

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-34042

**MAIDEN HOLDINGS, LTD.**

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of  
incorporation or organization)

94 Pitts Bay Road

Pembroke

Bermuda

(Address of principal executive offices)

98-0570192

(IRS Employer  
Identification No.)

HM08

(Zip Code)

(441) 298-4900

(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Shares, par value \$0.01 per share	MHLD	NASDAQ Capital Market
Series A Preference Shares, par value \$0.01 per share	MH.PA	New York Stock Exchange
Series C Preference Shares, par value \$0.01 per share	MH.PC	New York Stock Exchange
Series D Preference Shares, par value \$0.01 per share	MH.PD	New York Stock Exchange

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

Yes  No

As of November 9, 2020, the number of shares of the Registrant's Common Stock (\$.01 par value) outstanding was 84,801,161.

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**PART I - FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**MAIDEN HOLDINGS, LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands of U.S. dollars, except share and per share data)

ASSETS	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<i>Investments:</i>		
Fixed maturities, available-for-sale, at fair value (amortized cost 2020 - \$1,258,915; 2019 - \$1,813,426)	\$ 1,287,967	\$ 1,835,518
Other investments	75,364	31,748
Total investments	1,363,331	1,867,266
Cash and cash equivalents	91,721	48,197
Restricted cash and cash equivalents	98,174	59,081
Accrued investment income	12,510	18,331
Reinsurance balances receivable, net	6,144	12,181
Reinsurance recoverable on unpaid losses	597,677	623,422
Loan to related party	167,975	167,975
Deferred commission and other acquisition expenses (includes \$49,216 and \$68,433 from related parties in 2020 and 2019, respectively)	55,962	77,356
Funds withheld receivable (includes \$601,902 and \$632,305 from related parties in 2020 and 2019, respectively)	652,855	684,441
Other assets	8,355	9,946
<b>Total assets</b>	<b>\$ 3,054,704</b>	<b>\$ 3,568,196</b>
<b>LIABILITIES</b>		
Reserve for loss and loss adjustment expenses (includes \$1,810,043 and \$2,272,418 from related parties in 2020 and 2019, respectively)	\$ 1,975,073	\$ 2,439,907
Unearned premiums (includes \$138,252 and \$189,797 from related parties in 2020 and 2019, respectively)	161,453	220,269
Deferred gain on retroactive reinsurance	79,995	112,950
Accrued expenses and other liabilities (includes \$34,414 and \$20,049 from related parties in 2020 and 2019, respectively)	45,026	32,444
Senior notes - principal amount	262,500	262,500
Less: unamortized debt issuance costs	7,429	7,592
Senior notes, net	255,071	254,908
<b>Total liabilities</b>	<b>2,516,618</b>	<b>3,060,478</b>
<i>Commitments and Contingencies</i>		
<b>EQUITY</b>		
Preference shares	465,000	465,000
Common shares (\$0.01 par value; 89,777,896 and 88,161,638 shares issued in 2020 and 2019, respectively; 84,763,882 and 83,148,458 shares outstanding in 2020 and 2019, respectively)	898	882
Additional paid-in capital	753,324	751,327
Accumulated other comprehensive income	13,957	17,836
Accumulated deficit	(663,559)	(695,794)
Treasury shares, at cost (5,014,014 and 5,013,180 shares in 2020 and 2019, respectively)	(31,534)	(31,533)
<b>Total shareholders' equity</b>	<b>538,086</b>	<b>507,718</b>
<b>Total liabilities and equity</b>	<b>\$ 3,054,704</b>	<b>\$ 3,568,196</b>

*See accompanying notes to the unaudited Condensed Consolidated Financial Statements.*

