not yet purchased, at fair value	$ 681,278	$ 912,797
Financial contracts payable, at fair value	18,746	22,222
Due to prime brokers and other financial institutions	520,172	672,700
Loss and loss adjustment expense reserves	474,338	464,380
Unearned premium reserves	244,807	255,818
Reinsurance balances payable	147,096	144,058
Funds withheld	16,946	23,579
Other liabilities	7,284	10,413
Total liabilities	2,110,667	2,505,967
Redeemable non-controlling interest in related party joint venture	6,436	7,169
Equity		
Preferred share capital (par value $0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value $0.10; authorized, 100,000,000; issued and outstanding, 31,160,544 (2017: 31,104,830): Class B: par value $0.10; authorized, 25,000,000; issued and outstanding, 6,254,715 (2017: 6,254,715))	3,742	3,736
Additional paid-in capital	503,331	503,316
Retained earnings	143,873	324,272
Shareholders' equity attributable to shareholders	650,946	831,324
Non-controlling interest in related party joint venture	10,719	12,933
Total equity	661,665	844,257

Total liabilities, redeemable non-controlling interest and equity	$ 2,778,768	$ 3,357,393

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

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GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

For the three and six months ended June 30, 2018 and 2017
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Revenues				
Gross premiums written	$142,109	$174,889	$317,234	$372,103
Gross premiums ceded	(27,237)	(2,523)	(57,080)	(5,949)
Net premiums written	114,872	172,366	260,154	366,154
Change in net unearned premium reserves	13,944	(12,042)	14,506	(53,928)
Net premiums earned	128,816	160,324	274,660	312,226
Net investment income (loss) [net of related party expenses of $4,131, $3,148, $8,585 and $8,644]	(40,656)	(39,149)	(185,872)	(27,531)
Other income (expense), net	(76)	303	(563)	296
Total revenues	88,084	121,478	88,225	284,991
Expenses				
Loss and loss adjustment expenses incurred, net	84,815	106,016	180,639	210,828
Acquisition costs, net	34,623	45,429	78,832	88,640
General and administrative expenses	6,958	6,347	12,914	13,090
Total expenses	126,396	157,792	272,385	312,558
Income (loss) before income tax	(38,312)	(36,314)	(184,160)	(27,567)
Income tax benefit	323	295	1,093	174
Net income (loss) including non-controlling interest	(37,989)	(36,019)	(183,067)	(27,393)
Loss (income) attributable to non-controlling interest in related party joint venture	621	550	2,947	298
Net income (loss)	$(37,368)	$(35,469)	$(180,120)	$(27,095)
Earnings (loss) per share				
Basic	$(1.01)	$(0.96)	$(4.87)	$(0.73)
Diluted	$(1.01)	$(0.96)	$(4.87)	$(0.73)
Weighted average number of ordinary shares used in the determination of earnings and loss per share				
Basic	36,952,472	37,025,703	36,950,828	37,009,539
Diluted	36,952,472	37,025,703	36,950,828	37,009,539

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

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GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

For the six months ended June 30, 2018 and 2017
(expressed in thousands of U.S. dollars)

	Ordinary share capital	Additional paid-in capital	Retained earnings	Shareholders' equity attributable to shareholders	Non-controlling interest in joint venture	Total equity
Balance at December 31, 2016	$3,737	$500,337	$370,168	$874,242	$11,561	$885,803
Issue of Class A ordinary shares, net of forfeitures	11	—	—	11	—	11
Repurchase of Class A ordinary shares	(11)	(1,502)	(755)	(2,268)	—	(2,268)
Share-based compensation expense, net of forfeitures	—	1,847	—	1,847	—	1,847
Change in non-controlling interest in related party joint venture	—	—	—	—	219	219
Net income (loss)	—	—	(27,095)	(27,095)	—	(27,095)
Balance at June 30, 2017	$3,737	$500,682	$342,318	$846,737	$11,780	$858,517
Balance at December 31, 2017	$3,736	$503,316	$324,272	$831,324	$12,933	$844,257
Issue of Class A ordinary shares, net of forfeitures	24	—	—	24	—	24
Repurchase of Class A ordinary shares	(18)	(2,456)	(279)	(2,753)	—	(2,753)
Share-based compensation expense, net of forfeitures	—	2,471	—	2,471	—	2,471
Change in non-controlling interest in related party joint venture	—	—	—	—	(2,214)	(2,214)
Net income (loss)	—	—	(180,120)	(180,120)	—	(180,120)
Balance at June 30, 2018	$3,742	$503,331	$143,873	$650,946	$10,719	$661,665

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

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GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
For the six months ended June 30, 2018 and 2017
(expressed in thousands of U.S. dollars)

	Six months ended June 30	
	2018	2017
Cash provided by (used in) operating activities		
Net income (loss)	$(180,120)	$(27,095)
Adjustments to reconcile net income or loss to net cash provided by (used in) operating activities		
Net change in unrealized gains and losses on investments and financial contracts	56,890	81,253
Net realized (gains) losses on investments and financial contracts	129,147	(68,386)
Foreign exchange (gains) losses on investments	(167)	8,048
Income (loss) attributable to total non-controlling interest in related party joint venture	(2,947)	(298)
Share-based compensation expense, net of forfeitures	2,495	1,858
Depreciation expense	217	184
Net change in		
Reinsurance balances receivable	(20,111)	(47,621)
Loss and loss adjustment expenses recoverable	(7,546)	43
Deferred acquisition costs, net	6,214	(17,194)
Unearned premiums ceded	(3,615)	(602)
Other assets	(1,314)	(2,128)
Loss and loss adjustment expense reserves	9,958	52,714
Unearned premium reserves	(11,011)	54,822
Reinsurance balances payable	3,038	13,954
Funds withheld	(6,633)	1,104
Other liabilities	(3,129)	(2,899)
Net cash provided by (used in) operating activities	(28,634)	47,757
Investing activities		
Purchases of investments, trading	(252,600)	(518,595)
Sales of investments, trading	650,383	436,567
Payments for financial contracts	(112,532)	(15,218)
Proceeds from financial contracts	26,896	51,716
Securities sold, not yet purchased	268,731	661,061
Dispositions of securities sold, not yet purchased	(595,334)	(726,183)
Change in due to prime brokers and other financial institutions	(152,528)	223,729
Change in notes receivable, net	(115)	107
Net cash provided by (used in) investing activities	(167,099)	113,184
Financing activities		
Repurchase of Class A ordinary shares	(2,753)	(2,268)
Net cash provided by (used in) financing activities	(2,753)	(2,268)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	(2,230)	(6,682)
Net increase (decrease) in cash, cash equivalents and restricted cash	(200,716)	151,991
Cash, cash equivalents and restricted cash at beginning of the period (see Note 2)	1,531,098	1,242,509
Cash, cash equivalents and restricted cash at end of the period (see Note 2)	$1,330,382	$1,394,500
Supplementary information		
Interest paid in cash	$8,123	$5,875

Income tax paid in cash	—	—

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

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GREENLIGHT CAPITAL RE, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2018

1. ORGANIZATION AND BASIS OF PRESENTATION

Greenlight Capital Re, Ltd. ("GLRE") was incorporated as an exempted company under the Companies Law of the Cayman Islands on July 13, 2004. GLRE's principal wholly-owned subsidiary, Greenlight Reinsurance, Ltd. ("Greenlight Re"), provides global specialty property and casualty reinsurance. Greenlight Re has a Class D insurer license issued in accordance with the terms of The Insurance Law, 2010 and underlying regulations thereto (the "Law") and is subject to regulation by the Cayman Islands Monetary Authority ("CIMA"), in terms of the Law. Greenlight Re commenced underwriting in April 2006. During 2008, Verdant Holding Company, Ltd. ("Verdant"), a wholly-owned subsidiary of GLRE, was incorporated in the state of Delaware. During 2010, GLRE established Greenlight Reinsurance Ireland, Designated Activity Company ("GRIL"), a wholly-owned reinsurance subsidiary based in Dublin, Ireland. GRIL is authorized as a non-life reinsurance undertaking in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations 2015 ("Irish Regulations"). GRIL provides multi-line property and casualty reinsurance capacity to the European broker market and provides GLRE with an additional platform to serve clients located in Europe and North America. As used herein, the "Company" refers collectively to GLRE and its consolidated subsidiaries.

The Class A ordinary shares of GLRE are listed on Nasdaq Global Select Market under the symbol "GLRE".

These unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017. In the opinion of management, these unaudited condensed consolidated financial statements reflect all of the normal recurring adjustments considered necessary for a fair presentation of the Company's financial position and results of operations as of the dates and for the periods presented.

The results for the three and six months ended June 30, 2018 are not necessarily indicative of the results expected for the full calendar year.

Reclassifications
Prior to the year ended December 31, 2017, the Company presented the redeemable and non-redeemable portion of the non-controlling interest in the related party joint venture under the permanent equity section of the balance sheet. The United States Securities and Exchange Commission ("SEC") guidance, which is applicable to SEC registrants, requires shares, that are not required to be accounted for in accordance with Financial Accounting Standards Board ("FASB") ASC Topic Distinguishing Liabilities from Equity, and having redemption features that are not solely within the control of the issuer, to be classified outside of the permanent equity section and instead presented in the mezzanine section of the consolidated balance sheets.

Effective from the year ended December 31, 2017, the Company presented the redeemable non-controlling interest in the related party joint venture in the mezzanine section on the Company's consolidated balance sheet in accordance with the SEC guidance noted above. The comparative condensed consolidated statement of shareholders' equity for the six months ended June 30, 2017 has been reclassified to conform to the current period presentation of the redeemable non-controlling interest in the related party joint venture. The reclassification had no impact on shareholders' equity attributable to shareholders or retained earnings. In addition, this change did not impact the condensed consolidated statements of income, earnings per share or condensed consolidated statement of cash flows. See Note 8 for additional information regarding the non-controlling interests in the related party joint venture.

Additionally, effective from the three and six month periods ended June 30, 2018, contracts that cover more than one line of business are grouped as "multi-line" regardless of whether a portion of the underlying business is covered by one of the lines of business listed above. The prior period comparative information in Note 10 has been reclassified to conform to the current period presentation.

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2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the period. Actual results could differ from these estimates.

Restricted Cash and Cash Equivalents

The Company is required to maintain certain cash in segregated accounts with prime brokers and derivative counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased and derivatives. Additionally, restricted cash and cash equivalent balances are held to collateralize regulatory trusts and letters of credit issued to cedents (see Notes 4 and 9). The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased, and the collateral required by the cedents in the form of trust accounts and letters of credit. In addition, derivative counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying financial instrument.

The following table reconciles the cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the total presented in the condensed consolidated statements of cash flows:

	June 30, 2018	December 31, 2017
	($ in thousands)	
Cash and cash equivalents	$65,441	$ 27,285
Restricted cash and cash equivalents	1,264,941	1,503,813
Total cash, cash equivalents and restricted cash presented in the condensed consolidated statements of cash flows	$1,330,382	$ 1,531,098

Premium Revenue Recognition

The Company accounts for reinsurance contracts in accordance with U.S. GAAP. In the event that a reinsurance contract does not transfer sufficient risk, deposit accounting is used and the contract is reported as a deposit liability. Similarly for ceded contracts that do not transfer sufficient risk, deposit accounting is used and the contract is reported as a deposit asset.

The Company writes excess of loss contracts as well as quota share contracts. The Company estimates the ultimate premiums for the entire contract period. These estimates are based on information received from the ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedents which typically are received monthly or quarterly depending on the terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Premium estimates are reviewed by management at least quarterly. Such review includes a comparison of actual reported premiums to expected ultimate premiums along with a review of the aging and collection of premium estimates. Based on management’s review, the appropriateness of the premium estimates is evaluated, and any adjustments to these estimates are recorded in the period in which they are determined. Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts, are expected and may result in significant adjustments in any period. A significant portion of amounts included in reinsurance balances receivable represent estimated premiums written, net of commissions and brokerage, and are not currently due based on the terms of the underlying contracts.

Certain contracts allow for reinstatement premiums in the event of a full limit loss prior to the expiry of a contract. A reinstatement premium is not due until there is a loss event and, therefore, in accordance with U.S. GAAP, the Company records a reinstatement premium as written only in the event that a client incurs a loss on the contract and the contract allows for a reinstatement of coverage upon payment of an additional premium. For catastrophe contracts which contractually require the payment of a reinstatement premium upon the occurrence of a loss, the reinstatement premiums are earned over the original contract period. Reinstatement premiums, that are contractually calculated on a pro-rata basis of the original contract period, are earned over the remaining coverage period. For additional premiums which are due on a contract that has no remaining coverage period, the additional premiums are earned in full when due.

Certain contracts may provide for a penalty to be paid if the contract is terminated and canceled prior to its expiration term. Cancellation penalties are recognized in the period the notice of cancellation is received and are recorded in the consolidated statements of income under “other income (expense), net”.

Premiums written are generally recognized as earned over the contract period in proportion to the period of risk covered. Unearned premiums consist of the unexpired portion of reinsurance provided.

Reinsurance Premiums Ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (retrocessionaires). The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for their unpaid obligations.

Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

Deferred Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to, and vary with, the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortized over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognized. At June 30, 2018 and December 31, 2017, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

Acquisition costs also include profit commissions which are expensed when incurred. Profit commissions are calculated and accrued based on the expected loss experience for contracts and recorded when the current loss estimate indicates that a profit commission is probable under the contract terms. As of June 30, 2018, $13.9 million (December 31, 2017: $11.9 million) of profit commission reserves were included in reinsurance balances payable on the condensed consolidated balance sheets. For the three and six months ended June 30, 2018, $3.6 million and $11.6 million, respectively (2017: $3.0 million and $5.7 million, respectively) of net profit commission expense was included in acquisition costs in the condensed consolidated statements of income.

Funds Withheld

Funds withheld include reinsurance balances retained by the Company on retroceded contracts as collateral in accordance with the contract terms. Any interest expense that the Company incurs while these funds are withheld, is included under net investment income (loss) in the condensed consolidated statements of income.

Loss and Loss Adjustment Expense Reserves and Recoverable

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported (“IBNR”). These estimated ultimate reserves are based on the Company’s own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company at least quarterly and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined.

Loss and loss adjustment expenses recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company’s actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately recover the loss and loss adjustment expense recoverable amounts due to the retrocessionaires’ inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

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Consideration paid by the Company for retroactive reinsurance that meets the conditions for reinsurance accounting (e.g. loss portfolio transfers) are reported as loss and loss adjustment expenses recoverable to the extent those amounts do not exceed the associated liabilities. If the amounts paid for retroactive reinsurance exceed the liabilities, the Company increases the related liabilities, at the time the reinsurance contract is effective, and the excess is charged to net income as losses incurred. If the liabilities exceed the amounts paid, the recoverable balance is increased to reflect the difference, and the resulting gain is deferred and amortized over the estimated loss payout period. Changes in the estimated amount of liabilities relating to the underlying reinsured contracts are recognized in net income in the period of the change.

Notes Receivable

Notes receivable include promissory notes receivable from third party entities. These notes are recorded at cost along with accrued interest, if any, which approximates the fair value. Interest income and realized gains or losses on sale of notes receivable are included under net investment income (loss) in the condensed consolidated statements of income.

The Company regularly reviews all notes receivable individually for impairment and records valuation allowance provisions for uncollectible and non-performing notes. The Company places notes on non-accrual status when the recorded value of the note is not considered impaired but there is uncertainty as to the collection of interest in accordance with the terms of the note. For notes receivable placed on non-accrual status, the notes are recorded excluding any accrued interest amount. The Company resumes accrual of interest on a note when none of the principal or interest remains past due, and the Company expects to collect the remaining contractual principal and interest. Interest collected on notes that are placed on non-accrual status is treated on a cash-basis and recorded as interest income when collected, provided that the recorded value of the note is deemed to be fully collectible. Where doubt exists as to the collectability of the remaining recorded value of the notes placed on non-accrual status, any payments received are applied to reduce the recorded value of the notes.

At June 30, 2018, $11.7 million of notes receivable (net of any valuation allowance) were on non-accrual status (December 31, 2017: $14.4 million) and any payments received were applied to reduce the recorded value of the notes.

At June 30, 2018 and December 31, 2017, $0.02 million and $0.1 million, respectively, of accrued interest was included in the notes receivable balance. Based on management’s assessment, the recorded values of the notes receivable, net of valuation allowance, at June 30, 2018 and December 31, 2017, were expected to be fully collectible.

Deposit Assets and Liabilities

In accordance with U.S. GAAP, deposit accounting is used in the event that a reinsurance contract does not transfer sufficient insurance risk. The deposit method of accounting requires an asset or liability to be recognized based on the consideration paid or received. The deposit asset or liability balance is subsequently adjusted using the interest method with a corresponding income or expense recorded in the condensed consolidated statements of income as other income or expense. The Company’s deposit assets and liabilities are recorded in the condensed consolidated balance sheets under reinsurance balances receivable and reinsurance balances payable, respectively. At June 30, 2018, deposit assets and deposit liabilities were $13.2 million and $46.0 million, respectively (December 31, 2017: $19.4 million and $28.1 million, respectively). For the three and six months ended June 30, 2018, interest expense on deposit accounted contracts was $0.4 million and $0.5 million, respectively. For the three and six months ended June 30, 2018, interest income on deposit accounted contracts was $0.2 million and $0.5 million, respectively. For the three and six months ended June 30, 2017, there was no material interest expense or interest income on deposit accounted contracts.

Financial Instruments

Investments in Securities and Investments in Securities Sold, Not Yet Purchased

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs). The fair values of listed equities that have restrictions on sale or transfer which expire within one year, are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs. The fair values of debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

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The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximizes the use of observable direct or indirect inputs (Level 2 inputs) when deriving the fair values for "other investments". For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments. For certain private equity fund investments, the Company has elected to measure the fair value using the net asset value practical expedient allowed under U.S. GAAP, and, accordingly, these investments are not classified as Level 1, 2 or 3 in the fair value hierarchy.

For securities classified as "trading securities" and "other investments", any realized and unrealized gains or losses are determined on the basis of the specific identification method (by reference to cost or amortized cost, as appropriate) and included in net investment income (loss) in the condensed consolidated statements of income.