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenues</b>				
Gross premiums written	\$ 3,517	\$ 35,844	\$ 20,233	\$ (523,178)
Net premiums written	\$ 3,031	\$ 35,944	\$ 17,493	\$ (525,995)
Change in unearned premiums	21,274	58,954	59,335	937,981
<b>Net premiums earned</b>	<b>24,305</b>	<b>94,898</b>	<b>76,828</b>	<b>411,986</b>
Other insurance revenue	261	554	919	2,120
Net investment income	12,686	13,223	44,959	76,367
Net realized gains on investment	4,133	12,700	24,046	25,685
Total other-than-temporary impairment losses	(962)	(165)	(2,468)	(165)
<b>Total revenues</b>	<b>40,423</b>	<b>121,210</b>	<b>144,284</b>	<b>515,993</b>
<b>Expenses</b>				
Net loss and loss adjustment expenses	9,065	140,860	41,159	415,110
Commission and other acquisition expenses	9,651	32,763	29,778	152,036
General and administrative expenses	8,160	8,898	25,971	37,675
Interest and amortization expenses	4,832	4,831	14,493	14,490
Foreign exchange and other losses (gains)	6,536	(7,827)	634	(14,013)
<b>Total expenses</b>	<b>38,244</b>	<b>179,525</b>	<b>112,035</b>	<b>605,298</b>
<b>Income (loss) from continuing operations before income taxes</b>	<b>2,179</b>	<b>(58,315)</b>	<b>32,249</b>	<b>(89,305)</b>
Less: income tax expense (benefit)	17	87	14	(977)
<b>Income (loss) from continuing operations</b>	<b>2,162</b>	<b>(58,402)</b>	<b>32,235</b>	<b>(88,328)</b>
<b>Income (loss) from discontinued operations, net of income tax</b>	<b>—</b>	<b>75</b>	<b>—</b>	<b>(22,048)</b>
<b>Net income (loss)</b>	<b>\$ 2,162</b>	<b>\$ (58,327)</b>	<b>\$ 32,235</b>	<b>\$ (110,376)</b>
Basic and diluted earnings (loss) from continuing operations per share attributable to common shareholders	\$ 0.03	\$ (0.70)	\$ 0.38	\$ (1.06)
Basic and diluted loss from discontinued operations per share attributable to common shareholders	—	—	—	(0.27)
Basic and diluted earnings (loss) per share attributable to common shareholders	<b>\$ 0.03</b>	<b>\$ (0.70)</b>	<b>\$ 0.38</b>	<b>\$ (1.33)</b>
Weighted average number of common shares - basic and diluted	84,744,787	83,092,085	84,181,528	83,036,925

*See accompanying notes to the unaudited Condensed Consolidated Financial Statements.*

**MAIDEN HOLDINGS, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**  
(in thousands of U.S. dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 2,162	\$ (58,327)	\$ 32,235	\$ (110,376)
<b>Other comprehensive income (loss)</b>				
Net unrealized holdings gains (losses) on fixed maturities arising during period	15,028	(2,129)	16,603	89,919
Adjustment for reclassification of net realized gains recognized in net income (loss)	(3,242)	(8,555)	(9,643)	(11,482)
Foreign currency translation adjustment	(6,998)	11,480	(10,821)	9,286
Other comprehensive income (loss), before tax	4,788	796	(3,861)	87,723
Income tax expense related to components of other comprehensive income (loss)	(32)	(12)	(18)	(93)
Other comprehensive income (loss), after tax	4,756	784	(3,879)	87,630
<b>Comprehensive income (loss)</b>	<b>6,918</b>	<b>(57,543)</b>	<b>28,356</b>	<b>(22,746)</b>
Comprehensive income attributable to noncontrolling interests	—	—	—	(78)
<b>Comprehensive income (loss) attributable to Maiden</b>	<b>\$ 6,918</b>	<b>\$ (57,543)</b>	<b>\$ 28,356</b>	<b>\$ (22,824)</b>

*See accompanying notes to the unaudited Condensed Consolidated Financial Statements.*

**MAIDEN HOLDINGS, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**  
(in thousands of U.S. dollars)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Preference shares - Series A, C and D</b>				
Beginning balance	\$ 465,000	\$ 465,000	\$ 465,000	\$ 465,000
Ending balance	465,000	465,000	465,000	465,000
<b>Common shares</b>				
Beginning balance	897	881	882	879
Exercise of options and issuance of common shares	1	—	16	2
Ending balance	898	881	898	881
<b>Additional paid-in capital</b>				
Beginning balance	752,896	751,007	751,327	749,418
Exercise of options and issuance of common shares	(1)	—	(16)	(2)
Share-based compensation expense	429	131	2,013	1,722
Ending balance	753,324	751,138	753,324	751,138
<b>Accumulated other comprehensive income</b>				
Beginning balance	9,201	21,152	17,836	(65,616)
Change in net unrealized gains (losses) on investment	11,754	(10,696)	6,942	78,344
Foreign currency translation adjustment	(6,998)	11,480	(10,821)	9,208
Ending balance	13,957	21,936	13,957	21,936
<b>Accumulated deficit</b>				
Beginning balance	(665,721)	(615,940)	(695,794)	(563,891)
Net income (loss)	2,162	(58,327)	32,235	(110,376)
Ending balance	(663,559)	(674,267)	(663,559)	(674,267)
<b>Treasury shares</b>				
Beginning balance	(31,534)	(31,528)	(31,533)	(31,515)
Shares repurchased	—	(5)	(1)	(18)
Ending balance	(31,534)	(31,533)	(31,534)	(31,533)
<b>Non-controlling interests in subsidiaries</b>				
Beginning balance	—	—	—	641
Disposal of subsidiaries	—	—	—	(719)
Foreign currency translation adjustment	—	—	—	78
Ending balance	—	—	—	—
<b>Total shareholders' equity</b>	<b>\$ 538,086</b>	<b>\$ 533,155</b>	<b>\$ 538,086</b>	<b>\$ 533,155</b>

*See accompanying notes to the unaudited Condensed Consolidated Financial Statements.*

**MAIDEN HOLDINGS, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(in thousands of U.S. dollars)

For the Nine Months Ended September 30,	2020	2019
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 32,235	\$ (110,376)
Less: net loss from discontinued operations	—	22,048
<b>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</b>		
Depreciation, amortization and share-based compensation	6,318	5,737
Net realized gains on investment	(24,046)	(25,685)
Total other-than-temporary impairment losses	2,468	165
Foreign exchange and other losses (gains)	634	(14,013)
<i>Changes in assets – (increase) decrease:</i>		
Reinsurance balances receivable, net	22,200	18,517
Reinsurance recoverable on unpaid losses	(7,334)	(439,142)
Accrued investment income	5,899	8,542
Deferred commission and other acquisition expenses	21,507	159,524
Funds withheld receivable	53,205	(82,459)
Other assets	(3,589)	(5,843)
<i>Changes in liabilities – increase (decrease):</i>		
Reserve for loss and loss adjustment expenses	(476,655)	87,772
Unearned premiums	(59,250)	(518,542)
Accrued expenses and other liabilities	(21,256)	(53,686)
Net cash used in continuing operations	(447,664)	(947,441)
Net cash used in discontinued operations	—	(1,842)
<b>Net cash used in operating activities</b>	(447,664)	(949,283)
<b>Cash flows from investing activities:</b>		
Purchases of fixed maturities	(355,966)	(1,917,030)
Purchases of other investments	(45,279)	(7,450)
Proceeds from sales of fixed maturities	477,358	845,962
Proceeds from maturities, paydowns and calls of fixed maturities	451,380	1,766,914
Proceeds from sale and redemption of other investments	1,786	858
Other, net	(602)	3,253
Net cash provided by investing activities for continuing operations	528,677	692,507
Net cash used in investing activities for discontinued operations	—	(6,113)
<b>Net cash provided by investing activities</b>	528,677	686,394
<b>Cash flows from financing activities:</b>		
Repurchase of common shares	(1)	(18)
<b>Net cash used in financing activities</b>	(1)	(18)
Effect of exchange rate changes on foreign currency cash, restricted cash and equivalents	1,605	(1,269)
Net increase (decrease) in cash, restricted cash and cash equivalents	82,617	(264,176)
Cash, restricted cash and cash equivalents, beginning of period	107,278	337,102
<b>Cash, restricted cash and cash equivalents, end of period</b>	<b>\$ 189,895</b>	<b>\$ 72,926</b>
<i>Reconciliation of cash and restricted cash reported within Condensed Consolidated Balance Sheets:</i>		
Cash and cash equivalents, end of period	\$ 91,721	\$ 39,755
Restricted cash and cash equivalents, end of period	98,174	33,171
<b>Total cash, restricted cash and cash equivalents, end of period</b>	<b>\$ 189,895</b>	<b>\$ 72,926</b>
<i>Non-cash investing activities</i>		
Investments transferred out related to Partial Termination Amendment and Commutation	\$ —	\$ 599,613
Investments transferred out for transactions under remaining AmTrust Quota Share business	—	812,068
Investments transferred out related to discontinued operations	—	68,262