Dividend income and expense are recorded on the ex-dividend date. The ex-dividend date is the date as of when the underlying security must have been traded to be eligible for the dividend declared. Interest income and interest expense are recorded on an accrual basis.

Derivative Financial Instruments

U.S. GAAP requires that an entity recognize all derivatives in the balance sheet at fair value. It also requires that unrealized gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivative financial instrument assets are included in financial contracts receivable. Derivative financial instrument liabilities are generally included in financial contracts payable. The Company's derivatives do not qualify as hedges for financial reporting purposes and are recorded in the condensed consolidated balance sheets on a gross basis and not offset against any collateral pledged or received. Pursuant to the International Swaps and Derivatives Association ("ISDA") master agreements, securities lending agreements and other agreements, the Company and its counterparties typically have the ability to net certain payments owed to each other in specified circumstances. In addition, in the event a party to one of the ISDA master agreements, securities lending agreements or other agreements defaults, or a transaction is otherwise subject to termination, the non-defaulting party generally has the right to set off outstanding balances due from the defaulting party against payments owed to the defaulting party or collateral held by the non-defaulting party. The Company may, from time to time, enter into underwriting contracts such as industry loss warranty contracts ("ILW") that are treated as derivatives for U.S GAAP purposes.

Financial Contracts

The Company enters into financial contracts with counterparties as part of its investment strategy. Financial contracts, which include total return swaps, credit default swaps ("CDS"), futures, options, currency forwards and other derivative instruments, are recorded at their fair value with any unrealized gains and losses included in net investment income (loss) in the condensed consolidated statements of income. Financial contracts receivable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be entitled to receive payments upon settlement of the contract. Financial contracts payable represents derivative contracts whereby, based upon each contract's current fair value, the Company will be obligated to make payments upon settlement of the contract.

Total return swap agreements, included on the condensed consolidated balance sheets as financial contracts receivable and financial contracts payable, are derivative financial instruments whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company may not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on interest rates, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair value movements of the underlying security together with any other payments due. These contracts are carried at fair value, based on observable inputs (Level 2 inputs) with the resultant unrealized gains and losses reflected in net investment income (loss) in the condensed consolidated statements of income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in net investment income (loss) in the condensed consolidated statements of income.

Financial contracts may also include exchange traded futures or options contracts that are based on the movement of a particular index, equity security, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company's obligations or rights on these contracts are recorded at fair value based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on

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actual transactions (Level 2). Amounts invested in exchange traded options and over the counter (“OTC”) options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company may purchase and sell CDS for strategic investment purposes. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market (Level 2) or based on the current credit spreads on identical contracts (Level 2).

Share-Based Compensation

The Company has established a stock incentive plan for directors, employees and consultants.

U.S. GAAP requires the Company to recognize share-based compensation transactions using the fair value at the grant date of the award. The Company measures compensation for restricted shares and restricted stock units (“RSUs”) based on the price of the Company’s common shares at the grant date. For restricted shares and RSUs with both service and performance vesting conditions, the expense is recognized based on management’s estimate of the probability of the performance conditions being achieved based on historical results and expectations of future results. If the performance conditions is expected to be met, the expense is attributed to the period for which the requisite service has been rendered. For restricted shares and RSUs with only service vesting conditions, the expense is recognized on a straight line basis over the vesting period, net of any estimated or expected forfeitures.

The forfeiture rate is estimated based on the Company’s historical actual forfeitures relating to restricted shares and RSUs granted to employees. The forfeiture rate is reviewed annually and adjusted as necessary. No forfeiture rate is used for restricted shares granted to directors which vest over a twelve-month period.

Determining the fair value of share purchase options at the grant date requires significant estimation and judgment. The Company uses an option-pricing model (Black-Scholes option pricing model) to assist in the calculation of fair value for share purchase options. The model requires estimation of various inputs such as estimated term, forfeiture and dividend rates and expected volatility. In determining the grant date fair value, the Company uses the full life of the options, ten years, as the estimated term of the options, and has assumed no forfeitures and no dividends paid during the life of the options. The estimate of expected volatility is based on the daily historical trading data of the Company’s Class A ordinary shares from the date that these shares commenced trading (May 24, 2007) to the grant date.

For share purchase options issued under the employee stock incentive plan, the compensation cost is calculated and expensed over the vesting periods on a graded vesting basis (see Note 7).

If actual results differ significantly from these estimates and assumptions, particularly in relation to the Company’s estimation of volatility which requires the most judgment, share-based compensation expense, primarily with respect to future share-based awards, could be materially impacted.

Foreign Exchange

The reporting and functional currency of the Company and all its subsidiaries is the U.S. dollar. Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the exchange rate in effect at the balance sheet date and translation exchange gains and losses, if any, are included in "other income (expense), net" in the condensed consolidated statements of income.

Comprehensive Income (Loss)

The Company has no comprehensive income or loss, other than the net income or loss disclosed in the condensed consolidated statements of income.

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Earnings (Loss) Per Share

Basic earnings per share are based on the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings per share includes the dilutive effect of restricted stock units ("RSU") and additional potential common shares issuable when stock options are exercised and are determined using the treasury stock method. The Company treats its unvested restricted stock as participating securities in accordance with U.S. GAAP, which requires that unvested stock awards which contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid (referred to as "participating securities"), be included in the number of shares outstanding for both basic and diluted earnings per share calculations. In the event of a net loss, all RSUs, stock options outstanding and participating securities are excluded from the calculation of both basic and diluted loss per share since their inclusion would be anti-dilutive.

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Weighted average shares outstanding - basic	36,952,472	37,025,703	36,950,828	37,009,539
Effect of dilutive employee and director share-based awards	—	—	—	—
Weighted average shares outstanding - diluted	36,952,472	37,025,703	36,950,828	37,009,539
Anti-dilutive stock options outstanding	1,015,627	458,741	1,015,627	358,741
Participating securities excluded from calculation of loss per share	462,787	330,102	462,787	330,102

Taxation

Under current Cayman Islands law, no corporate entity, including GLRE and Greenlight Re, is obligated to pay taxes in the Cayman Islands on either income or capital gains. The Company has an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the provisions of the Tax Concessions Law, as amended, that, in the event that the Cayman Islands enacts any legislation that imposes tax on profits, income, gains or appreciations, or any tax in the nature of estate duty or inheritance tax, such tax will not be applicable to GLRE, Greenlight Re nor their respective operations, or to the Class A or Class B ordinary shares or related obligations, until February 1, 2025.

Verdant is incorporated in Delaware and, therefore, is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the U.S. Internal Revenue Service ("IRS"). Verdant's taxable income is generally expected to be taxed at a marginal rate of 21%. Verdant's tax years 2014 and beyond, remain open and subject to examination by the IRS.

GRIL is incorporated in Ireland and, therefore, is subject to the Irish corporation tax rate of 12.5% on its trading income, and 25% on its non-trading income, if any.

Any deferred tax asset is evaluated for recovery and a valuation allowance is recorded when it is more likely than not that the deferred tax asset will not be realized in the future. The Company has not taken any income tax positions that are subject to significant uncertainty or that are reasonably likely to have a material impact on the Company.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The new guidance is intended to improve the recognition and measurement of financial instruments. ASU 2016-01, among other things, requires equity investments to be measured at fair value with changes in fair value recognized in net income or loss, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset. ASU 2016-01 affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted ASU 2016-01 during the first quarter of fiscal year 2018 and the adoption of this guidance did not have any significant impact on the Company’s net income or loss or retained earnings since the Company’s investments are classified as “trading” and the unrealized gains and losses are recognized in net income or loss. The Company has implemented the new disclosures required under ASU 2016-01 commencing from the first quarter of 2018.

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In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted for any organization in any interim or annual period. The Company currently has operating leases for its office spaces as disclosed in Note 9 of the condensed consolidated financial statements which will be recognized as right-of-use asset upon adoption of ASU 2016-02. The Company is in the process of evaluating the impact of adopting ASU 2016-02 on the Company's consolidated financial statements and anticipates implementing ASU 2016-02 during the first quarter of fiscal year 2019.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the guidance on reporting credits losses and affects loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have the contractual right to receive cash. The amendments are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted for any organization for annual periods beginning after December 15, 2018 and interim periods within those annual periods. The Company is in the process of evaluating the impact of the requirements of ASU 2016-13 on the Company's consolidated financial statements and anticipates implementing ASU 2016-13 during the first quarter of fiscal year 2020.

In November 2016, the FASB issued ASU 2016-18, "Statements of Cash Flows - Restricted Cash (Topic 230)" ("ASU 2016-18"). ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents in the statement of cash flows and the nature of the restrictions on cash and cash equivalents to be disclosed. ASU 2016-18 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption was permitted. The Company adopted ASU 2016-18 during the first quarter of fiscal year 2018 and amended the presentation in the statement of cash flows to include the restricted cash and cash equivalents with cash and cash equivalents in the condensed consolidated statements of cash flows and retrospectively reclassified comparative periods presented. The adoption had no impact on the Company's net income or loss or retained earnings.

The FASB has issued ASU No. 2014-09, "Revenue from Contracts with Customers", and related amendments, ASU 2015-14, ASU 2016-10, ASU 2016-12, ASU 2016-20, ASU 2017-05 and ASU 2017-13, (collectively, "Topic 606"). Topic 606 creates a new comprehensive revenue recognition standard that will serve as a single source of revenue guidance for all companies that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of non-financial assets, unless those contracts are within the scope of other standards, such as insurance contracts. Topic 606 becomes effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted Topic 606 during the first quarter of the fiscal year 2018, and since all of the Company's revenues relate to reinsurance contracts and investment income, the adoption of Topic 606 did not have a material impact on the Company's revenues and related disclosures.

3. FINANCIAL INSTRUMENTS

In the normal course of its business, the Company purchases and sells various financial instruments, which include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased.

Fair Value Hierarchy

The Company’s financial instruments are carried at fair value, and the net unrealized gains or losses are included in net investment income (loss) in the condensed consolidated statements of income.

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The following table presents the Company’s investments, categorized by the level of the fair value hierarchy as of June 30, 2018:

Description	Fair value measurements as of June 30, 2018 Quoted prices in active markets (Level 1) ($ in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Debt instruments	$—	$12,899	$ 932	$13,831
Listed equity securities	809,826	10,667	—	820,493
Commodities	36,225	—	—	36,225
Private and unlisted equity securities	—	—	6,909	6,909
	$846,051	$23,566	$ 7,841	$877,458
Unlisted equity funds measured at net asset value [1]				26,117
Total investments				$903,575
Financial contracts receivable	$892	$67,231	$ —	$68,123
Liabilities:				
Listed equity securities, sold not yet purchased	$(570,861)	$—	$ —	$(570,861)
Debt instruments, sold not yet purchased	—	(110,417)	—	(110,417)
Total securities sold, not yet purchased	$(570,861)	$(110,417)	$ —	$(681,278)
Financial contracts payable	$(2,504)	$(16,242)	$ —	$(18,746)

[1] Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the condensed consolidated balance sheets.

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The following table presents the Company’s investments, categorized by the level of the fair value hierarchy as of December 31, 2017:

Description	Fair value measurements as of December 31, 2017 Quoted prices in active markets (Level 1) ($ in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets:				
Debt instruments	$—	$6,300	$ 880	$7,180
Listed equity securities	1,181,150	22,522	—	1,203,672
Commodities	121,502	—	—	121,502
Private and unlisted equity securities	—	—	6,108	6,108
	$1,302,652	$28,822	$ 6,988	$1,338,462
Unlisted equity funds measured at net asset value [1]				24,522
Total investments				$1,362,984
Financial contracts receivable	$22	$12,871	$ —	$12,893
Liabilities:				
Listed equity securities, sold not yet purchased	$(812,652)	$—	$ —	$(812,652)
Debt instruments, sold not yet purchased	—	(100,145)	—	(100,145)
Total securities sold, not yet purchased	$(812,652)	$(100,145)	$ —	$(912,797)
Financial contracts payable	$—	$(22,222)	$ —	$(22,222)

[1] Investments measured at fair value using the net asset value practical expedient have not been classified in the fair value hierarchy. The fair value amounts are presented in the above table to facilitate reconciliation to the condensed consolidated balance sheets.

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The following tables present the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2018:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three months ended June 30, 2018		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$885	$ 6,135	$7,020
Purchases	—	800	800
Sales	—	—	—
Issuances	—	—	—
Settlements	—	—	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	47	(26)	21
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$932	$ 6,909	$7,841

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Six months ended June 30, 2018 Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$880	$ 6,108	$6,988
Purchases	—	800	800
Sales	—	—	—
Issuances	—	—	—
Settlements	—	—	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	52	1	53
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$932	$ 6,909	$7,841

There were no transfers between Level 1, Level 2 or Level 3 during the six months ended June 30, 2018.

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The following tables present the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three months ended June 30, 2017 Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$704	$ 6,076	$6,780
Purchases	—	—	—
Sales	—	—	—
Issuances	—	—	—
Settlements	—	—	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	72	9	81
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Ending balance	$776	$ 6,085	$6,861

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Six months ended June 30, 2017 Assets		
	Debt instruments	Private and unlisted equity securities	Total
	($ in thousands)		
Beginning balance	$654	$ 6,109	$6,763
Purchases	—	1,750	1,750
Sales	—	—	—
Issuances	—	—	—
Settlements	—	—	—
Total realized and unrealized gains (losses) and amortization included in earnings, net	122	(6)	116
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(1,768)	(1,768)
Ending balance	$776	$ 6,085	$6,861

During the six months ended June 30, 2017, $1.8 million of the private equity securities were transferred from Level 3 to Level 2 as these securities commenced trading on a listed exchange. However, due to lock-up period restrictions on those securities, they were classified as Level 2 upon transfer until the lock-up period expires. As of June 30, 2017, the fair value of these securities was based on the last traded price on an active market, adjusted for an estimated discount due to the lock-up restriction. There were no other transfers between Level 1, Level 2 or Level 3 during the three and six months ended June 30, 2017.

As of June 30, 2018, the Company held investments in unlisted equity funds of $26.1 million (December 31, 2017: $24.5 million) with fair values measured using the unadjusted net asset values and performance estimates as reported by the managers of these funds as a practical expedient. Some of these net asset values were reported from periods prior to June 30, 2018. The unlisted equity funds have varying lock-up periods and, as of June 30, 2018, all of the funds had redemption restrictions. The

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redemption restrictions have been in place since inception of the investments. One of the unlisted equity funds may be redeemed after December 31, 2018 while the redemption restrictions for the other funds are not expected to lapse in the near future. As of June 30, 2018, the Company had $6.9 million (December 31, 2017: $6.5 million) of unfunded commitments relating to unlisted equity funds whose fair values are determined based on unadjusted net asset values reported by the managers of these funds. These commitments are included in the amounts presented in the schedule of commitments and contingencies in Note 9 of these condensed consolidated financial statements.

For the three and six months ended June 30, 2018 and 2017, there were no net realized gains or losses included in net investment loss in the condensed consolidated statements of income relating to Level 3 securities.

For Level 3 securities still held as of the reporting date, the change in net unrealized gains for the three and six months ended June 30, 2018 of $0.02 million and $0.1 million, respectively (three and six months ended June 30, 2017: net unrealized gains $0.1 million and $0.1 million, respectively), were included in net investment income (loss) in the condensed consolidated statements of income.

Investments

Debt instruments, trading

At June 30, 2018, the following investments were included in debt instruments:

	Cost/amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$3,186	$ —	$ (2,170)	$1,016
Corporate debt – Non U.S.	2,109	—	(2,099)	10
Municipal debt – U.S.	7,441	5,364	—	12,805
Total debt instruments	$12,736	$ 5,364	$ (4,269)	$13,831

At December 31, 2017, the following investments were included in debt instruments:

	Cost/amortized cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$8,508	$ —	$ (7,186)	$1,322
Corporate debt – Non U.S.	2,109	—	(2,057)	52
Municipal debt – U.S.	5,831	—	(25)	5,806
Total debt instruments	$16,448	$ —	$ (9,268)	$7,180

The maturity distribution for debt instruments held at June 30, 2018 and December 31, 2017 was as follows:

	June 30, 2018		December 31, 2017	
	Cost/ amortized cost	Fair value	Cost/ amortized cost	Fair value
	($ in thousands)			
Within one year	$1,551	$234	$7,557	$441
From one to five years	892	217	—	—
From five to ten years	2,859	1,324	2,109	52
More than ten years	7,434	12,056	6,782	6,687

$12,736	$13,831	$16,448	$7,180

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Equity securities, trading

At June 30, 2018, the following long positions were included in equity securities, trading:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$754,110	$ 121,165	$ (54,782)	$820,493
Total equity securities	$754,110	$ 121,165	$ (54,782)	$820,493

At December 31, 2017, the following long positions were included in equity securities, trading:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$1,014,426	$ 208,350	$ (19,104)	$1,203,672
Total equity securities	$1,014,426	$ 208,350	$ (19,104)	$1,203,672

Other Investments

“Other investments” include commodities and private securities and unlisted funds. As of June 30, 2018 and December 31, 2017, all commodities were comprised of gold bullion.

At June 30, 2018, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Commodities	$29,493	$ 6,732	$ —	$36,225
Private and unlisted equity funds	25,803	7,223	—	33,026
	$55,296	$ 13,955	$ —	$69,251

At December 31, 2017, the following securities were included in other investments:

	Cost	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Commodities	$101,184	$ 20,318	$ —	$121,502
Private and unlisted equity funds	25,316	5,314	—	30,630
	$126,500	$ 25,632	$ —	$152,132

Private and unlisted equity funds include private equity securities that did not have readily determinable fair values. At June 30, 2018 the carrying value of the private equity securities was $4.0 million (December 31, 2017: $3.9 million). The carrying values of the private equity securities are determined based on the original cost and any subsequent changes in the valuation based on periodic third party valuations or recent observable transactions of those securities. There were no meaningful upward or downward adjustments to the carrying values of the private equity securities for the three and six months ended June 30, 2018.

Investments in Securities Sold, Not Yet Purchased

Securities sold, not yet purchased, are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company’s risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased, may exceed the amount recorded in the condensed consolidated balance sheet as the Company is obligated to purchase the securities sold, not yet purchased, in the market at prevailing prices to settle its obligations. To establish a position in a security sold, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to

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replace the borrowed security is marked-to-market and an unrealized gain or loss is recorded. At the time the transaction is closed, the Company realizes a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

At June 30, 2018, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Corporate debt – U.S.	$(8,779)	$ —	$(279)	$(9,058)
Equities – listed	(456,038)	6,163	(120,987)	(570,862)
Sovereign debt – Non U.S.	(96,230)	—	(5,128)	(101,358)
	$(561,047)	$ 6,163	$(126,394)	$(681,278)

At December 31, 2017, the following securities were included in investments in securities sold, not yet purchased:

	Proceeds	Unrealized gains	Unrealized losses	Fair value
	($ in thousands)			
Equities – listed	$(643,148)	$ 17,541	$(187,045)	$(812,652)
Sovereign debt – Non U.S.	(96,231)	—	(3,914)	(100,145)
	$(739,379)	$ 17,541	$(190,959)	$(912,797)

Financial Contracts

As of June 30, 2018 and December 31, 2017, the Company had entered into total return equity swaps, interest rate swaps, commodity swaps, options, warrants, rights, futures and forward contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these financial contracts, the Company is either entitled to receive or is obligated to make payments, which are based on the product of a formula contained within each contract that includes the change in the fair value of the underlying or reference security.

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At June 30, 2018, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency [1]	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts
		($ in thousands)	
Financial contracts receivable			
Commodity Swaps	USD	33,924	$ 1,575
Futures	USD	45,588	892
Interest rate options	USD	1,783,000	1,296
Interest rate swaps	JPY	21,652	93
Put options	USD	126,059	52,946
Total return swaps – equities	EUR/GBP/KRW/USD	93,762	11,321
Total financial contracts receivable, at fair value			$ 68,123
Financial contracts payable			
Forwards	KRW	56,810	$ (1,775)
Futures	USD	69,839	(2,504)
Put options	USD	24,565	(13,014)
Total return swaps – equities	EUR/RON	17,207	(1,453)
Total financial contracts payable, at fair value			$ (18,746)

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.

At December 31, 2017, the fair values of financial contracts outstanding were as follows:

Financial Contracts	Listing currency [1]	Notional amount of underlying instruments	Fair value of net assets (obligations) on financial contracts
		($ in thousands)	
Financial contracts receivable			
Call options	USD	2,656	$ 91
Commodity Swaps	USD	17,833	2,142
Forwards	KRW	41,379	801
Futures	USD	5,874	12
Interest rate swaps	JPY	21,269	479
Put options [2]	USD	155	1
Total return swaps – equities	EUR/GBP/USD	34,965	9,357
Warrants and rights on listed equities	EUR/USD	29	10
Total financial contracts receivable, at fair value			$ 12,893
Financial contracts payable			
Commodity Swaps	USD	26,795	$ (353)
Put options	USD	130	(14)
Total return swaps – equities	EUR/GBP/KRW/RON/USD	60,663	(21,855)
Total financial contracts payable, at fair value			$ (22,222)

[1] USD = US Dollar; EUR = Euro; GBP = British Pound; JPY = Japanese Yen; KRW = Korean Won; RON = Romanian New Leu.

(2) Includes options on the Chinese Yuan, denominated in U.S. dollars.

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Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer, a specified underlying security at a specified price on or before a specified date. The Company enters into option contracts to meet certain investment objectives. For exchange traded option contracts, the exchange acts as the counterparty to specific transactions and therefore bears the risk of delivery to and from counterparties of specific positions.

As of June 30, 2018, the Company held $52.9 million OTC put options (long) (December 31, 2017: nil) and $13.0 million OTC put options (short) (December 31, 2017: nil).

During the three and six months ended June 30, 2018 and 2017, the Company reported gains and losses on derivatives as follows:

Derivatives not designated as hedging instruments	Location of gains and losses on derivatives recognized in income	Gain (loss) on derivatives recognized in income			
		Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
		($ in thousands)			
Forwards	Net investment income (loss)	$(2,784)	$(289)	$(2,907)	$334
Futures	Net investment income (loss)	(6,003)	110	(7,952)	(403)
Interest rate options	Net investment income (loss)	(517)	—	(1,154)	—
Interest rate swaps	Net investment income (loss)	(118)	(198)	(449)	(93)
Options, warrants, and rights	Net investment income (loss)	(14,929)	(4,584)	(13,842)	(12,112)
Commodity swaps	Net investment income (loss)	2,308	(3,746)	4,156	(10,705)
Total return swaps – equities	Net investment income (loss)	9,793	(10,593)	(9,238)	(282)
Total		$(12,250)	$(19,300)	$(31,386)	$(23,261)

The Company generally does not enter into derivatives for risk management or hedging purposes. The volume of derivative activities varies from period to period depending on potential investment opportunities.

For the three and six months ended June 30, 2018, the Company's volume of derivative activities (based on notional amounts) was as follows:

2018	Three months ended June 30		Six months ended June 30	
Derivatives not designated as hedging instruments (notional amounts)	Entered	Exited	Entered	Exited
	($ in thousands)			
Forwards	$9,156	$14,438	$63,528	$47,766
Futures	110,201	76,814	423,374	312,712
Interest rate options [1]	679,000	—	1,783,000	—
Options, warrants and rights [1]	73,406	9,280	245,986	26,646
Commodity swaps	34,792	20,948	34,792	49,923
Total return swaps	8,256	13,161	16,850	32,139
Total	$914,811	$134,641	$2,567,530	$469,186

[1] Exited amount excludes derivatives which expired or were exercised during the period.

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For the three and six months ended June 30, 2017, the Company's volume of derivative activities (based on notional amounts) was as follows:

2017	Three months ended June 30		Six months ended June 30	
Derivatives not designated as hedging instruments (notional amounts)	Entered	Exited	Entered	Exited
	($ in thousands)			
Forwards	$164	$—	$3,640	$—
Futures	2,890	5,818	32,400	29,887
Options, warrants and rights [1]	229,999	—	577,917	110,102
Commodity swaps	2,025	8,406	2,025	16,588
Total return swaps	11,377	235,806	243,495	296,413
Total	$246,455	$250,030	$859,477	$452,990

[1] Exited amount excludes derivatives which expired or were exercised during the period.

The Company does not offset its derivative instruments and presents all amounts in the condensed consolidated balance sheets on a gross basis. The Company has pledged cash collateral to derivative counterparties to support the current value of amounts due to the counterparties on its derivative instruments.

As of June 30, 2018, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

June 30, 2018	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the balance sheet	Net amounts of assets (liabilities) presented in the balance sheet	Financial instruments available for offset	Cash collateral (received) pledged	Net amount of asset (liability)
	($ in thousands)					
Financial contracts receivable	$68,123	$ —	$ 68,123	$(15,359)	$(22,933)	$29,831
Financial contracts payable	(18,746)	—	(18,746)	15,359	—	(3,387)

As of December 31, 2017, the gross and net amounts of derivative instruments and the cash collateral applicable to derivative instruments were as follows:

December 31, 2017	(i)	(ii)	(iii) = (i) - (ii)	(iv) Gross amounts not offset in the balance sheet		(v) = (iii) + (iv)
Description	Gross amounts of recognized assets (liabilities)	Gross amounts offset in the balance sheet	Net amounts of assets (liabilities) presented in the balance sheet	Financial instruments available for offset	Cash collateral (received) pledged	Net amount of asset (liability)

	($ in thousands)					
Financial contracts receivable	$12,893	$ —	$ 12,893	$(5,128)	$ (1,336)	$ 6,429
Financial contracts payable	(22,222)	—	(22,222)	5,128	17,094	—

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4. DUE TO PRIME BROKERS AND OTHER FINANCIAL INSTITUTIONS

As of June 30, 2018, the amount due to prime brokers is comprised of margin-borrowing from prime brokers and custodians relating to investments purchased on margin as well as margin-borrowing for providing collateral to support some of the Company's outstanding letters of credit and trust accounts (see Note 9). Under term margin agreements with prime brokers and revolving credit facilities with custodians and a letter of credit facility agreement, the Company pledges certain investment securities to borrow cash. The cash borrowed under letter of credit facility agreement is placed in a custodial account in the name of the Company and this custodial account provides collateral for any letters of credit issued. Similarly for the trust accounts, the Company may borrow cash from prime brokers or custodians which is placed in a trust account for the benefit of the cedent. Since there is no legal right of offset, the Company's liability for the cash borrowed from the prime brokers and custodians is included on the condensed consolidated balance sheets as due to prime brokers and other financial institutions while the cash held in the custodial account and trust accounts are included on the condensed consolidated balance sheets as restricted cash and cash equivalents.

	June 30, 2018	December 31, 2017
	($ in thousands)	
Due to Prime Brokers	$490,172	$ 647,700
Due to Other Financial Institutions	30,000	25,000
	$520,172	$ 672,700

Greenlight Re's investment guidelines, among other stipulations in the guidelines, allow for up to 15% (GRIL: 5%) net margin leverage for extended periods of time and up to 30% (GRIL: 20%) net margin leverage relating to investing activities for periods of less than 30 days.

5. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

There were no significant changes in the actuarial methodology or assumptions relating to the Company's loss and loss adjustment expense reserves for the six months ended June 30, 2018.

At June 30, 2018 and December 31, 2017, loss and loss adjustment expense reserves were comprised of the following:

Consolidated	June 30, 2018	December 31, 2017
	($ in thousands)	
Case reserves	$170,389	$178,088
IBNR	303,949	286,292
Total	$474,338	$464,380

At June 30, 2018 and December 31, 2017, the loss and loss adjustment expense reserves relating to health were $24.7 million and $22.2 million, respectively.

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A summary of changes in outstanding loss and loss adjustment expense reserves for the six months ended June 30, 2018 and 2017 is as follows:

Consolidated	2018	2017
	($ in thousands)	
Gross balance at January 1	$464,380	$306,641
Less: Losses recoverable	(29,459)	(2,704)
Net balance at January 1	434,921	303,937
Incurred losses related to:		
Current year	184,102	203,922
Prior years	(3,463)	6,906
Total incurred	180,639	210,828
Paid losses related to:		
Current year	(55,909)	(60,134)
Prior years	(121,609)	(99,763)
Total paid	(177,518)	(159,897)
Foreign currency revaluation	(709)	1,826
Net balance at June 30	437,333	356,694
Add: Losses recoverable	37,005	2,661
Gross balance at June 30	$474,338	$359,355

The changes in the outstanding loss and loss adjustment expense reserves for health claims for the six months ended June 30, 2018 and 2017 are as follows:

Health	2018	2017
	($ in thousands)	
Gross balance at January 1	$22,181	$18,993
Less: Losses recoverable	—	—
Net balance at January 1	22,181	18,993
Incurred losses related to:		
Current year	27,046	21,674
Prior years	765	(384)
Total incurred	27,811	21,290
Paid losses related to:		
Current year	(8,740)	(7,704)
Prior years	(16,564)	(14,637)
Total paid	(25,304)	(22,341)
Foreign currency revaluation	—	—
Net balance at June 30	24,688	17,942
Add: Losses recoverable	—	—
Gross balance at June 30	$24,688	$17,942

For the six months ended June 30, 2018, the net losses incurred relating to prior accident years decreased by $3.5 million, which primarily related to the following:

- $5.8 million of favorable loss development, net of retrocession recoveries, relating to 2017 hurricanes resulting from updated reporting received from cedents;
- $3.5 million of favorable loss development on prior period mortgage insurance contracts resulting from continued favorable claims experience;

- $3.5 million of favorable prior period experience on property contracts stemming from accident years 2015 and 2016 where claims experience has been better than expected;

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- $3.4 million of adverse loss development on non-standard automobile contracts stemming from the difficult market conditions faced by the industry during 2015;
- $3.2 million of adverse loss development on solicitors professional indemnity contracts resulting from adverse reporting of claims in excess of expected claims;
- $1.9 million of adverse loss development on general liabilities contracts across two accounts, spread over treaty years 2012-2017, resulting from deteriorations in claims experience;
- $1.2 million of adverse loss development on surety contracts, net of retrocession recoveries, due to deteriorations in circumstances on several previously reported claims for a single legacy contract; and
- The remaining $0.4 million of favorable loss development was due to development across various other multi-line, casualty and other contracts.

For the six months ended June 30, 2017, the net loss reserves on prior period contracts increased by $6.9 million, primarily related to the adverse loss development on Florida homeowners' insurance contracts relating to the practice of "assignment of benefits", large claims reported on a surety contract and adverse development on a legacy motor liability contract. There were no other significant developments of prior period reserves during the six months ended June 30, 2017.

6. RETROCESSION

The Company, from time to time, purchases retrocessional coverage for one or more of the following reasons: to manage its overall exposure, to reduce its net liability on individual risks, to obtain additional underwriting capacity and to balance its underwriting portfolio. Additionally, retrocession can be used as a mechanism to share the risks and rewards of business written and, therefore, can be used as a tool to align the Company's interests with those of its counterparties. The Company currently has coverage that provides for recovery of a portion of loss and loss expenses incurred on certain contracts. Loss and loss adjustment expense recoverable from the retrocessionaires are recorded as assets.

For the three and six months ended June 30, 2018, loss and loss adjustment expenses incurred of $84.8 million and $180.6 million, respectively (2017: $106.0 million and $210.8 million, respectively), reported on the condensed consolidated statements of income are net of loss and loss expenses recovered and recoverable of $15.3 million and $34.7 million, respectively (2017: $(0.2) million and $(0.1) million, respectively).

Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honor their obligations could result in losses to the Company. At June 30, 2018, the Company had losses receivable and loss reserves recoverable of $31.0 million (December 31, 2017: $26.3 million) from unrated retrocessionaires which were secured by cash and collateral held in trust accounts for the benefit of the Company. At June 30, 2018, $6.0 million (December 31, 2017: $3.1 million) of losses recoverable were from retrocessionaires rated A- or above by A.M. Best.

The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honor their respective obligations. At June 30, 2018 and December 31, 2017, no provision for uncollectible losses recoverable was considered necessary.

7. SHARE-BASED COMPENSATION

The Company has a stock incentive plan for directors, employees and consultants that is administered by the Compensation Committee of the Board of Directors. The Company's shares authorized for issuance pursuant to the stock incentive plan include 5,000,000 (December 31, 2017: 5,000,000) Class A ordinary shares. As of June 30, 2018, 1,011,840 (December 31, 2017: 1,271,154) Class A ordinary shares remained available for future issuance under the Company’s stock incentive plan.

Employee and Director Restricted Shares

As part of its stock incentive plan, the Company issues restricted shares for which the fair value is equal to the price of the Company’s Class A ordinary shares on the grant date. Compensation based on the grant date fair market value of the shares is expensed on a straight line basis over the applicable vesting period, net of any estimated forfeitures.
For the six months ended June 30, 2018, 191,255 (2017: 113,955) Class A ordinary shares were issued to employees pursuant to the Company’s stock incentive plan. The majority of these shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. The restricted shares cliff vest after three years from the date of issuance, subject to the grantee’s continued service with the Company. During the vesting

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period, the holder of the restricted shares retains voting rights and is entitled to any dividends declared by the Company. For the six months ended June 30, 2018, 30,660 of the restricted shares granted contained service and performance conditions. These restricted shares will cliff vest 5.5 years from the date of issuance, subject to the satisfaction of both the service and performance conditions.

For the six months ended June 30, 2018, the Company also issued to non-employee directors an aggregate of 54,720 (2017: 37,840) restricted Class A ordinary shares as part of their remuneration for services to the Company. Each of these restricted shares issued to non-employee directors contains similar restrictions to those issued to employees and will vest on the earlier of the first anniversary of the date of the share issuance or the Company's next annual general meeting, subject to the grantee's continued service with the Company.

For the six months ended June 30, 2018, 14,314 (2017: 46,319) restricted shares were forfeited by employees who left the Company prior to the expiration of the applicable vesting periods. For the six months ended June 30, 2018, in accordance with U.S. GAAP, $0.1 million stock compensation expense (2017: nil) relating to the forfeited restricted shares was reversed. The restricted shares forfeited during the comparative six month period ended June 30, 2017 related to the Company's former Chief Executive Officer (the "former CEO") who resigned from the Company prior to the expiration of the applicable vesting periods. For the six months ended June 30, 2017, no stock compensation expense was reversed relating to the former CEO's forfeited shares since the stock compensation relating to those restricted shares was reversed during the fourth quarter of 2016, when it was deemed likely that these restricted shares would be forfeited.

The following table summarizes the activity for unvested outstanding restricted share awards during the six months ended June 30, 2018:

	Number of non-vested restricted shares	Weighted average grant date fair value
Balance at December 31, 2017	331,510	$ 23.45
Granted	245,975	15.78
Vested	(100,384)	27.74
Forfeited	(14,314)	21.61
Balance at June 30, 2018	462,787	$ 18.50

Employee and Director Stock Options

For the six months ended June 30, 2018 and 2017, no Class A ordinary share purchase options were granted.

For the six months ended June 30, 2018 and 2017, no stock options were exercised by directors or employees resulting in no Class A ordinary shares issued. When stock options are granted, the Company reduces the corresponding number from the shares authorized for issuance as part of the Company's stock incentive plan.

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For the six months ended June 30, 2018, no stock options vested. For the three and six months ended June 30, 2017, 71,335 stock options vested, relating to the resignation of the former CEO, which had a weighted average grant date fair value of $10.51 per share, pursuant to the former CEO's deed of settlement and release. At June 30, 2017 there was no remaining compensation cost to be recognized in future periods relating to the former CEO's stock options as the expense was recognized in full as of December 31, 2016 when it was deemed likely that the stock options would vest.

Employee and director stock option activity during the six months ended June 30, 2018 was as follows:

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Intrinsic value ($ in millions)	Weighted average remaining contractual term
Balance at December 31, 2017	1,015,627	$ 23.55	$ 9.89	$ —	6.9 years
Granted	—	—	—		
Exercised	—	—	—		
Forfeited	—	—	—		
Expired	—	—	—		
Balance at June 30, 2018	1,015,627	$ 23.55	$ 9.89	$ —	6.4 years

Employee Restricted Stock Units

The Company issues restricted stock units ("RSUs") to certain employees as part of the stock incentive plan. The grant date fair value of the RSUs is equal to the price of the Company's Class A ordinary shares on the grant date. Compensation cost based on the grant date fair market value of the RSUs is expensed on a straight line basis over the vesting period.