*See accompanying notes to the unaudited Condensed Consolidated Financial Statements.*

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

## **1. Basis of Presentation**

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

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

These unaudited Condensed Consolidated Financial Statements, including these notes, should be read in conjunction with the Company's audited Consolidated Financial Statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Certain prior year comparatives have been reclassified to conform to the current year presentation. The effect of these reclassifications had no impact on previously reported shareholders' equity or net loss.

### **Strategic Review**

Since 2018, the Company has engaged in a series of strategic measures that have dramatically reduced the regulatory capital required to operate our business, materially strengthened our solvency ratios, re-domiciled Maiden Reinsurance Ltd. ("Maiden Reinsurance") to Vermont in the U.S. and ceased active reinsurance underwriting. During that time, we significantly increased our estimate of ultimate losses and loss reserves while purchasing reinsurance protection against further loss reserve volatility and as a result, have improved the ultimate economic value of the Company. We believe these measures have given the Company the ability to more flexibly allocate capital to those activities most likely to produce the greatest returns for shareholders.

The measures we ultimately have taken were initiated in early 2018, when our Board of Directors initiated a review of strategic alternatives ("Strategic Review") to evaluate ways to increase shareholder value after a period of continuing higher than targeted combined ratios and lower returns on equity than expected.

As part of the Strategic Review, a series of transactions were entered into including: (1) completed the sale of Maiden Reinsurance North America, Inc. ("Maiden US") on December 27, 2018; (2) Maiden Reinsurance's shareholders, Maiden Holdings and Maiden Holdings North America, Ltd. ("Maiden NA"), each made their pro rata portion of capital injections in the aggregate of \$125,000 on December 31, 2018 and \$70,000 on January 18, 2019 to Maiden Reinsurance from the sale proceeds of Maiden US; (3) entered into a partial termination amendment ("Partial Termination Amendment") with AmTrust Financial Services, Inc. ("AmTrust") effective January 1, 2019 which amended the quota share reinsurance agreement ("AmTrust Quota Share") between Maiden Reinsurance and AmTrust's wholly owned subsidiary AmTrust International Insurance, Ltd. ("AII") (as more fully described in "Note 10 - Related Party Transactions"); (4) entered into amendments which terminated the AmTrust Quota Share and the European hospital liability Quota Share Reinsurance Contract ("European Hospital Liability Quota Share") with AmTrust's wholly owned subsidiaries AmTrust Europe Limited ("AEL") and AmTrust International Underwriters DAC ("AIU DAC") effective January 1, 2019 (these transactions are broadly referred to herein as the "Final AmTrust QS Terminations"); (5) entered into the Loss Portfolio Transfer and Adverse Development Cover Agreement ("LPT/ADC Agreement") with Enstar Group Limited ("Enstar") pursuant to the revised Master Transaction Agreement entered into on March 1, 2019; and (6) entered into a Commutation and Release Agreement with AmTrust to commute certain workers' compensation business with AII as of January 1, 2019.

Please see the Company's audited Consolidated Financial Statements, and related notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 for further details on the above transactions.

### **Discontinued Operations**

The Company made the strategic decision to divest its U.S. treaty reinsurance operations through the sale of Maiden US which was completed on December 27, 2018. Except as explicitly described as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to the Company's continuing operations except for net income (loss).

### **Re-domestication of Maiden Reinsurance**

Effective March 16, 2020, we re-domesticated our principal operating subsidiary, Maiden Reinsurance, to the State of Vermont in the U.S., having made the necessary filings in both Vermont and Bermuda in the fourth quarter of 2019 and first quarter of 2020. Maiden Reinsurance is now subject to the statutes and regulations of Vermont in the ordinary course of business. We have determined that re-domesticating Maiden Reinsurance to Vermont enables us to better align our capital and resources with our liabilities, which originate mostly in the United States, resulting in a more efficient structure. The re-domestication, in combination with the transactions completed pursuant to the Strategic Review, will continue to strengthen the Company's capital position and solvency ratios.



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

**1. Basis of Presentation (continued)**

While the Vermont Department of Financial Regulation ("Vermont DFR") will be the group supervisor for the Company, the re-domestication did not apply to the parent holding company which remains a Bermuda-based holding company. Securities issued by Maiden Holdings were not affected by the re-domestication of Maiden Reinsurance to Vermont. Concurrent with its re-domestication to Vermont on March 16, 2020, Maiden Holdings contributed as capital the remaining 65% of its ownership in Maiden Reinsurance to Maiden NA. Maiden NA now owns 100% of Maiden Reinsurance in the aggregate.

**Segments**

As a result of the strategic decision to divest all of the Company's U.S. treaty reinsurance operations noted above, the Company revised the composition of its reportable segments. As described in more detail under "Note 3. Segment Information", the reportable segments include: (i) Diversified Reinsurance which consists of a portfolio of property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe; and (ii) AmTrust Reinsurance which includes all business ceded to Maiden Reinsurance from subsidiaries of AmTrust. In addition to these reportable segments, the results of operations of the former National General Holdings Corporation Quota Share ("NGHC Quota Share") segment, which was commuted in November 2019, was previously included in the "Other" category.

**COVID-19 Pandemic**

The continuing COVID-19 global pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known. Circumstances caused by the COVID-19 pandemic are complex, uncertain and rapidly evolving. Our results of operations, financial condition, and liquidity and capital resources may have been adversely impacted by the COVID-19 pandemic, and the future impact of the pandemic on our financial condition or results of operations is difficult to predict.

As described herein, the Company is not currently engaged in active reinsurance underwriting and is running off the remaining unearned exposures it has reinsured. Maiden Global Holdings, Ltd.'s business development teams partner with automobile manufacturers, dealer associations and local primary insurers to design and implement point of sale insurance programs which generate revenue for the auto manufacturer and insurance premiums for the primary insurer ("IIS unit"). The Company's IIS unit does write limited primary insurance coverages that could be exposed to COVID-19 claims. While we assess our exposure to COVID-19 insurance and reinsurance claims on our existing insurance exposures and remaining reinsurance exposures as limited and immaterial, given the uncertainty surrounding the COVID-19 pandemic and its impact on the insurance industry, our preliminary estimates of losses and loss adjustment expenses and estimates of reinsurance recoverable arising from the COVID-19 pandemic may materially change. Maiden Reinsurance has not received any COVID-19 claims to date but our companies within our IIS unit have received a limited number of claims related to those coverages which it deems as immaterial. Unanticipated issues relating to claims and coverage may emerge, which could adversely affect our business by increasing the scope of coverage beyond our intent and/or increasing the frequency and severity of claims.

The Company's investment portfolio may be adversely impacted by unfavorable market conditions caused by the COVID-19 pandemic, and the Company and its reinsurance subsidiaries may need additional capital to maintain compliance with regulatory capital requirements and/or be required to post additional collateral under existing reinsurance arrangements, which could reduce our liquidity. In addition, the Company may experience continued volatility in its results of operations which could negatively impact its financial condition and create a reduction in the amount of available distribution or dividend capacity from its regulated reinsurance subsidiaries, which would also reduce liquidity.

## 2. Significant Accounting Policies

There have been no material changes to the significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 except for the following:

### **Recently Adopted Accounting Standards Updates**

#### *Changes to the Disclosure Requirements for Fair Value Measurement*

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

The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of ASU 2018-13. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. These amendments only impact disclosures made in "Note 5, Fair Value Measurements" therefore, the adoption of this standard on January 1, 2020 did not impact the Company's consolidated balance sheets, results of operations or cash flows.