For the six months ended June 30, 2018, 28,301 (2017: 11,559) RSUs were issued to employees pursuant to the Company's stock incentive plan. These shares contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these RSUs cliff vest after three years from the date of issuance, subject to the grantee's continued service with the Company. On the vesting date, the Company converts each RSU into one Class A ordinary share and issues new Class A ordinary shares from the shares authorized for issuance as part of the Company's stock incentive plan.

For the six months ended June 30, 2018, 648 (2017: nil) RSUs were forfeited by employees, resulting in an immaterial reversal (2017: nil) of stock compensation expense.

Employee RSU activity during the six months ended June 30, 2018 was as follows:

	Number of non-vested RSUs	Weighted average grant date fair value
Balance at December 31, 2017	22,798	$ 23.50
Granted	28,301	15.90
Vested	(4,053)	32.21
Forfeited	(648)	21.65
Balance at June 30, 2018	46,398	$ 18.13

For the six months ended June 30, 2018 and 2017, the general and administrative expenses included stock compensation expense (net of forfeitures) of $2.5 million and $1.9 million, respectively, for the expensing of the fair value of stock options, restricted stock and RSUs granted to employees and directors, net of forfeitures.

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8. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

The Company and its reinsurance subsidiaries are party to a joint venture agreement with DME Advisors, LP (“DME Advisors”) under which the Company, its reinsurance subsidiaries and DME Advisors LLC (“DME”) are participants of a joint venture for the purpose of managing certain jointly held assets, (“Joint Venture”) as may be amended from time to time (the “venture agreement”). In addition, the Company, its reinsurance subsidiaries and DME have entered into a separate investment advisory agreement with DME Advisors, as may be amended from time to time (the “advisory agreement”). Effective January 1, 2017, the venture agreement and the advisory agreements were amended and restated to replace the previous agreements dated January 1, 2014, and will expire on December 31, 2019 and renew automatically for successive three-year periods. DME and DME Advisors are related to the Company and each is an affiliate of David Einhorn, Chairman of the Company’s Board of Directors.

Pursuant to the venture agreement, performance allocation equal to 20% of the net investment income of the Company’s share of the account managed by DME Advisors is allocated, subject to a loss carry forward provision, to DME’s account. The loss carry forward provision requires DME to earn a reduced performance allocation of 10% on net investment income in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn a performance allocation in a year in which the investment portfolio incurs a loss. For the three and six months ended June 30, 2018, no performance allocation was deducted due to the investment loss (2017: reversal of $1.2 million and nil, respectively).

Pursuant to the advisory agreement, a monthly management fee, equal to 0.125% (1.5% on an annual basis) of the Company’s investment account managed by DME Advisors, is paid to DME Advisors. Included in the net investment income (loss) for the three and six months ended June 30, 2018 were management fees of $4.1 million and $8.6 million, respectively (2017: $4.3 million and $8.6 million, respectively). The management fees have been fully paid as of June 30, 2018.

Pursuant to the venture and advisory agreements, the Company has agreed to indemnify DME and DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the Company’s investment advisor. The Company will reimburse DME and DME Advisors for reasonable costs and expenses of investigating and/or defending such claims, provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME or DME Advisors. For the six months ended June 30, 2018, there were no indemnification payments payable or paid by the Company.

Non-controlling Interest in Related Party Joint Venture

Non-controlling interests in related party joint venture represents DME’s share of the jointly held assets under the venture agreement. The joint venture created through the venture agreement has been consolidated in accordance with ASC 810, Consolidation (ASC 810). The Company has recorded DME’s minority interests as redeemable non-controlling interests in related party and non-controlling interests in related party in the condensed consolidated balance sheets. A portion of the non-controlling interest is subject to contractual withdrawal rights whereby DME, at its sole discretion, can withdraw its interest above the minimum capital required to be maintained in its capital accounts. This additional capital is therefore recorded on the Company’s condensed consolidated balance sheets within the mezzanine section as redeemable non-controlling interest in related party joint venture whereas the required minimum capital is recorded as non-controlling interests in related party joint venture within the equity section on the Company’s condensed consolidated balance sheet since it does not have withdrawal rights.

The following table is a reconciliation of the beginning and ending carrying amounts of redeemable non-controlling interests in related party, non-controlling interests in related party and total non-controlling interests in related party for the six months ended June 30, 2018 and 2017 (see Note 1 for additional information on changes in the presentation of non-controlling interests):

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	Redeemable non-controlling interest in related party joint venture		Non-controlling interest in related party joint venture		Total non-controlling interest in related party joint venture	
	Six months ended June 30		Six months ended June 30		Six months ended June 30	
	2018	2017	2018	2017	2018	2017
Opening balance	$7,169	$5,884	$12,933	$11,561	$20,102	$17,445
Income (loss) attributed to non-controlling interest	(1,079)	(97)	(1,868)	(201)	(2,947)	(298)
Net contribution into (withdrawal from) non-controlling interest	346	(420)	(346)	420	—	—
Ending balance	$6,436	$5,367	$10,719	$11,780	$17,155	$17,147

Green Brick Partners, Inc.

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners, Inc. (“GRBK”), a publicly traded company. As of June 30, 2018, $34.0 million (December 31, 2017: $39.2 million) of GRBK listed equities were included on the balance sheet as “equity securities, trading, at fair value”. The Company, along with certain affiliates of DME Advisors, collectively own 49% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

Service Agreement

The Company has entered into a service agreement with DME Advisors, pursuant to which DME Advisors provides certain investor relations services to the Company for compensation of five thousand dollars per month (plus expenses). The agreement is automatically renewed annually until terminated by either the Company or DME Advisors for any reason with 30 days prior written notice to the other party.

9. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Trusts

At June 30, 2018, the Company had the following letter of credit facilities, which automatically renew each year unless terminated by either party in accordance with the applicable required notice period:

	Facility ($ in thousands)	Termination Date	Notice period required for termination
Butterfield Bank (Cayman) Limited	$ 50,000	June 30, 2019	90 days prior to termination date
Citibank Europe plc	400,000	October 11, 2019	120 days prior to termination date
	$ 450,000		

On March 28, 2018, the Butterfield Bank facility was decreased from $100.0 million to $50.0 million. As of June 30, 2018, an aggregate amount of $192.5 million (December 31, 2017: $188.5 million) in letters of credit were issued under the above facilities. Under the facilities, the Company provides collateral that may consist of equity securities, restricted cash, and cash and cash equivalents. As of June 30, 2018, total equity securities, restricted cash, and cash and cash equivalents with a fair value in the aggregate of $198.7 million (December 31, 2017: $200.4 million) were pledged as collateral against the letters of credit issued (also see Note 4). Each of the facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, and restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, Greenlight Re will be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of each of these facilities as of June 30, 2018 and December 31, 2017.

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In addition to the letters of credit, the Company has established regulatory trust arrangements for certain cedents. As of June 30, 2018, collateral of $380.9 million (December 31, 2017: $377.9 million) was provided to cedents in the form of regulatory trust accounts.

Revolving Credit Facility

The Joint Venture has entered into a secured revolving credit facility with The Bank of Nova Scotia (the “credit facility”), to provide funding for its investment activities. At June 30, 2018, the Joint Venture had the ability to borrow $50.0 million (the “commitment”) under the credit facility and had borrowed $30.0 million (December 31, 2017: $25.0 million). At June 30, 2018, the interest rate on the credit facility was 3.11% (December 31, 2017: 2.47%) and the Joint Venture and certain of the Company’s subsidiaries, solely as “Participants” in the Joint Venture under the venture agreement, had pledged $36.2 million (December 31, 2017: $37.7 million) of their physical gold holdings as collateral against the borrowed funds. For the six months ended June 30, 2018, interest expense pursuant to the credit facility was $0.4 million (2017: nil) and was included in net investment loss in the condensed consolidated statements of income. The credit facility matures on November 8, 2018 and can be extended for one year by the Joint Venture upon providing 120 days’ notice to the lender. Subsequent to June 30, 2018, the Joint Venture provided notice to extend the credit facility for one additional year. The Joint Venture may terminate or reduce the commitment by giving 10 business days’ notice prior to the effective date of termination or reduction and prepaying the applicable principal obligation and all interest accrued thereon. The credit facility contains certain events of default and restrictive covenants, including but not limited to, limitations on liens on the pledged collateral, mergers and sales of assets and limitations on distributions. The Joint Venture was in compliance with all the covenants of this facility as of June 30, 2018.

Operating Lease Obligations

Greenlight Re has entered into lease agreements for office space in the Cayman Islands. Under the terms of the lease agreements, Greenlight Re is committed to annual rent payments ranging from $0.3 million at inception to $0.5 million at lease termination. The leases expired on June 30, 2018 and Greenlight Re has the option to renew the leases for a further five-year term. The Company is in negotiations with the lessor for renewal of the lease and meanwhile has agreed to a monthly lease until December 31, 2018.

GRIL has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, GRIL is committed to minimum annual rent payments denominated in Euros approximating €0.1 million until May 2021, and adjusted to the prevailing market rates for each of the two subsequent five-year terms. GRIL has the option to terminate the lease agreement in 2021. Included in the schedule below are the net minimum lease payment obligations relating to this lease as of June 30, 2018.

The total rent expense related to leased office space for the three and six months ended June 30, 2018 was $0.2 million and $0.3 million, respectively (2017: $0.2 million and $0.3 million, respectively).

Private Equity and Limited Partnerships

From time to time, the Company makes investments in private equity vehicles. As part of the Company’s participation in such private equity investments, the Company may make funding commitments. As of June 30, 2018, the Company had commitments to invest an additional $7.0 million (December 31, 2017: $6.5 million) in private equity investments. Included in the schedule below are the minimum payment obligations relating to these investments as of June 30, 2018.

Schedule of Commitments and Contingencies

The following is a schedule of future minimum payments required under the above commitments:

	2018	2019	2020	2021	2022	Thereafter	Total
	($ in thousands)						
Operating lease obligations	$86	$172	$172	$ 64	$ —	$ —	$494
Private equity and limited partnerships [1]	6,950	—	—	—	—	—	6,950
	$7,036	$172	$172	$ 64	$ —	$ —	$7,444

[1] Given the nature of these investments, the Company is unable to determine with any degree of accuracy when these commitments will be called. Therefore, for purposes of the above table, the Company has assumed that all commitments with no fixed payment schedules will be called during the year ending December 31, 2018.

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Litigation

From time to time, in the normal course of business, the Company may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine the rights and obligations under the Company's reinsurance contracts and other contractual agreements. In some disputes, the Company may seek to enforce its rights under an agreement or to collect funds owing to it. In other matters, the Company may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes cannot be predicted with certainty, the Company does not believe that any existing dispute, when finally resolved, will have a material adverse effect on the Company's business, financial condition or operating results.

10. SEGMENT REPORTING

The Company manages its business on the basis of one operating segment, Property & Casualty Reinsurance. The following tables provide a breakdown of the Company's gross premiums written by line of business and by geographic area of risks insured for the periods indicated:

Gross Premiums Written by Line of Business

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property								
Commercial	$3,069	2.2 %	$2,102	1.2 %	$5,712	1.8 %	$5,481	1.5 %
Motor	18,391	12.9	14,200	8.1	40,813	12.9	29,509	7.9
Personal	4,884	3.4	20,513	11.7	7,324	2.3	41,782	11.2
Total Property	26,344	18.5	36,815	21.0	53,849	17.0	76,772	20.6
Casualty								
General Liability	137	0.1	401	0.2	1,370	0.4	2,191	0.6
Motor Liability	72,118	50.7	75,883	43.4	155,680	49.1	152,836	41.1
Professional Liability	673	0.5	2,168	1.2	1,111	0.4	6,221	1.7
Workers' Compensation	3,135	2.2	1,996	1.2	6,694	2.1	7,418	2.0
Multi-line *	22,377	15.8	33,913	19.4	39,392	12.4	67,163	18.0
Total Casualty	98,440	69.3	114,361	65.4	204,247	64.4	235,829	63.4
Other								
Accident & Health	12,667	8.9	10,406	6.0	42,244	13.3	33,510	9.0
Financial	3,813	2.7	12,931	7.4	15,027	4.7	24,860	6.7
Marine	—	—	—	—	371	0.1	—	—
Other Specialty	845	0.6	376	0.2	1,496	0.5	1,132	0.3
Total Other	17,325	12.2	23,713	13.6	59,138	18.6	59,502	16.0
	$142,109	100.0%	$174,889	100.0%	$317,234	100.0%	$372,103	100.0%

(*) Contracts that cover more than one line of business are grouped as "multi-line" regardless of whether a portion of the underlying business is covered by one of the lines of business listed above. The Company's multi-line business predominantly relates to casualty reinsurance. The prior period comparative information has been reclassified to conform to the current period presentation.

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Gross Premiums Written by Geographic Area of Risks Insured

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
U.S. and Caribbean	$127,475	89.7 %	$152,014	86.9 %	$285,182	89.9 %	$323,772	87.0 %
Worldwide [1]	14,603	10.3	22,784	13.0	31,881	10.0	48,078	12.9
Europe	31	—	91	0.1	217	0.1	237	0.1
Asia [2]	—	—	—	—	(46)	—	16	—
	$142,109	100.0%	$174,889	100.0%	$317,234	100.0%	$372,103	100.0%

[1] “Worldwide” is comprised of contracts that reinsure risks in more than one geographic area and do not specifically exclude the U.S.

[2] The negative balance represents reversal of premiums due to premium adjustments, termination of contracts or premium returned upon novation or commutation of contracts.

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Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

References to “we,” “us,” “our,” “our company,” or “the Company” refer to Greenlight Capital Re, Ltd. (“GLRE”) and our wholly-owned subsidiaries, Greenlight Reinsurance, Ltd, (“Greenlight Re”), Greenlight Reinsurance Ireland, Designated Activity Company (“GRIL”) and Verdant Holding Company, Ltd. (“Verdant”), unless the context dictates otherwise. References to our “Ordinary Shares” refers collectively to our Class A Ordinary Shares and Class B Ordinary Shares.

The following is a discussion and analysis of our results of operations for the three and six months ended June 30, 2018 and 2017 and financial condition as of June 30, 2018 and December 31, 2017. The following discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes, which appear in our annual report on Form 10-K for the fiscal year ended December 31, 2017.

Special Note About Forward-Looking Statements

Certain statements in Management’s Discussion and Analysis, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements generally are identified by the words “believe,” “project,” “predict,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “may,” “should,” “will,” “would continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled “Risk Factors” (refer to Part I, Item 1A) contained in our annual report on Form 10-K for the fiscal year ended December 31, 2017. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on the forward looking statements which speak only to the dates on which they were made.

We intend to communicate certain events that we believe may have a material adverse impact on our operations or financial position, including property and casualty catastrophic events and material losses in our investment portfolio, in a timely manner through a public announcement. Other than as required by the Exchange Act, we do not intend to make public announcements regarding reinsurance or investment events that we do not believe, based on management’s estimates and current information, will have a material adverse impact on our operations or financial position.

General

We are a global specialty property and casualty reinsurer, headquartered in the Cayman Islands, with a reinsurance and investment strategy that we believe differentiates us from most of our competitors. Our goal is to build long-term shareholder value by providing risk management products and services to the insurance, reinsurance and other risk marketplaces. We focus on delivering risk solutions to clients and brokers who value our expertise, analytics and customer service offerings.

We aim to complement our underwriting results with a non-traditional investment approach in order to achieve higher rates of return over the long term than reinsurance companies that employ more traditional investment strategies. We manage our investment portfolio according to a value-oriented philosophy, in which we take long positions in perceived undervalued securities and short positions in perceived overvalued securities.

Because we employ an opportunistic underwriting philosophy, period-to-period comparisons of our underwriting results may not be meaningful. In addition, our historical investment results may not necessarily be indicative of future performance. Due to the nature of our reinsurance and investment strategies, our operating results will likely fluctuate from period to period.

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Segments

We manage our business on the basis of one operating segment, property and casualty reinsurance, in accordance with the qualitative and quantitative criteria established by U.S. GAAP. Prior to 2018, we analyzed and discussed our underwriting operations using two categories: frequency and severity. Effective from 2018, we no longer analyze our business based on frequency/severity and instead we analyze our business based on the following categories:

- Property
- Casualty
- Other

Property business includes automobile physical damage, personal lines (including homeowners' insurance) and commercial lines. Property business includes both catastrophe as well as non-catastrophe coverage. We expect the catastrophe business to make up a smaller proportion of the property business. Property business is generally expected to have losses reported and paid quicker than casualty business.

Casualty business includes general liability, motor liability, professional liability and workers' compensation coverage. In addition, contracts that cover more than one line of business are grouped as "multi-line" regardless of whether a portion of the underlying business is covered by one of the lines of business. The Company's multi-line business predominantly relates to casualty reinsurance and as such all multi-line business is included within the casualty category. Casualty business generally has losses reported and paid over a longer period of time than property business.

Other business mainly includes accident and health, financial lines (including mortgage insurance, surety and trade credit), marine, and to a lesser extent, other specialty business such as aviation, energy, cyber and terrorism.

Outlook and Trends

The property and casualty reinsurance industry historically has been cyclical in nature, owing to fluctuations in the supply of capital. Much of the global property and casualty reinsurance marketplace has experienced an extended period of rate pressure and reductions, and despite some positive rate movement during the January 1, 2018 renewals, this pressure continues along with an increased focus on expenses at all points in the risk placement chain. Certain participants in the industry have attempted to mitigate rate pressure and rate reductions by increasing scale, but we believe that throughout the industry there is an ongoing focus on lowering internal expenses as a source of efficiency. The industry sustained significant natural catastrophe losses in the third quarter of 2017, and in addition, suffered losses from the historically large California wildfires in the fourth quarter of 2017. We believe that losses from these events created short term capital impacts that were offset by capital injections, particularly in the property catastrophe market. As a result, any positive rate impact was limited. We believe the 2017 property catastrophe events highlighted some of the weak pricing conditions in certain non-catastrophe lines of business. However, while terms and conditions improved for renewals, particularly on loss-impacted contracts, such improvement was limited.