### **Recently Issued Accounting Standards Not Yet Adopted**

#### *Accounting for Measurement of Credit Losses on Financial Instruments*

In June 2016, the FASB issued ASU 2016-13 "*Financial Instruments: Credit Losses (Topic 326)*" replacing the "incurred loss" impairment methodology with an approach based on "expected losses" to estimate credit losses on certain types of financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance requires financial assets to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the cost of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. ASU 2016-13 also modified the accounting for available-for-sale ("AFS") debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with *Subtopic 326-30, Financial Instruments: Credit Losses Available-for-Sale Debt Securities*. Credit losses relating to AFS debt securities will be recorded through an allowance for credit losses rather than under the current other-than-temporarily impaired ("OTTI") methodology.

In April 2019, the FASB issued ASU 2019-04 for targeted improvements related to ASU 2016-13 which clarify that an entity should include all expected recoveries in its estimate of the allowance for credit losses. In addition, for collateral dependent financial assets, the amendments mandate that an allowance for credit losses that is added to the amortized cost basis of the financial asset should not exceed amounts previously written off. It also clarifies FASB's intent to include all reinsurance recoverables within the scope of *Topic 944* to be within the scope of *Subtopic 326-20*, regardless of the measurement basis of those recoverables. The Company's reinsurance balances receivable and reinsurance recoverable on unpaid losses are its most significant financial assets within the scope of ASU 2016-13.

The guidance is effective for public business entities, excluding entities eligible to be smaller reporting companies ("SRCs") as defined by the SEC, for annual periods beginning after December 15, 2019, and interim periods therein. The guidance is effective for all other entities, including public entities eligible to be SRCs, for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. As of December 31, 2019, the Company qualified for SRC status, as determined on the last business day of its most recent second quarter, and is thus eligible to follow the reporting deadlines and effective dates applicable to SRCs. Therefore *Topic 326* will not be effective until the 2023 fiscal year. The Company continues to evaluate the impact of this guidance on its results of operations, financial condition and liquidity.

**MAIDEN HOLDINGS, LTD.**  
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**3. Segment Information**

The Company currently has two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. Our Diversified Reinsurance segment consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe. Our AmTrust Reinsurance segment includes all business ceded to Maiden Reinsurance by AmTrust, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share, which are in run-off effective January 1, 2019. In addition to our reportable segments, the results of operations of the former NGHC Quota Share segment which was commuted in November 2019 and the remnants of our retroceded U.S. treaty business have been included in the "Other" category. Please refer to "Note 10. Related Party Transactions" for additional information.

The Company evaluates segment performance based on segment profit separately from the results of our investment portfolio. General and administrative expenses are allocated to the segments on an actual basis except salaries and benefits where management's judgment is applied; however general corporate expenses are not allocated to the segments. In determining total assets by reportable segment, the Company identifies those assets that are attributable to a particular segment such as reinsurance balances receivable, reinsurance recoverable on unpaid losses, deferred commission and other acquisition expenses, funds withheld receivable, loan to related party and restricted cash and investments. All remaining assets are allocated to Corporate.

As discussed in "Note 1. Basis of Presentation" and "Note 10. Related Party Transactions", the Partial Termination Amendment and the termination of the remaining business with AmTrust effective January 1, 2019 resulted in a significant reduction in gross premiums written. This was due to the return of unearned premium on certain lines covered by the Partial Termination Amendment, with no new business written since 2018 as a result of the termination of the AmTrust Quota Share and the European Hospital Liability Quota Share. The following tables summarize the underwriting results of our reportable segments and the reconciliation of our reportable segments and Other category's underwriting results to consolidated net income (loss) from continuing operations:

For the Three Months Ended September 30, 2020	Diversified Reinsurance	AmTrust Reinsurance	Total
Gross premiums written	\$ 9,152	\$ (5,635)	\$ 3,517
Net premiums written	\$ 8,666	\$ (5,635)	\$ 3,031
Net premiums earned	\$ 11,323	\$ 12,982	\$ 24,305
Other insurance revenue	261	—	261
Net loss and loss adjustment expenses ("loss and LAE")	(6,624)	(2,441)	(9,065)
Commission and other acquisition expenses	(4,204)	(5,447)	(9,651)
General and administrative expenses	(1,818)	(630)	(2,448)
<b>Underwriting (loss) income</b>	<b>\$ (1,062)</b>	<b>\$ 4,464</b>	<b>3,402</b>
<b>Reconciliation to net income from continuing operations</b>			
Net investment income and realized gains on investment			16,819
Total other-than-temporary impairment losses			(962)
Interest and amortization expenses			(4,832)
Foreign exchange and other losses, net			(6,536)
Other general and administrative expenses			(5,712)
Income tax expense			(17)
<b>Net income from continuing operations</b>			<b>\$ 2,162</b>
Net loss and LAE ratio <sup>(1)</sup>	57.2 %	18.8 %	36.9 %
Commission and other acquisition expense ratio <sup>(2)</sup>	36.3 %	42.0 %	39.3 %
General and administrative expense ratio <sup>(3)</sup>	15.7 %	4.8 %	33.2 %
Expense ratio <sup>(4)</sup>	52.0 %	46.8 %	72.5 %
<b>Combined ratio<sup>(5)</sup></b>	<b>109.2 %</b>	<b>65.6 %</b>	<b>109.4 %</b>

**MAIDEN HOLDINGS, LTD.**  
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**3. Segment Information (continued)**

For the Three Months Ended September 30, 2019	Diversified Reinsurance	AmTrust Reinsurance	Other	Total
Gross premiums written	\$ 14,439	\$ 21,405	\$ —	\$ 35,844
Net premiums written	\$ 14,539	\$ 21,405	\$ —	\$ 35,944
Net premiums earned	\$ 20,492	\$ 74,406	\$ —	\$ 94,898
Other insurance revenue	554	—	—	554
Net loss and LAE	(13,807)	(126,945)	(108)	(140,860)
Commission and other acquisition expenses	(7,005)	(25,758)	—	(32,763)
General and administrative expenses	(1,849)	(235)	—	(2,084)
<b>Underwriting loss</b>	<b>\$ (1,615)</b>	<b>\$ (78,532)</b>	<b>\$ (108)</b>	<b>(80,255)</b>
<b>Reconciliation to net loss from continuing operations</b>				
Net investment income and realized gains on investment				25,923
Total other-than-temporary impairment losses				(165)
Interest and amortization expenses				(4,831)
Foreign exchange and other gains				7,827
Other general and administrative expenses				(6,814)
Income tax expense				(87)
<b>Net loss from continuing operations</b>				<b>\$ (58,402)</b>
Net loss and LAE ratio <sup>(1)</sup>	65.6 %	170.6 %		147.6 %
Commission and other acquisition expense ratio <sup>(2)</sup>	33.3 %	34.6 %		34.3 %
General and administrative expense ratio <sup>(3)</sup>	8.8 %	0.3 %		9.3 %
Expense ratio <sup>(4)</sup>	42.1 %	34.9 %		43.6 %
<b>Combined ratio<sup>(5)</sup></b>	<b>107.7 %</b>	<b>205.5 %</b>		<b>191.2 %</b>

**MAIDEN HOLDINGS, LTD.**  
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**3. Segment Information (continued)**

For the Nine Months Ended September 30, 2020	Diversified Reinsurance	AmTrust Reinsurance	Total
Gross premiums written	\$ 30,573	\$ (10,340)	\$ 20,233
Net premiums written	\$ 27,591	\$ (10,098)	\$ 17,493
Net premiums earned	\$ 35,381	\$ 41,447	\$ 76,828
Other insurance revenue	919	—	919
Net loss and LAE	(19,703)	(21,456)	(41,159)
Commission and other acquisition expenses	(13,557)	(16,221)	(29,778)
General and administrative expenses	(5,177)	(1,941)	(7,118)
<b>Underwriting (loss) income</b>	<b>\$ (2,137)</b>	<b>\$ 1,829</b>	<b>(308)</b>
<b>Reconciliation to net income from continuing operations</b>			
Net investment income and realized gains on investment			69,005
Total other-than-temporary impairment losses			(2,468)
Interest and amortization expenses			(14,493)
Foreign exchange and other losses			(634)
Other general and administrative expenses			(18,853)
Income tax expense			(14)
<b>Net income from continuing operations</b>			<b>\$ 32,235</b>
Net loss and LAE ratio <sup>(1)</sup>	54.3 %	51.8 %	52.9 %
Commission and other acquisition expense ratio <sup>(2)</sup>	37.3 %	39.1 %	38.3 %
General and administrative expense ratio <sup>(3)</sup>	14.3 %	4.7 %	33.4 %
Expense ratio <sup>(4)</sup>	51.6 %	43.8 %	71.7 %
<b>Combined ratio<sup>(5)</sup></b>	<b>105.9 %</b>	<b>95.6 %</b>	<b>124.6 %</b>