From time to time we may purchase retrocessional coverage to manage our overall exposure, reduce our net liability on individual risks, to obtain additional underwriting capacity or to balance our underwriting portfolio. Historically, our retrocession activities have constituted a small part of our overall business, but recently we have increased our use of retrocessional coverage and may continue to do so in the future.

Compared to most of our competitors, we are small and, generally, have low overhead expenses. We believe that our expense efficiency, agility and existing relationships support our competitive position and will allow us to profitably participate in lines of business that fit within our strategy. Further we believe that the pressure to contain and reduce internal expenses will continue for the foreseeable future, particularly as the use of unrated collateralized capital extends to classes of business beyond the current significant penetration in property catastrophe classes. Collateralized reinsurance funds are generally cheaper to operate than rated reinsurance companies and may also have access to

capital at a lower cost.
In addition to our existing lines of business, we have begun to establish a footprint in additional classes of business that we believe will generate favorable returns on equity over the long term, including participation where we are not the lead underwriter and opportunities we expect to see from our Greenlight Re Innovations initiative.
We expect that innovations in the technological, analytical, product and delivery mechanism in the insurance and reinsurance industries will have an increasingly significant effect on the markets in which we operate. In light of our

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expectations, earlier this year we announced the formation of Greenlight Re Innovations, our internal effort to develop and implement product and service innovations with insurance applications.
We will continue to monitor market conditions to best position ourselves to participate where an appropriate risk reward profile exists. Our underlying results and product line concentrations may vary, perhaps significantly, from one period to the next, and thus our results to date are not necessarily indicative of future portfolio shape and performance.
Our investment portfolio had a net long exposure of 13.9% as of June 30, 2018. The first half of 2018 proved to be difficult for the portfolio and our value investment style. Our goal for 2018, however, remains the same: to protect capital and to find investment opportunities on both our long and short portfolios that we believe will generate adequate risk adjusted returns. There are many global economic, investment and political uncertainties that may impact our business and our investment portfolio, including rising interest rates and potential trade disputes. Given the uncertainties, for the foreseeable future we expect to maintain comparatively lower net equity exposures and to hold a significant position in gold and other macro positions.

Critical Accounting Policies

Our condensed consolidated financial statements contain certain amounts that are inherently subjective in nature and have required management to make assumptions and best estimates to determine reported values. If certain factors, including those described in “Part I. Item IA. — Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, cause actual events or results to differ materially from our underlying assumptions or estimates, there could be a material adverse effect on our results of operations, financial condition or liquidity. We believe that the critical accounting policies set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2017 affect the more significant estimates used in the preparation of our condensed consolidated financial statements. These accounting policies pertain to premium revenues and risk transfer, valuation of investments, loss and loss adjustment expense reserves, acquisition costs, bonus accruals and share-based payments.

Recently issued accounting standards and their impact to the Company, if any, are presented under “Recent Accounting Pronouncements” in Note 2 of the accompanying condensed consolidated financial statements.

Key Financial Measures and Non-GAAP Measures

In addition to the consolidated financial statements, management uses certain key financial measures, some of which are not prescribed under U.S. GAAP rules and standards (“non-GAAP financial measures”), to evaluate our financial performance and the overall growth in shareholder value. Generally, a non-GAAP financial measure, as defined in SEC Regulation G, is a numerical measure of a company’s historical or future financial performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with U.S. GAAP. Management believes that these measures, which may be calculated or defined differently by other companies, provide a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends and allow for a more complete understanding of the Company’s business. Non-GAAP financial measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. The key non-GAAP financial measures used in this report are:

- Basic adjusted book value per share;
- Fully diluted adjusted book value per share; and
- Net underwriting income (loss).

Basic Adjusted Book Value Per Share and Fully Diluted Adjusted Book Value Per Share

We believe that long-term growth in fully diluted adjusted book value per share is the most relevant measure of our financial performance because it provides management and investors a yardstick by which to monitor the shareholder value generated. In addition, we believe fully diluted adjusted book value per share may be useful to our investors, shareholders and other interested parties to form a basis of comparison with other companies within the property and casualty reinsurance industry.

Basic adjusted book value per share is considered a non-GAAP financial measure because it excludes from the total equity the non-controlling interest in related party joint venture. Fully diluted adjusted book value per share is also considered a non-GAAP financial measure and represents basic adjusted book value per share combined with the impact from dilution of all in-the-money stock options and RSUs issued and outstanding as of any period end. We adjust the total equity by excluding the

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non-controlling interest in related party joint venture because it does not reflect the equity attributable to our shareholders. Basic adjusted book value per share and fully diluted adjusted book value per share should not be viewed as substitutes for the comparable U.S. GAAP measures.

The following table presents a reconciliation of the non-GAAP financial measures basic adjusted and fully diluted adjusted book value per share to the most comparable U.S. GAAP measure.

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
	($ in thousands, except per share and share amounts)				
Numerator for basic adjusted and fully diluted adjusted book value per share:					
Total equity (U.S. GAAP)	$661,665	$700,916	$844,257	$880,333	$858,517
Less: Non-controlling interest in joint venture	(10,719)	(11,071)	(12,933)	(12,828)	(11,780)
Numerator for basic adjusted book value per share	650,946	689,845	831,324	867,505	846,737
Add: Proceeds from in-the-money stock options issued and outstanding	—	—	13,859	14,028	4,000
Numerator for fully diluted adjusted book value per share	$650,946	$689,845	$845,183	$881,533	$850,737
Denominator for basic adjusted and fully diluted adjusted book value per share:					
Ordinary shares issued and outstanding (denominator for basic adjusted book value per share)	37,415,259	37,550,648	37,359,545	37,348,753	37,367,094
Add: In-the-money stock options and RSUs issued and outstanding	46,398	46,398	679,684	687,351	217,684
Denominator for fully diluted adjusted book value per share	37,461,657	37,597,046	38,039,229	38,036,104	37,584,778
Basic adjusted book value per share	$17.40	$18.37	$22.25	$23.23	$22.66
Fully diluted adjusted book value per share	17.38	18.35	22.22	23.18	22.64

Net Underwriting Income (Loss)

One way that management evaluates the Company’s underwriting performance is through the measurement of net underwriting income (loss). We do not use premiums written as a measure of performance. Net underwriting income (loss) is a performance measure used by management as it measures the underlying fundamentals of the Company’s underwriting operations. Management believes that the use of net underwriting income (loss) 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 this measure follows industry practice and, therefore, allows the users of financial information to compare the Company’s performance with its industry peer group.

Net underwriting income (loss) is considered a non-GAAP financial measure because it excludes items used in the calculation of net income before taxes under U.S. GAAP. The measure includes underwriting expenses which are directly related to underwriting activities as well as an allocation of other general and administrative expenses. Net underwriting income (loss) is calculated as net premiums earned, less net loss and loss adjustment expenses incurred, less acquisition costs and less underwriting expenses. The measure excludes, on a recurring basis: (1) net investment income; (2) any foreign exchange gains or losses; (3) corporate general and administrative expenses; (4) other income (expense) not related to underwriting; and (5) income taxes and income attributable to non-controlling interest. We exclude net investment income and foreign exchange gains or losses as we believe these are influenced by market conditions and other factors not related to underwriting decisions. We exclude corporate general and administrative expenses because these expenses are generally fixed and not incremental to or directly related to our underwriting operations. We believe all of these amounts are largely independent of our underwriting process and including them distorts the analysis of trends in our underwriting operations. We

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include other income and expense relating to deposit accounted contracts and industry loss warranty contracts which we believe are part of our underwriting operations and should be reflected in our underwriting income (loss). Net underwriting income (loss) should not be viewed as a substitute for U.S. GAAP net income.

The reconciliations of net underwriting income (loss) to income (loss) before income taxes (the most directly comparable U.S. GAAP financial measure) on a consolidated basis is shown below:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	($ in thousands)			
Income (loss) before income tax	$(38,312)	$(36,314)	$(184,160)	$(27,567)
Add (subtract):				
Investment (income) loss	40,656	39,149	185,872	27,531
Other (income) expense	(93)	(336)	577	(329)
Corporate expenses	2,881	2,313	5,344	4,945
Net underwriting income (loss)	$5,132	$4,812	$7,633	$4,580

Results of Operations

Three and six months ended June 30, 2018 and 2017

Our primary financial goal is to increase the long-term value in fully diluted adjusted book value per share. For the three months ended June 30, 2018, the fully diluted adjusted book value per share decreased by $0.97 per share, or 5.3%, to $17.38 per share from $18.35 per share at March 31, 2018. For the three months ended June 30, 2018, the basic adjusted book value per share decreased by $0.97 per share, or 5.3%, to $17.40 per share from $18.37 per share at March 31, 2018.

For the six months ended June 30, 2018, the fully diluted adjusted book value per share decreased by $4.84 per share, or 21.8%, to $17.38 per share from $22.22 per share at December 31, 2017. For the six months ended June 30, 2018, the basic adjusted book value per share decreased by $4.85 per share, or 21.8%, to $17.40 per share from $22.25 per share at December 31, 2017.

For the three months ended June 30, 2018, we reported a net loss of $37.4 million, compared to a a net loss of $35.5 million reported for the same period in 2017. Our net investment loss for the three months ended June 30, 2018 was $40.7 million, compared to a net investment loss of $39.1 million reported for the same period in 2017. Our investment portfolio managed by DME Advisors, LP reported a loss of 3.8% for the three months ended June 30, 2018, compared to a loss of 3.4% for the same period in 2017. The net underwriting income for the three months ended June 30, 2018 was $5.1 million, compared to net underwriting income of $4.8 million for the same period in 2017. For the three months ended June 30, 2018, our overall composite ratio (the sum of losses incurred and acquisition costs, as a percentage of premiums earned) was 92.7%, compared to 94.4% during the same period in 2017. General and administrative expenses for the three months ended June 30, 2018 were $7.0 million, compared to $6.3 million for the three months ended June 30, 2017. The increase in general and administrative expenses was primarily due to higher personnel expenses and legal and professional fees during the period compared to the same period in 2017.

For the six months ended June 30, 2018, we reported a net loss of $180.1 million, compared to a net loss of $27.1 million reported for the same period in 2017, primarily due to investment losses. Our net investment loss for the six months ended June 30, 2018 was $185.9 million, compared to a net investment loss of $27.5 million reported for the same period in 2017. Our investment portfolio reported a loss of 15.2% for the six months ended June 30, 2018, compared to a loss of 2.5% for the same period in 2017. The net underwriting income for the six months ended June 30, 2018 was $7.6 million, compared to underwriting income of $4.6 million reported for the same period in 2017. For the six months ended June 30, 2018, our composite ratio was 94.5%, compared to 95.9% during the same period in 2017. General and administrative expenses for the six months ended June 30, 2018 decreased slightly to $12.9 million from $13.1 million for the six months ended June 30, 2017.

Effective from 2018, we have modified how we present the discussion and analysis of our reinsurance business. Instead of using the previous categories of “frequency” and “severity”, we will now analyze our reinsurance business based on “property”, “casualty” and “other” (please also refer to “Segments” above, for further details). We believe the new categories

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will provide more meaningful information to our shareholders and investors and will be more relevant as our underwriting portfolio continues to develop and evolve.

Gross Premiums Written

Details of gross premiums written are provided in the following table:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property	$26,344	18.5 %	$36,815	21.0 %	$53,850	17.0 %	$76,772	20.6 %
Casualty	98,441	69.3	114,362	65.4	204,247	64.4	235,829	63.4
Other	17,324	12.2	23,712	13.6	59,137	18.6	59,502	16.0
Total	$142,109	100.0%	$174,889	100.0%	$317,234	100.0%	$372,103	100.0%

As a result of our underwriting philosophy, our reported quarterly premiums written may be volatile. Additionally, the mix of premiums written between property, casualty and other business may vary from period to period depending on the specific market opportunities that we pursue.

For the three months ended June 30, 2018, our gross premiums written decreased by $32.8 million, or 18.7% compared to the same period in 2017. The changes in gross premiums written for the three months ended June 30, 2018 were attributable to the following:

Gross Premiums Written
Three months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(10.5)	(28.4)%	Decrease was primarily due to homeowners’ insurance contracts that were not renewed, partially offset by an increase in gross premiums written relating to private passenger automobile contracts.
Casualty	$(15.9)	(13.9)%	Decrease was primarily due to a multi-line casualty contract renewed at a lower share as well as a number of professional liability casualty contracts not renewed.
Other	$(6.4)	(26.9)%	Decrease was primarily due to premium adjustments on certain mortgage insurance contracts during the quarter. The decrease was partially offset by an increase relating to medical stop-loss business, which benefited from higher underlying premium volume reported by a cedent.

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For the six months ended June 30, 2018, our gross premiums written decreased by $54.9 million, or 14.7%, compared to the same period in 2017. The change in gross premiums written for the six months ended June 30, 2018 was attributable to the following:

Gross Premiums Written
Six months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(22.9)	(29.9)%	Decrease was primarily due to homeowners' insurance contracts that were not renewed, partially offset by an increase in gross premiums written relating to private passenger automobile contracts.
Casualty	$(31.6)	(13.4)%	Decrease was primarily due to a multi-line casualty contract renewed at a lower share and to a lesser extent due to a number of professional liability casualty contracts not renewed. The decrease was partially offset by an increase in motor liability premiums written on private passenger automobile contracts.
Other	$(0.4)	(0.6)%	Decrease was primarily due to certain mortgage insurance contracts that renewed at a lower share compared to the expiring contracts. The decrease was partially offset by an increase relating to medical stop-loss business for which a significant portion of the underlying policies and corresponding premiums are written during the first half of the year. However, a medical stop-loss contract expired during 2018 and was not renewed, which may result in lower medical-stop loss premiums written in future quarters.

Premiums Ceded

For the three and six months ended June 30, 2018, premiums ceded were $27.2 million and $57.1 million, respectively, compared to $2.5 million and $5.9 million, respectively, for the three and six months ended June 30, 2017. The increase in premiums ceded for the three and six months ended June 30, 2018 was primarily due to quota share retrocession contracts entered into during 2017 to cede a portion of the private passenger automobile exposure. In addition, during the second quarter of 2018, we purchased retrocession coverage to reduce our exposure to natural peril events. In general, we seek to use retrocessional coverage to manage our net portfolio exposure, to leverage areas of expertise and to improve our strategic position in meeting the needs of clients and brokers.

Net Premiums Written

Details of net premiums written are provided in the following table:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property	$17,954	15.6 %	$36,569	21.2 %	$39,423	15.1 %	$75,986	20.8 %
Casualty	79,947	69.6	112,085	65.0	161,964	62.3	230,705	63.0
Other	16,971	14.8	23,712	13.8	58,767	22.6	59,463	16.2
Total	$114,872	100.0%	$172,366	100.0%	$260,154	100.0%	$366,154	100.0%

For the three and six months ended June 30, 2018, net premiums written decreased by $57.5 million, or 33.4%, and $106.0 million, or 28.9%, respectively, compared to the three and six months ended June 30, 2017. The change in net premiums written was a net result of the changes in gross premiums written and premiums ceded as explained above.

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Net Premiums Earned

Net premiums earned reflect the pro-rata inclusion into income of net premiums written over the risk period of the reinsurance contracts. Details of net premiums earned are provided in the following table:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property	$20,171	15.7 %	$32,495	20.3 %	$44,552	16.2 %	$63,621	20.4 %
Casualty	79,466	61.7	104,510	65.2	170,292	62.0	206,153	66.0
Other	29,179	22.6	23,319	14.5	59,816	21.8	42,452	13.6
Total	$128,816	100.0%	$160,324	100.0%	$274,660	100.0%	$312,226	100.0%

Premiums relating to quota share contracts and excess of loss contracts are earned over the contract period in proportion to the period of protection. Similarly, incoming unearned premiums, if any, are earned in proportion to the remaining period of protection.

For the three months ended June 30, 2018, the net premiums earned decreased by $31.5 million, or 19.7%. The change in net premiums earned for the three months ended June 30, 2018, was attributable to the following:

Net Premiums Earned
Three months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(12.3)	(37.9)%	Decrease was primarily due to a homeowners' insurance contract that was commuted at the end of 2017 and all unearned premiums returned to the cedent.
Casualty	$(25.0)	(24.0)%	Decrease was primarily due to quota share retrocession contracts entered into during the second half of 2017 to cede a portion of the private passenger automobile exposure. To a lesser extent, the decrease related to professional liability contracts not renewed. The decrease was partially offset by an increase in workers' compensation business.
Other	$5.9	25.1%	Increase was primarily related to health business, which benefited from premiums earned relating to new medical stop-loss contracts entered into during 2017.

For the six months ended June 30, 2018, the net premiums earned decreased by $37.6 million, or 12.0%. The change in net premiums earned for the six months ended June 30, 2018 was attributable to the following:

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Net Premiums Earned
Six months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(19.1)	(30.0)%	Decrease was primarily due to a homeowners' insurance contract that was commuted at the end of 2017 and all unearned premiums returned to the cedent. In addition, the premiums retroceded relating to private passenger automobile business contributed to the decrease. The decrease was partially offset by increase in gross premiums earned relating to physical damage coverage on private passenger automobile contracts.
Casualty	$(35.9)	(17.4)%	Decrease was primarily due to quota share retrocession contracts entered into during the second half of 2017 to cede a portion of the private passenger automobile exposure. To a lesser extent, the decrease related to professional liability contracts not renewed. The decrease was partially offset by increase in workers' compensation business.
Other	$17.4	40.9%	Increase was partially related to medical stop-loss business and partially related to mortgage insurance business.

Loss and Loss Adjustment Expenses Incurred, Net

Net losses incurred include losses paid and changes in loss reserves, including reserves for IBNR, net of actual and estimated loss recoverables. Details of net losses incurred are provided in the following table:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property	$8,716	10.3 %	$19,355	18.3 %	$18,550	10.3 %	$38,949	18.5 %
Casualty	$58,972	69.5 %	$73,061	68.9 %	$129,939	71.9 %	$144,799	68.7 %
Other	$17,127	20.2 %	$13,600	12.8 %	$32,150	17.8 %	$27,080	12.8 %
Total	$84,815	100.0%	$106,016	100.0%	$180,639	100.0%	$210,828	100.0%

We establish reserves based on estimates of the ultimate cost of all losses, including losses incurred but not reported. These estimated ultimate reserves are based on actuarial reserving work performed on historical experience data received from ceding companies, industry data and, where applicable, other external data sources or reviews performed. We review these estimates on a quarterly basis and adjust them as we deem appropriate to reflect our most up-to-date view.
The change in net losses incurred for the three months ended June 30, 2018 was attributable to the following:
Net Losses Incurred
Three months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(10.6)	(55.0)%	Decrease was primarily due to homeowners' insurance contracts not renewed at the end of 2017 as well as a contract that was commuted at the end of 2017. In addition, favorable loss development on prior period catastrophe losses also contributed to the decrease in property losses incurred.

Casualty	$(14.1)	(19.3)%	Decrease was primarily due to the retroceded private passenger automobile quota share contracts resulting in losses recovered from retrocessionaires.
Other	$3.5	25.9%	Increase was primarily due to increase in earned premiums on medical stop-loss contracts.

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The change in net losses incurred for the six months ended June 30, 2018 was attributable to the following:

Net Losses Incurred
Six months ended June 30, 2018

	Increase (decrease) ($ in millions)	% change	Explanation
Property	$(20.4)	(52.4)%	Decrease was primarily due to a homeowners' insurance contract that was commuted at the end of 2017. In addition, favorable loss development on prior period catastrophe losses also contributed to the decrease. The decrease was partially offset by the increase in losses incurred relating to the increase in private passenger motor insurance premiums earned.
Casualty	$(14.9)	(10.3)%	Decrease was primarily due to the retroceded private passenger automobile quota share contracts resulting in losses recovered from retrocessionaires. The decrease was partially offset by adverse loss development on prior period private passenger automobile and general liability contracts as well as an increase in losses incurred resulting from a corresponding increase in premiums earned in the current period on workers' compensation contracts.
Other	$5.1	18.7%	Increase was primarily related to the increase in earned premiums on medical stop-loss business and to a lesser extent related to an increase in losses on prior period surety contracts. The increase was partially offset by favorable loss development on prior period mortgage insurance contracts.

Losses incurred as a percentage of premiums earned (referred to as the loss ratio) fluctuates based on the mix of business, and any favorable or adverse loss development on our contracts. The loss ratios for the three and six months ended June 30, 2018, were as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Property	43.2%	59.6%	41.6%	61.2%
Casualty	74.2%	69.9%	76.3%	70.2%
Other	58.7%	58.3%	53.7%	63.8%
Total	65.8%	66.1%	65.8%	67.5%

We expect our property loss ratio to vary, sometimes significantly, based on catastrophe events and changes in the mix of business between catastrophe and non-catastrophe business and quota share and excess of loss contracts.

The changes in loss ratios for the three months ended June 30, 2018 were attributable to the following:

Change in Loss Ratios
Three months ended June 30, 2018

	Increase / (decrease) in loss ratio points	Explanation
Property	(16.4)	Decrease in loss ratio was primarily due to lower concentration of homeowners' insurance contracts, which historically have had a higher loss ratio than other property contracts. In addition, the lower loss ratio was a result of net favorable loss development on prior period

		property contracts relating to the 2015 and 2016 accident years.
Casualty	4.3	Increase in the loss ratio related primarily to increases in motor liability and multi-line loss ratios
Other	0.4	Increase in the loss ratio on health business was largely offset by the decrease in the financial line loss ratio.

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The changes in loss ratios for the six months ended June 30, 2018 were attributable to the following:

Change in Loss Ratios
Six months ended June 30, 2018

	Increase / (decrease) in loss ratio points	Explanation
Property	(19.6)	Decrease in loss ratio was primarily due to favorable loss development on prior period catastrophe losses relating to hurricanes Harvey, Irma and Maria.
Casualty	6.1	Increase in loss ratio was primarily due to adverse loss development relating to prior period professional indemnity, general liability and multi-line contracts. In addition, the motor liability loss ratio was also higher during the six months ended June 30, 2018 compared to the same period in 2017.
Other	(10.1)	Decrease in loss ratio was due to favorable loss development on prior period mortgage insurance contracts, partially offset by an increase in loss reserves on prior period surety contracts.

Losses incurred can be further broken down into losses paid and changes in loss and loss adjustment expense reserves as follows:

	Six months ended June 30					
		2018			2017	
	Gross	Ceded	Net	Gross	Ceded	Net
	($ in thousands)					
Losses paid (recovered)	$204,676	$(27,158)	$177,518	$159,840	$ 57	$159,897
Change in loss and loss adjustment expense reserves	10,667	(7,546)	3,121	50,886	45	50,931
Total	$215,343	$(34,704)	$180,639	$210,726	$ 102	$210,828

For the six months ended June 30, 2018, the net losses incurred relating to prior accident years decreased by $3.5 million, which primarily related to the following:

- $5.8 million of favorable loss development, net of retrocession recoveries, relating to 2017 hurricanes resulting from updated reporting received from cedents;
- $3.5 million of favorable loss development on prior period mortgage insurance contracts resulting from continued favorable claims experience;
- $3.5 million of favorable prior period experience on property contracts stemming from accident years 2015 and 2016 where claims experience has been better than expected;
- $3.4 million of adverse loss development on non-standard automobile contracts stemming from difficult market conditions faced by the industry during 2015;
- $3.2 million of adverse loss development on solicitors professional indemnity contracts resulting from adverse reporting of claims in excess of expected;
- $1.9 million of adverse loss development on general liabilities contracts across two accounts, spread over treaty years 2012-2017, resulting from deteriorations in claims experience;
- $1.2 million of adverse loss development on surety contracts, net of retrocession recoveries, due to deteriorations in circumstances on several previously reported claims for a single legacy contract; and
- The remaining $0.4 million of favorable loss development was due to development across various other multi-line, casualty and other contracts.

The financial impact of these changes in incurred losses was offset via certain contractual features such as sliding scale ceding commissions, profit commission adjustments and premium adjustments. The net negative impact of prior period reserving revisions on net underwriting income for the six months ended June 30, 2018 was $0.7 million.

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Acquisition Costs, Net

Acquisition costs represent the amortization of commission and brokerage expenses incurred on contracts written as well as profit commissions and other underwriting expenses which are expensed when incurred. Deferred acquisition costs are limited to the amount of commission and brokerage expenses that are expected to be recovered from future earned premiums and anticipated investment income. Details of acquisition costs are provided in the following table:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
	($ in thousands)				($ in thousands)			
Property	$4,841	14.0 %	$9,638	21.2 %	$10,399	13.2 %	$19,528	22.0 %
Casualty	19,330	55.8	27,520	60.6	41,755	53.0	54,197	61.2
Other	10,452	30.2	8,271	18.2	26,678	33.8	14,915	16.8
Total	$34,623	100.0%	$45,429	100.0%	$78,832	100.0%	$88,640	100.0%

Acquisition costs as a percentage of net premiums earned (referred to as acquisition cost ratio) fluctuate based on the mix of business. The acquisition cost ratios for the six months ended June 30, 2018 and 2017, were as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Property	24.0%	29.7%	23.3%	30.7%
Casualty	24.3%	26.3%	24.5%	26.3%
Other	35.8%	35.5%	44.6%	35.1%
Total	26.9%	28.3%	28.7%	28.4%

The changes in the acquisition cost ratios for the three months ended June 30, 2018, compared to the same period in 2017, were attributable to the following:

Change in Acquisition Cost Ratios
Three months ended June 30, 2018

	Increase / (decrease) in acquisition cost ratio points	Explanation
Property	(5.7)	Decrease in acquisition cost ratio was primarily due to a decrease in the in-force homeowners’ insurance business, which has a higher rate of ceding commission than other property contracts. In addition, the acquisition cost ratio on motor property business decreased during the period as a result of commission overrides on the retroceded contracts.
Casualty	(2.0)	Decrease in acquisition cost ratio partially relating to motor property business as a result of commission overrides on the retroceded contracts and partially relating to lower profit commissions on multi-line contracts.
Other	0.3	Increase in acquisition cost ratio primarily related to higher profit commissions on mortgage insurance contracts, largely offset by a decrease in acquisition cost ratio on health business.

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The changes in the acquisition cost ratios for the six months ended June 30, 2018, compared to the same period in 2017, were attributable to the following:

Change in Acquisition Cost Ratios
Six months ended June 30, 2018

	Increase / (decrease) in acquisition cost ratio points	Explanation
Property	(7.4)	Decrease in acquisition cost ratio was primarily due to a decrease in the in-force homeowners' insurance business, which has a higher rate of ceding commission than other property contracts. In addition, the acquisition cost ratio on motor property business decreased during the period as a result of commission overrides on the retroceded contracts.
Casualty	(1.8)	Decrease in acquisition cost ratio primarily related to motor property business, partially as a result of commission overrides on the retroceded contracts and partially due to commission adjustments resulting from an increase in loss ratio on certain motor contracts. To a lesser extent, the decrease in acquisition cost ratio related to lower commissions on multi-line and workers' compensation contracts.
Other	9.5	Increase in acquisition cost ratio primarily related to increase in profit commissions resulting from the favorable loss development on mortgage insurance contracts, partially offset by a decrease in acquisition cost ratio on health business.

General and Administrative Expenses

Details of general and administrative expenses are provided in the following table:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	($ in thousands)		($ in thousands)	
Underwriting expenses	$4,077	$4,034	$7,570	$8,145
Corporate expenses	2,881	2,313	5,344	4,945
General and administrative expenses	$6,958	$6,347	$12,914	$13,090

Underwriting expenses include those expenses directly related to underwriting activities as well as an allocation of other general and administrative expenses. Corporate expenses include those costs associated with operating as a publicly listed entity as well as an allocation of other general and administrative expenses.

For the three months ended June 30, 2018, the general and administrative expenses increased by $0.6 million, or 9.63%, compared to the same period in 2017. The underwriting related expenses were mostly unchanged compared to the same period in 2017. For the three months ended June 30, 2018, the increase in corporate expenses was primarily due to higher legal and professional fees compared to the same period in 2017. For the three months ended June 30, 2018 and 2017, general and administrative expenses included $1.2 million and $1.0 million, respectively, of expenses related to stock compensation granted to employees and directors.

For the six months ended June 30, 2018, the general and administrative expenses decreased by $0.2 million, or (1.34)%, compared to the same period in 2017. The underwriting expense decreased primarily due to lower bonus and recruitment expenses partially offset by an increase in salary and stock compensation expense. Corporate expenses increased primarily due to higher legal and professional fees incurred during the six months ended June 30, 2018 compared to the same period in 2017. For the six months ended June 30, 2018 and 2017, the general and administrative expenses included \$2.5 million and \$1.9 million, respectively, of expenses related to stock compensation granted to employees and directors.

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Net Investment Income (Loss)

A summary of our net investment income (loss) is as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	($ in thousands)		($ in thousands)	
Realized gains (losses)	$11,108	$19,419	$(129,147)	$68,386
Change in unrealized gains and losses	(53,195)	(57,875)	(56,890)	(81,253)
Investment related foreign exchange gains (losses)	1,807	(2,803)	612	(9,818)
Interest and dividend income, net of withholding taxes	11,064	10,680	21,656	15,286
Interest, dividend and other expenses	(7,309)	(5,423)	(13,518)	(11,488)
Investment advisor compensation	(4,131)	(3,147)	(8,585)	(8,644)
Net investment income (loss)	$(40,656)	$(39,149)	$(185,872)	$(27,531)

Investment returns relating to our investment portfolio managed by DME Advisors are calculated monthly and compounded to calculate the quarterly and annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account.

For the three months ended June 30, 2018, investment income, net of fees and expenses, resulted in a loss of 3.8% on our investments managed by DME Advisors, compared to a loss of 3.4% for the three months ended June 30, 2017. The long portfolio gained 3.4%, while the short portfolio and macro positions lost 6.1% and 0.7%, respectively, during the three months ended June 30, 2018. For the three months ended June 30, 2018, the largest contributors of net investment income were long positions in CNX Resources (CNX), Ensco (ESV) and General Motors Company (GM), while the largest detractors were a long position in Brighthouse Financial (BHF), and short positions in Tesla (TSLA) and a group of perceived overpriced momentum driven short equities (the “Bubble Basket”).

For the six months ended June 30, 2018, investment income, net of fees and expenses, resulted in a loss of 15.2% on our investments managed by DME Advisors, compared to a loss of 2.5% for the six months ended June 30, 2017. The long portfolio lost 2.3%, while the short portfolio and macro positions lost 11.4% and 0.7%, respectively, during the six months ended June 30, 2018. For the six months ended June 30, 2018, the largest contributors to investment income were long positions in CNX Resources (CNX), Micron Technology (MU) and Twitter (TWTR). The largest detractors were Brighthouse Financial (BHF), and short positions in Netflix (NFLX) and the Bubble Basket.

For the three and six months ended June 30, 2018, included in “investment advisor compensation” in the above table was $4.1 million and $8.6 million, respectively (2017: $4.3 million and $8.6 million, respectively), relating to management fees paid to DME Advisors in accordance with the advisory agreement with DME Advisors. In addition, investment advisor compensation includes performance compensation. For the three and six months ended June 30, 2018 no performance compensation was recorded for the periods due to the negative investment returns (2017: a reversal of $1.2 million and nil due to the negative investment returns for the three and six month periods).

We expect our investment income, including realized and unrealized gains (or losses), to fluctuate from period to period. Fluctuations in realized and unrealized gains (or losses) are a function of both the market performance of the securities held in our investment portfolio, and the timing of additions to and dispositions of securities in our investment portfolio. Our investment advisor uses its discretion over when a gain (or loss) is realized on a particular investment. We believe that net investment income, which includes both realized and unrealized gains (or losses), is the best way to assess our investment performance, rather than analyzing the realized gains (or losses) and unrealized gains (or losses) separately.

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For the six months ended June 30, 2018 and 2017, the gross investment return on our investment portfolio managed by DME Advisors (excluding investment advisor performance allocation) was (15.2)% and (2.5)%, respectively. The gross investment gains (losses) were comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Long portfolio gains (losses)	3.4 %	0.7 %	(2.3)%	4.9 %
Short portfolio gains (losses)	(6.1)	(2.5)	(11.4)	(5.5)
Macro gains (losses)	(0.7)	(1.3)	(0.7)	(1.1)
Other income and expenses [1]	(0.4)	(0.3)	(0.8)	(0.8)
Gross investment return	(3.8)%	(3.4)%	(15.2)%	(2.5)%
Net investment return	(3.8)%	(3.4)%	(15.2)%	(2.5)%

[1] Excludes performance compensation but includes management fees.

DME Advisors and its affiliates manage and expect to manage other client accounts besides ours, some of which have investment objectives similar to ours. To comply with Regulation FD, our investment returns are posted on our website on a monthly basis. Additionally, our website (www.greenlightre.com) provides the names of the largest disclosed long positions in our investment portfolio as of the last business day of the month of the relevant posting, as well as information on our long and short exposures. Although DME Advisors regularly discloses all investment positions to us, it may choose not to disclose certain positions to its other clients in order to protect its investment strategy. Therefore, we present on our website the relevant largest long positions and exposure information as disclosed by DME Advisors or its affiliates to their other clients.

Income Taxes

We are not obligated to pay taxes in the Cayman Islands on either income or capital gains. We have been granted an exemption by the Governor-In-Cabinet from any income taxes that may be imposed in the Cayman Islands for a period of 20 years, expiring on February 1, 2025.

GRIL is incorporated in Ireland and, therefore, is subject to the Irish corporation tax. GRIL is expected to be taxed at a rate of 12.5% on its taxable trading income, and 25% on its non-trading income, if any.

Verdant is incorporated in Delaware and, therefore, is subject to taxes in accordance with the U.S. federal rates and regulations prescribed by the Internal Revenue Service. Verdant’s future taxable income is expected to be taxed at a rate of 21%.

As of June 30, 2018, a deferred tax asset of $2.5 million (December 31, 2017: $1.7 million) was included in other assets on the condensed consolidated balance sheets. Based on the timing of the reversal of the temporary differences and likelihood of generating sufficient taxable income to realize the future tax benefit, management believes it is more likely than not that the deferred tax asset will be fully realized in the future and therefore no valuation allowance has been recorded. The Company has not taken any other tax positions that management believes are subject to uncertainty or that are reasonably likely to have a material impact to the Company, GRIL or Verdant.

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Ratio Analysis

Due to the unique and customized nature of our underwriting operations, we expect to report different loss and expense ratios from period to period.

The following table provides the ratios:

	Six months ended June 30 2018				Six months ended June 30 2017			
	Property	Casualty	Other	Total	Property	Casualty	Other	Total
Loss ratio	41.6%	76.3 %	53.7%	65.8%	61.2%	70.2 %	63.8%	67.5%
Acquisition cost ratio	23.3	24.5	44.6	28.7	30.7	26.3	35.1	28.4
Composite ratio	64.9%	100.8 %	98.3%	94.5%	91.9%	96.5 %	98.9%	95.9%
Underwriting expense ratio				2.8				2.6
Combined ratio				97.3%				98.5%

The loss ratio is calculated by dividing loss and loss adjustment expenses incurred by net premiums earned. Given that we opportunistically underwrite a concentrated portfolio across several lines of business that have varying expected loss ratios, we can expect there to be significant annual variations in the loss ratios reported from our property, casualty and other business. In addition, the loss ratios for property, casualty and other business can vary depending on the mix of the lines of business written.

The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned.

The composite ratio is the ratio of underwriting losses incurred, loss adjustment expenses and acquisition costs, excluding underwriting related general and administrative expenses, to net premiums earned.

The combined ratio is the sum of the composite ratio and the underwriting expense ratio. The combined ratio measures the total profitability of our underwriting operations and does not take into account corporate expenses, net investment income or any foreign exchange gain or loss. Given the nature of our unique underwriting strategy, we expect that our combined ratio may also be volatile from period to period.

Financial Condition

Investments; Financial Contracts Receivable; Financial Contracts Payable; Due to Prime Brokers and Other Financial Institutions

Our long investments and financial contracts receivable reported in the condensed consolidated balance sheets as of June 30, 2018, were $971.7 million, compared to $1,375.9 million as of December 31, 2017, a decrease of $404.2 million, or 29.4%.

As of June 30, 2018, our exposure to long investments was 86.2%, compared to 100.7% as of December 31, 2017. This exposure analysis is conducted on a delta-adjusted basis and excludes macro positions which consist of CDS, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and derivatives on any of these instruments. Therefore the change in the long exposure percentage may not directly translate into a corresponding change in the reported amount of long investments.

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The significant changes in our long investments and financial contracts receivable for the six months ended June 30, 2018 were as follows:

Increase (decrease) ($ in millions)	Explanation	
$(383.2)	Equities - Listed	Decrease in long equity investments resulting from a decrease in the long exposure from sale of equities and to a lesser extent due to a decrease in fair values of certain equity securities.
$(82.9)	Other investments	Decrease in other investments was primarily due to the sale of physical gold bullion during the period. While the gold bullion was reduced, the overall exposure to gold was maintained through the purchase of gold futures.
$6.7	Debt	Increase was primarily due to municipal debt purchased during the period and the unrealized gains relating to municipal debt.
$55.2	Financial contracts receivable	Increase was primarily due to put options entered into during the period.

Financial contracts payable as of June 30, 2018 decreased by $3.5 million, or 15.6%, compared to December 31, 2017, primarily due to total return equity swaps disposed during the period, and partially offset by put options entered into during the period.

From time to time, we incur indebtedness to our prime brokers and custodians to implement our investment strategy in accordance with our investment guidelines. Under term margin agreements and revolving credit agreements we pledge certain investment securities to borrow cash from prime brokers and custodians in order to provide collateral for trust accounts and for our letters of credit outstanding. The borrowed amount is held in accounts for the benefit of the beneficiaries and is included in the restricted cash and cash equivalents balance on the condensed consolidated balance sheet. As of June 30, 2018, we had borrowed $520.2 million (December 31, 2017: $672.7 million) from our prime brokers and custodians for investing activities (including short positions) and to provide collateral for trust accounts and letters of credit. The decrease in the amount borrowed from prime brokers and custodian was primarily a result of the lower level of margin borrowing for the composition of the investment portfolio as of June 30, 2018.

In accordance with Greenlight Re's investment guidelines in effect as of June 30, 2018, DME Advisors may employ up to 15% (GRIL: 5%) net margin leverage for extended periods of time and up to 30% (GRIL: 20%) net margin leverage relating to investing activities for periods of less than 30 days.

Our investment portfolio, including any derivatives, is valued at fair value and any unrealized gains or losses are reflected in net investment income (loss) in the condensed consolidated statements of income. As of June 30, 2018, 85.0% (December 31, 2017: 91.5%) of our investment portfolio (excluding restricted and unrestricted cash and cash equivalents) was comprised of investments valued based on quoted prices in actively traded markets (Level 1), 13.0% (December 31, 2017: 7.1%) was comprised of securities valued based on observable inputs other than quoted prices (Level 2) and 0.5% (December 31, 2017: 0.3%) was comprised of securities valued based on non-observable inputs (Level 3). As of June 30, 2018, 1.5% (December 31, 2017: 1.1%) of our investment portfolio was comprised of private equity funds valued using the funds' net asset values as a practical expedient. (Refer to Note 3 "Financial Instruments" in the condensed consolidated financial statements for details of transfers into and out of Level 3 during the six months ended June 30, 2018 and 2017).

In determining whether a market for a financial instrument is active or inactive, we obtain information from DME Advisors, based on feedback it receives from executing brokers, market makers, analysts and traders to assess the level of market activity and available liquidity for any given financial instrument. Where a financial instrument is valued based on broker quotes, DME Advisors requests multiple quotes. The ultimate value is based on an average of the quotes obtained. Broker quoted prices are generally not adjusted in determining the ultimate values and are obtained with the expectation of the quotes being binding. As of June 30, 2018, $202.2 million (December 31, 2017: $129.8 million) of our investments (longs, shorts and derivatives) were valued based on broker quotes, of which $201.3 million (December 31, 2017: $129.0 million) were based on broker quotes that utilized observable market information and classified as Level 2 fair value measurements, and $0.9 million (December 31, 2017: $0.9 million) were based on broker quotes that utilized non-observable inputs and classified as Level 3 fair value measurements.

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Non-observable inputs used by our investment advisor include the use of investment manager statements and management estimates based on third party appraisals of underlying assets for valuing private equity investments.

Securities Sold, Not Yet Purchased; Restricted Cash and Cash Equivalents

As of June 30, 2018, our securities sold, not yet purchased, were $681.3 million, compared to $912.8 million at December 31, 2017. Meanwhile, the short exposure increased to 72.3% as of June 30, 2018, compared to 67.2% at December 31, 2017, primarily due to covering some of the listed equity short positions and partially due to converting certain short equity positions to put options. The exposure analysis is conducted on a delta-adjusted basis and excludes macro positions which consist of CDS, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and derivatives on any of these instruments. Therefore the change in the short exposure percentage may not directly translate into a corresponding change in the reported amount of securities sold, not yet purchased.

Unlike long investments, short sales theoretically involve unlimited loss potential since there is no limit as to how high the market price of a security may rise. While it is not possible to list all of the reasons why a loss on a short sale may occur, a loss on a short sale may be caused by one or more of the following factors:

- Fluctuations in the share price due to an overall positive investment market;
- Sudden unexpected changes in the underlying business model of the issuer;
- Changes in laws and regulations relating to short sales;
- Press releases and earnings guidance issued by the issuer;
- A merger or acquisition of the issuer at a price in excess of the current share price;
- The shares of the issuer becoming difficult to borrow; or
- A short squeeze.

Given the various scenarios under which a loss may occur on a short sale, it is not possible to quantify the risk and uncertainty of loss relating to short sales. However, DME Advisors typically performs a detailed analysis prior to entering into a short sale. Thereafter, the investment is routinely monitored by DME Advisors. As of June 30, 2018, Greenlight Re's investment guidelines limit any single investment from constituting more than 20% of the portfolio (10% for GRIL's portfolio) at any given time, which limits the potential adverse impact on our results of operations and financial position from any one position.

As of June 30, 2018, restricted cash included $681.3 million relating to collateral for securities sold, not yet purchased, compared to $912.8 million as of December 31, 2017.

Overall, our restricted cash decreased by $238.9 million, or 15.9%, from $1,503.8 million to $1,264.9 million, primarily due to the decrease in securities sold short during the six months ended June 30, 2018.

Reinsurance Balances Receivable

At June 30, 2018, reinsurance balances receivable were $321.9 million, compared to $301.8 million as of December 31, 2017, an increase of $20.1 million, or 6.7%. The increase in reinsurance balances receivable was primarily attributable to an increase in premiums on contracts currently in force including net premiums held by ceding insurers on certain deals that allow for funds to be withheld by the ceding insurer. At June 30, 2018, funds withheld assets were $69.2 million, compared to $55.1 million as of December 31, 2017. We believe the reinsurance balances receivable are fully collectible and no allowance for bad debt was considered necessary at June 30, 2018.

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Loss and Loss Adjustment Expense Reserves; Loss and Loss Adjustment expenses recoverable

Reserves for loss and loss adjustment expenses were comprised of the following:

	June 30, 2018			December 31, 2017		
	Case Reserves	IBNR	Total	Case Reserves	IBNR	Total
	($ in thousands)					
Property	$44,907	$32,426	$77,333	$64,762	$33,040	$97,802
Casualty	96,876	220,347	317,223	86,254	206,205	292,459
Other	28,606	51,176	79,782	27,072	47,047	74,119
Total	$170,389	$303,949	$474,338	$178,088	$286,292	$464,380

During the six months ended June 30, 2018, the total loss and loss adjustment expense reserves increased by $10.0 million, or 2.1% to $474.3 million from $464.4 million as of December 31, 2017. The increases in reserves were primarily related to attritional losses on premiums earned during the period. This was partially offset by favorable loss development on property contracts relating to accident years 2015 and 2016 as well as the 2017 hurricanes, combined with payments made on reported claims.

During the six months ended June 30, 2018, the total loss and loss adjustment expenses recoverable increased by $7.5 million, or 25.6% to $37.0 million from $29.5 million as of December 31, 2017. The increase primarily related to the retroceded private passenger automobile contracts. See Note 6 of the accompanying condensed consolidated financial statement for credit risk of the retrocessionaires.

For most of our contracts written as of June 30, 2018, our risk exposure is limited by defined limits of liability. Once the loss limit has been reached, we have no further exposure to additional losses from that contract outside of contract failure. However, certain contracts, particularly quota share contracts that relate to first dollar exposure, may not contain aggregate limits. Our property business, and to a lesser extent our casualty and other business, include certain contracts that contain or may contain natural peril loss exposure. As of July 1, 2018, our net annual aggregate loss exposure to any series of natural peril events was $199.2 million. The estimate of our net annual loss exposure:

- includes property, marine and energy, motor and catastrophe workers' compensation exposures, but not other casualty exposures;
- is net of any retrocession (including ILWs);
- is net of any estimated reinstatement and additional premiums;
- is net of existing estimated losses which reduce the limit of liability;
- is based on expected premium where limits of liability are expressed as a percentage of premium;
- uses the maximum single underwriting year exposure for renewed risks-attaching contracts; and
- does not include transactional costs such as brokerage, collateral costs and federal excise tax.

We categorize peak zones as: United States, Canada and the Caribbean; Europe; Japan; and the rest of the world. The following table provides single event and net annual aggregate loss exposure information for the peak zones of our natural peril coverage as of July 1, 2018:

	July 1, 2018	
Zone	Single Event Loss	Net Annual Aggregate Loss

	($ in thousands)	
United States, Canada and the Caribbean	$177,084	$ 199,181
Europe	95,209	111,609
Japan	95,209	111,609
Rest of the world	95,209	111,609
Maximum Aggregate	177,084	199,181

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Since our loss exposures are based on contract limits, these limits may be significantly higher than modeled loss estimates which are commonly used in the insurance industry. Therefore, we also estimate catastrophe losses in terms of the probable maximum loss ("PML"). We define PML as the anticipated loss, taking into account contract terms and limits, caused by a catastrophe affecting a broad geographic area, such as that caused by an earthquake or hurricane. We anticipate that the PML will vary depending upon the modeled simulated losses and the composition of the in-force book of business. The projected severity levels are described in terms of a 1-in-250 year return period. The 1-in-250 year return period PML means that there is a 0.4% chance in any given year that an occurrence of a natural catastrophe will lead to losses exceeding the stated estimate. In other words, it corresponds to a 99.6% probability that the loss from an event will fall below the indicated PML.

PMLs are estimates and as a result, we cannot provide any assurance that any actual event will align with the modeled event or that actual losses from events similar to the modeled events will not vary materially from the modeled event PML. The PML estimate includes all significant exposure from our reinsurance operations. This includes coverage for property, marine and energy, motor and catastrophe workers' compensation.

As of July 1, 2018, our estimated net PML exposure (net of retrocession and reinstatement premiums) at a 1-in-250 year return period for a single event and in aggregate was $67.0 million and $80.2 million, respectively. The following table provides the PML for single event loss exposure and aggregate loss exposure to natural peril losses for each of the peak zones as of July 1, 2018:

	July 1, 2018 1-in-250 year return period	
Zone	Single Event Loss	Aggregate Loss
	($ in thousands)	
United States, Canada and the Caribbean	$66,966	$ 78,626
Europe	22,066	25,664
Japan	8,885	9,889
Rest of the world	7,804	8,807
Maximum	66,966	80,157

Shareholders' Equity

Total equity reported on the condensed consolidated balance sheet, which includes non-controlling interest, decreased by $182.6 million to $661.7 million as of June 30, 2018, compared to $844.3 million as of December 31, 2017. Retained earnings decreased primarily due to a net loss of $180.1 million reported for the six months ended June 30, 2018. The non-controlling interest decreased by $2.2 million for the six months ended June 30, 2018 primarily due to the net investment loss attributable to the non-controlling interest. See Note 8 for additional information regarding non-controlling interests in related party joint venture. The additional paid-in capital decreased, due to share repurchases, by $2.5 million for the six months ended June 30, 2018, but the decrease was equally offset by the increase related to share-based compensation for the period.

Liquidity and Capital Resources

General

Greenlight Capital Re is organized as a holding company with no operations of its own. As a holding company, Greenlight Capital Re has minimal continuing cash needs, most of which are related to the payment of administrative expenses. All of our underwriting operations are conducted through our wholly-owned reinsurance subsidiaries, Greenlight Re and GRIL, which underwrite property and casualty reinsurance. There are restrictions on each of Greenlight Re's and GRIL's ability to pay dividends, which are described in more detail below. It is our current policy to retain earnings to support the growth of our business. We currently do not expect to pay dividends on our ordinary shares.

As of June 30, 2018, Greenlight Re and GRIL were each rated "A- (Excellent)" with a stable outlook, by A.M. Best. The ratings reflect A.M. Best's opinion of our reinsurance subsidiaries' financial strength, operating performance and ability to meet obligations and it is not an evaluation directed toward the protection of investors or a recommendation to buy, sell or hold our Class A ordinary shares. If A.M. Best downgrades our ratings below "A- (Excellent)" or withdraws our rating, we could be severely limited or prevented from writing any new reinsurance contracts, which would significantly and negatively affect our business. Our A.M. Best ratings may be revised or revoked at the sole discretion of the rating agency.

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Sources and Uses of Funds

Our sources of funds consist primarily of premium receipts (net of brokerage and ceding commissions), investment income (net of advisory compensation and investment expenses), including realized gains, and other income. We use cash from our operations to pay losses and loss adjustment expenses, profit commissions and general and administrative expenses. Substantially all of our funds, including shareholders' capital, net of funds required for business operations and capital management, are invested by DME Advisors in accordance with our investment guidelines. As of June 30, 2018, approximately 92% (December 31, 2017: 94%) of our long investments were comprised of publicly-traded equity securities and other holdings, which can be readily liquidated to meet current and future liabilities. Given our value-oriented long and short investment strategy, if markets are distressed, we would expect the liability of the short portfolio to decline. Any reduction in the liability would cause our need for restricted cash to decrease and thereby free up cash to be used for any purpose. Additionally, since the majority of our invested assets can be readily liquidated, even in distressed markets, we believe sufficient securities can be readily sold or covered in a timely manner to generate cash to pay claims. Since we classify our investments as "trading," we book all gains and losses (including unrealized gains and losses) on all our investments (including derivatives) as net investment income or loss in our condensed consolidated statements of income for each reporting period.

For the six months ended June 30, 2018 and 2017, the net cash provided by (used in) operating activities was $(28.6) million and $47.8 million, respectively. Included in the net cash used in and provided by operating activities were investment related expenses, such as investment advisor compensation, and net interest and dividend expenses of $0.4 million and $4.8 million for the six months ended June 30, 2018 and 2017, respectively. Excluding the investment related expenses from the net cash from operating activities, the net cash primarily provided by (used in) our underwriting activities was $(28.2) million and $52.6 million for the six months ended June 30, 2018 and 2017, respectively. Generally, in a given period if the premiums collected are sufficient to cover claim payments, we would generate cash from our underwriting activities. For the six months ended June 30, 2018, the increase in cash used for underwriting activities was primarily due to premiums returned upon commutation of a reinsurance contract. In addition, payment of losses in excess of receipt of premiums also contributed to the decrease in cash from operating activities. Due to the inherent nature of our underwriting portfolio, claims are often paid several months or even years after the premiums are collected. The cash used in and generated from underwriting activities, however, may be volatile from period to period depending on the underwriting opportunities available.

For the six months ended June 30, 2018, our investing activities used cash of $167.1 million (2017: provided cash of $113.2 million), driven primarily by cash used for covering short positions and reducing the margin-borrowing from prime brokers. Cash used for, or provided by, investing activities is net of any withdrawals from the joint venture by DME (nil for six months ended June 30, 2018 and 2017). During the six months ended June 30, 2018 and 2017, cash was used for share repurchases in the amount of $2.8 million and $2.3 million, respectively.

As of June 30, 2018, we believe we will have sufficient cash flow from operating and investing activities to meet our foreseeable liquidity requirements. We expect that our operational needs for liquidity will be met by cash, funds generated from underwriting activities and investment income, including realized gains and the disposition of investment securities. As of June 30, 2018, we expect to fund our operations for the next twelve months from operating cash flow. However, we may explore various financing alternatives, including capital raising alternatives, to fund our business strategy, improve our capital structure, increase surplus, pay claims or make acquisitions. We can provide no assurances that transactions will occur or, if so, as to the terms of such transactions.

Although GLRE is not subject to any significant legal prohibitions on the payment of dividends, Greenlight Re and GRIL are each subject to regulatory minimum capital requirements and regulatory constraints that affect their ability to pay dividends to us. In addition, any dividend payment would have to be approved by the relevant regulatory authorities prior to payment. As of June 30, 2018, Greenlight Re and GRIL both exceeded the regulatory minimum capital requirements.

Letters of Credit and Trust Arrangements

As of June 30, 2018, neither Greenlight Re nor GRIL was licensed or admitted as a reinsurer in any jurisdiction other than the Cayman Islands and the European Economic Area, respectively. Because many jurisdictions do not permit domestic insurance companies to take credit on their statutory financial statements for loss recoveries or ceded unearned premiums unless appropriate measures are in place for reinsurance obtained from unlicensed or non-admitted insurers, we anticipate that all of our U.S. clients and some of our non-U.S. clients will require us to provide collateral through funds withheld, trust arrangements, letters of credit or a combination thereof.

As of June 30, 2018, we had two letter of credit facilities available with an aggregate capacity of $450.0 million (December 31, 2017: $600.0 million) with various financial institutions. See Note 9 of the accompanying condensed consolidated financial statements for details on each of the available facilities. We provide collateral to cedents in the form of letters of credit and trust arrangements. As of June 30, 2018, the aggregate amount of collateral provided to cedents under such arrangements was $573.4 million (December 31, 2017: $566.4 million). The letters of credit and trust accounts are secured by equity and debt securities as well as cash and cash equivalents with a total fair value of $579.6 million as of June 30, 2018 (December 31, 2017: $578.3 million).

Each of the letter of credit facilities contain customary events of default and restrictive covenants, including but not limited to, limitations on liens on collateral, transactions with affiliates, mergers and sales of assets, as well as solvency and maintenance of certain minimum pledged equity requirements, and restricts issuance of any debt without the consent of the letter of credit provider. Additionally, if an event of default exists, as defined in the letter of credit facilities, Greenlight Re would be prohibited from paying dividends to its parent company. The Company was in compliance with all the covenants of each of these facilities as of June 30, 2018.

Capital

Our capital structure currently consists entirely of equity issued in two separate classes of ordinary shares. We expect that the existing capital base and internally generated funds will be sufficient to implement our business strategy for the foreseeable future. Consequently, we do not presently anticipate that we will incur any material indebtedness in the ordinary course of our business other than borrowing directly related to the management of our investment portfolio. However, in order to provide us with flexibility and timely access to public capital markets should we require additional capital for working capital, capital expenditures, acquisitions or other general corporate purposes, we have filed a Form S-3 registration statement, which expires in July 2021, unless renewed. In addition, as noted above, we may explore various financing alternatives, although there can be no assurance that additional financing will be available on acceptable terms when needed or desired. We did not make any significant commitments for capital expenditures during the six months ended June 30, 2018.

On April 25, 2018 the Board of Directors adopted a new share repurchase plan for a one year period, effective July 1, 2018, which expires on June 30, 2019 unless renewed by the Board of Directors. The renewed plan increased the number of shares that may be repurchased to 2.5 million Class A ordinary shares or securities convertible into Class A ordinary shares in the open market, through privately negotiated transactions or Rule 10b5-1 stock trading plans. The Company is not required to repurchase any of the Class A ordinary shares and the repurchase plan may be modified, suspended or terminated at the election of our Board of Directors at any time without prior notice. During the six months ended June 30, 2018, 180,000 Class A ordinary shares were repurchased by the Company at an average price of $15.27 per share.

On April 26, 2017, our shareholders approved an amendment to our stock incentive plan to increase the number of Class A ordinary shares available for issuance by 1.5 million shares from 3.5 million to 5.0 million. As of June 30, 2018, there were 1,011,840 Class A ordinary shares available for future issuance under the Company’s stock incentive plan. The stock incentive plan is administered by the Compensation Committee of the Board of Directors.

Contractual Obligations and Commitments

The following table shows our aggregate contractual obligations as of June 30, 2018 by time period remaining:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	($ in thousands)				
Operating lease obligations (1)	$172	$322	$—	$—	$494

Private equity and limited partnerships [2]	6,950	—	—	—	6,950
Loss and loss adjustment expense reserves [3]	247,223	121,367	46,964	58,784	474,338
Revolving credit agreement [4]	30,335	—	—	—	30,335
	$284,680	$121,689	$46,964	$58,784	$512,117

(1) Reflects our minimum contractual obligations pursuant to the lease agreements as described below.

(2) As of June 30, 2018, we had made total commitments of $26.4 million in private investments of which we had invested $19.4 million, and our remaining commitments to these investments total $7.0 million. Given the nature of private equity commitments, we are unable to determine with any degree of accuracy as to when the commitments will be called. As such, for the purposes of the above table, we have assumed that all commitments with no fixed payment schedule will be made within one year. Under our investment guidelines, in effect as of the date hereof, no more than 10% of the assets in the investment portfolio may be held in private equity securities without specific approval from the Board of Directors.

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(3) Due to the nature of our reinsurance operations, the amount and timing of the cash flows associated with our reinsurance contractual liabilities will fluctuate, perhaps materially, and therefore are highly uncertain.
(4) Includes estimated interest expense obligation up to the current expiration date of the revolving credit facility.

As of June 30, 2018, $681.3 million of securities sold, not yet purchased, were secured by $681.3 million of restricted cash held by prime brokers to cover obligations relating to securities sold, not yet purchased. These amounts are not included in the contractual obligations table above because there is no maturity date for securities sold, not yet purchased, and their maturities are not set by any contract, and as such, their due dates cannot be estimated.

Greenlight Re has entered into lease agreements for office space in the Cayman Islands. The leases expired on June 30, 2018 and Greenlight Re has the option to renew the leases for a further five-year term. The Company is in negotiations with the lessor for renewal of the lease and meanwhile has agreed to a monthly lease until December 31, 2018.

GRIL has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, GRIL is committed to minimum annual rent payments denominated in Euros approximating €0.1 million until May 2021, and adjusted to the prevailing market rates for each of the two subsequent five-year terms. GRIL has the option to terminate the lease agreement in 2021. The minimum lease payment obligations are included in the above table under operating lease obligations and in Note 9 to the accompanying condensed consolidated financial statements.

The Joint Venture has entered into a secured revolving credit facility to provide funding for its investment activities (see Note 9 for further details on the revolving credit facility). The Joint Venture has the ability to borrow $50.0 million (the "commitment") under the credit facility and had borrowed $30.0 million as of June 30, 2018. The credit facility matures on November 8, 2018 and can be extended for one year by the Joint Venture upon providing 120 days' notice to the lender. Subsequent to June 30, 2018, the Joint Venture provided notice to extend the credit facility for one additional year. The repayment of the borrowed amount including estimated interest expense has been included in the above table based on the assumption that the credit facility expires and is not renewed.

The Company and its reinsurance subsidiaries are party to a joint venture agreement with DME under which the Company, its reinsurance subsidiaries and DME are participants of a joint venture for the purpose of managing certain jointly held assets (the "venture agreement"). In addition, the Company, its reinsurance subsidiaries and DME have entered into a separate investment advisory agreement with DME Advisors (the "advisory agreement"). The terms of each of the current venture agreement and the advisory agreement is dated January 1, 2017through December 31, 2019, with automatic three-year renewals unless 90 days prior to the end of the then current term, either DME notifies the other participants of its desire to terminate the venture agreement or any other participant notifies DME of its desire to withdraw from the venture agreement.

Pursuant to the venture agreement, we pay DME Advisors a monthly management fee of 0.125% on our share of the assets managed by DME Advisors and we provide DME a performance allocation equal to 20% of the net profit, calculated per annum, of the Company's share of the capital account managed by DME Advisors, subject to a loss carry forward provision. The loss carry forward provision allows DME to earn a reduced performance allocation of 10% of profits in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn a performance allocation in a year in which the investment portfolio incurs a loss. For the six months ended June 30, 2018, performance allocation of nil and management fees of $8.6 million were included in net investment loss.

We have entered into a service agreement with DME Advisors, pursuant to which DME Advisors will provide investor relations services to us for compensation of $5,000 per month plus expenses. The service agreement had an initial term of one year, and continues for sequential one-year periods until terminated by us or DME Advisors. Either party may terminate the service agreement for any reason with 30 days prior written notice to the other party.

Our related party transactions are presented in Note 8 to the accompanying condensed consolidated financial statements.

Off-Balance Sheet Financing Arrangements

We have no obligations, assets or liabilities, other than those derivatives in our investment portfolio that are disclosed in the condensed consolidated financial statements, which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

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Effects of Inflation

Inflation generally affects the cost of claims and claim expenses, as well as asset values in our investment portfolio. The anticipated effects of inflation on our claim costs are considered in our pricing and reserving models. However, the actual effect of potential increases in claim costs due to inflation cannot be accurately known until claims are ultimately settled, and may differ significantly from our estimate. In addition, the onset, duration and severity of an inflationary period cannot be predicted or estimated with precision.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We believe we are principally exposed to the following types of market risk:
• equity price risk;
• commodity price risk;
• foreign currency risk;
• interest rate risk;
• credit risk; and
• political risk.

Equity Price Risk
As of June 30, 2018, our investment portfolio consisted of long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realized upon the closing of the position to differ significantly from their current reported value. This risk is partly mitigated by the presence of both long and short equity securities within our investment portfolio. As of June 30, 2018, a 10% decline in the price of each of the listed equity securities and equity-based derivative instruments would result in a $17.4 million, or 1.6%, decline in the fair value of our total investment portfolio.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Commodity Price Risk
Generally, market prices of commodities are subject to fluctuation. Our investment portfolio periodically includes long or short investments in commodities or in derivatives directly impacted by fluctuations in the prices of commodities. As of June 30, 2018, our investment portfolio included unhedged exposure to changes in gold prices, through ownership of physical gold and derivative instruments with underlying exposure to changes in gold prices. Additionally, as of June 30, 2018, our investment portfolio included derivative instruments with underlying exposure to changes in natural gas prices.
The following table summarizes the net impact that a 10% increase and decrease in commodity prices would have on the value of our investment portfolio as of June 30, 2018. The below table excludes the indirect effect that changes in commodity prices might have on equity securities in our investment portfolio.

	10% increase in commodity prices		10% decrease in commodity prices	
Commodity	Change in fair value	Change in fair value as % of investment	Change in fair value	Change in fair value as % of investment

		portfolio		portfolio
	($ in thousands)		($ in thousands)	
Gold	$10,606	1.0 %	$(10,606)	(1.0)%
Natural Gas	3,550	0.3	(3,550)	(0.3)
Total	$14,156	1.3 %	$(14,156)	(1.3)%

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We, along with our investment advisor, periodically monitor our exposure to any other commodity price fluctuations and generally do not expect changes in other commodity prices to have a materially adverse impact on our operations.

Foreign Currency Risk
Certain of our reinsurance contracts provide that ultimate losses may be payable or calculated in foreign currencies depending on the country of original loss. Foreign currency exchange rate risk exists to the extent that our foreign currency loss reserves (case reserves and IBNR) are in excess of the corresponding foreign currency cash balances and there is an increase in the exchange rate of that foreign currency. As of June 30, 2018, we had a net unhedged foreign currency exposure on GBP denominated loss reserves (net of funds withheld) of £4.8 million. As of June 30, 2018, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in an estimated increase in loss reserves of $0.6 million and a corresponding foreign exchange loss. Alternatively, a 10% increase in the U.S dollar against the GBP, would result in an estimated decrease of $0.6 million in our recorded loss reserves and a corresponding foreign exchange gain.

While we do not seek to specifically match our liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies, we continually monitor our exposure to potential foreign currency losses and may use foreign currency cash and cash equivalents or forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

We may also be exposed to foreign currency risk through cash, forwards, options and investments in securities denominated in foreign currencies. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short), speculative foreign currency derivatives and/or cash positions due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of June 30, 2018, some of our currency exposure resulting from foreign denominated securities (longs and shorts) was reduced by offsetting cash balances denominated in the corresponding foreign currencies.

The following table summarizes the net impact that a 10% increase and decrease in the value of the U.S. dollar against select foreign currencies would have on the value of our investment portfolio as of June 30, 2018:

Foreign Currency	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Euro	$701	0.10 %	$(701)	(0.10)%
Japanese Yen	2,324	0.20	(2,324)	(0.20)
South Korean Won	(689)	(0.10)	689	0.10
Other	(126)	—	126	—
Total	$2,210	0.20 %	$(2,210)	(0.20)%

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities denominated in foreign currencies and related foreign currency instruments, and should not be relied on as indicative of future results.

Interest Rate Risk

Our investment portfolio includes interest rate sensitive securities, such as corporate and sovereign debt instruments and interest rate swaps. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the market value of our long fixed-income portfolio falls, and the opposite is also true as interest rates fall. Additionally, some of our derivative investments may also be sensitive to interest rates and their value may indirectly fluctuate with changes in interest rates.

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The following table summarizes the impact that a 100 basis point increase or decrease in interest rates would have on the value of our investment portfolio as of June 30, 2018:

	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
	($ in thousands)			
Debt instruments	$18,274	1.7 %	$(23,369)	(2.2)%
Interest rate swaps	3,933	0.4	(3,933)	(0.4)
Net exposure to interest rate risk	$22,207	2.1 %	$(27,302)	(2.6)%

For the purposes of the above table, the hypothetical impact of changes in interest rates on debt instruments was determined based on the interest rates applicable to each instrument individually. We periodically monitor our net exposure to interest rate risk and generally do not expect changes in interest rates to have a materially adverse impact on our operations.

Credit Risk

We are exposed to credit risk primarily from the possibility that counterparties may default on their obligations to us. The amount of the maximum exposure to credit risk is indicated by the carrying value of our financial assets including notes receivable. We evaluate the financial condition of our notes receivable counterparties and monitor our exposure to them on a regular basis. We are also exposed to credit risk from our business partners and clients relating to balances receivable under the reinsurance contracts, including premiums receivable, losses recoverable and commission adjustments recoverable. We monitor the financial strength of our counterparties and assess the collectability of these balances on a regular basis and obtain collateral in the form of funds withheld, trusts and letters of credit from our counterparties to mitigate their credit risk.

In addition, the securities, commodities, and cash in our investment portfolio are held with several prime brokers, subjecting us to the related credit risk from the possibility that one or more of them may default on their obligations to us. We closely and regularly monitor our concentration of credit risk with each prime broker and, if necessary, transfer cash or securities between prime brokers to diversify and mitigate our credit risk. Other than our investment in derivative contracts and corporate debt, if any, and the fact that our investments and majority of cash balances are held by prime brokers on our behalf, we have no other significant concentrations of credit risk.

Political Risk

We are exposed to political risk to the extent that we underwrite business from entities located in foreign markets and to the extent that DME Advisors, on our behalf and subject to our investment guidelines, trades securities that are listed on various U.S. and foreign exchanges and markets. The governments in any of these jurisdictions could impose restrictions, regulations or other measures, which may have a material adverse impact on our underwriting operations and investment strategy. We currently do not write political risk coverage on our insurance contracts; however, changes in government laws and regulations may impact our underwriting operations (see “Item 1A. Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017).

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Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rules 13a-15 and 15d-15 of the Exchange Act, the Company has evaluated, with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of its disclosure controls and procedures (as defined in such rules) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports prepared in accordance with the rules and regulations of the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s disclosure controls and procedures will prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the fiscal quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company continues to review its disclosure controls and procedures, including its internal controls over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company’s systems evolve with its business.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time, in the normal course of business, we may be involved in formal and informal dispute resolution procedures, which may include arbitration or litigation, the outcomes of which determine our rights and obligations under our reinsurance contracts and other contractual agreements. In some disputes, we may seek to enforce our rights under an agreement or to collect funds owing to us. In other matters, we may resist attempts by others to collect funds or enforce alleged rights. While the final outcome of legal disputes cannot be predicted with certainty, we do not believe that any of our existing contractual disputes, when finally resolved, will have a material adverse effect on our business, financial condition or operating results.

Item 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report are any of the risks described in Item 1A “Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 as filed with the SEC. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

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As of June 30, 2018, there have been no other material changes to the risk factors disclosed in Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 as filed with the SEC. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our Board of Directors had previously adopted a share repurchase plan, expiring on June 30, 2018, authorizing the Company to repurchase up to 2.0 million Class A ordinary shares or securities convertible into Class A ordinary shares in the open market, through privately negotiated transactions or Rule 10b5-1 stock trading plans. The Company is not required to repurchase any of the Class A ordinary shares and the repurchase plan may be modified, suspended or terminated at the election of our Board of Directors at any time without prior notice. The table below details the repurchases that were made under the plan during the six months ended June 30, 2018:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - 31, 2018	—	$ —	—	1,863,688
February 1 - 28, 2018	—	$ —	—	1,863,688
March 1 - 31, 2018	—	$ —	—	1,863,688
April 1 - 30, 2018	—	$ —	—	1,863,688
May 1 - 31, 2018	—	$ —	—	1,863,688
June 1 - 30, 2018	180,000	$ 15.27	180,000	1,683,688
Total	180,000		180,000	1,683,688

(1) Class A ordinary shares.

On April 25, 2018 our Board of Directors adopted a new share repurchase plan, with effect from July 1, 2018 and expiring on June 30, 2019, authorizing the Company to repurchase up to 2.5 million Class A ordinary shares or securities convertible into Class A ordinary shares in the open market, through privately negotiated transactions or Rule 10b5-1 stock trading plans.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Item 5. OTHER INFORMATION

Disclosure of Certain Activities Under Section 13(r) of the Securities Exchange Act of 1934

Section 13(r) of the Securities Exchange Act of 1934, as amended, requires an issuer to disclose in its annual or quarterly reports whether it or an affiliate knowingly engaged in certain activities described in that section, including certain activities related to Iran during the period covered by the report. During 2016, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) adopted General License H, which authorizes non-U.S. entities that are owned or controlled by a U.S. person to engage in certain activities with Iran so long as they comply with certain specific requirements set forth therein. During 2018, OFAC reimposed certain sanctions on Iran related activities including providing insurance, reinsurance and underwriting services and required such activities to be wound-down by November 4, 2018.

We entered into a reinsurance contract with a non-U.S insurer (the “cedent”) that provides liability insurance on a global basis to shipping vessels navigating into and out of ports worldwide including, potentially, in Iran. In light of recent developments regarding sanctions, the cedent is in regular contact with its insured and the cedent has taken appropriate and necessary steps to wind-down its Iran related activities. The cedent expects to be compliant with the reimposed OFAC

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sanctions. For the quarter ended June 30, 2018, our premiums relating to this reinsurance contract were negligible relative to our overall revenues or income.

Item 6. EXHIBITS

10.1	Amendment No. 1 to Shareholders’ Agreement, dated June 29, 2018, by and between the Registrant and David Einhorn (incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K filed on June 29, 2018).
10.2	Deed of Settlement and Release, dated July 19, 2018, among Michael Belfatti, Greenlight Capital Re, Ltd and Greenlight Reinsurance, Ltd. (incorporated by reference to Exhibit 10.1 of the Company Form 8-K filed on July 20, 2018).
12.1	Ratio of Earnings to Fixed Charges and Preferred Share Dividends
31.1	Certification of the Chief Executive Officer filed hereunder pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification of the Chief Financial Officer filed hereunder pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification of the Chief Executive Officer filed hereunder pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (*)
32.2	Certification of the Chief Financial Officer filed hereunder pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (*)
101	The following materials from the Company’s Quarterly Report on Form 10-Q for the six months ended June 30, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Income; (iii) the Condensed Consolidated Statements of Shareholders’ Equity; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements.

*Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GREENLIGHT CAPITAL RE, LTD.
(Registrant)
By: /s/ SIMON BURTON
Simon Burton
Chief Executive Officer
(principal executive officer)
July 31, 2018

By: /s/ TIM COURTIS
Tim Courtis
Chief Financial Officer
(principal financial and accounting officer)
July 31, 2018