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**3. Segment Information (continued)**

For the Nine Months Ended September 30, 2019	Diversified Reinsurance	AmTrust Reinsurance	Other	Total
Gross premiums written	\$ 41,021	\$ (564,199)	\$ —	\$ (523,178)
Net premiums written	\$ 38,204	\$ (564,199)	\$ —	\$ (525,995)
Net premiums earned	\$ 68,256	\$ 343,730	\$ —	\$ 411,986
Other insurance revenue	2,120	—	—	2,120
Net loss and LAE	(40,695)	(374,103)	(312)	(415,110)
Commission and other acquisition expenses	(24,413)	(127,623)	—	(152,036)
General and administrative expenses	(6,972)	(2,063)	—	(9,035)
<b>Underwriting loss</b>	<b>\$ (1,704)</b>	<b>\$ (160,059)</b>	<b>\$ (312)</b>	<b>(162,075)</b>
<b>Reconciliation to net loss from continuing operations</b>				
Net investment income and realized gains on investment				102,052
Total other-than-temporary impairment losses				(165)
Interest and amortization expenses				(14,490)
Foreign exchange and other gains				14,013
Other general and administrative expenses				(28,640)
Income tax benefit				977
<b>Net loss from continuing operations</b>				<b>\$ (88,328)</b>
Net loss and LAE ratio <sup>(1)</sup>	57.8 %	108.8 %		100.2 %
Commission and other acquisition expense ratio <sup>(2)</sup>	34.7 %	37.1 %		36.7 %
General and administrative expense ratio <sup>(3)</sup>	9.9 %	0.6 %		9.1 %
Expense ratio <sup>(4)</sup>	44.6 %	37.7 %		45.8 %
<b>Combined ratio<sup>(5)</sup></b>	<b>102.4 %</b>	<b>146.5 %</b>		<b>146.0 %</b>

- (1) Calculated by dividing net loss and LAE by the sum of net premiums earned and other insurance revenue.  
(2) Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.  
(3) Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.  
(4) Calculated by adding together the commission and other acquisition expense ratio and general and administrative expense ratio.  
(5) Calculated by adding together net loss and LAE ratio and the expense ratio.

The following tables summarize the financial position of the Company's reportable segments including the reconciliation to the Company's consolidated total assets at September 30, 2020 and December 31, 2019:

September 30, 2020	Diversified Reinsurance	AmTrust Reinsurance	Total
Total assets - reportable segments	\$ 156,237	\$ 2,413,955	\$ 2,570,192
Corporate assets	—	—	484,512
<b>Total Assets</b>	<b>\$ 156,237</b>	<b>\$ 2,413,955</b>	<b>\$ 3,054,704</b>
December 31, 2019	Diversified Reinsurance	AmTrust Reinsurance	Total
Total assets - reportable segments	\$ 167,845	\$ 2,843,802	\$ 3,011,647
Corporate assets	—	—	556,549
<b>Total Assets</b>	<b>\$ 167,845</b>	<b>\$ 2,843,802</b>	<b>\$ 3,568,196</b>

**MAIDEN HOLDINGS, LTD.**  
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**3. Segment Information (continued)**

The following tables set forth financial information relating to net premiums written by major line of business and reportable segment for the three and nine months ended September 30, 2020 and 2019:

For the Three Months Ended September 30,	2020	2019
<i>Net premiums written</i>	<b>Total</b>	<b>Total</b>
<b>Diversified Reinsurance</b>		
International	\$ 8,757	\$ 14,563
Other	(91)	(24)
Total Diversified Reinsurance	8,666	14,539
<b>AmTrust Reinsurance</b>		
Small Commercial Business	(2,123)	8,050
Specialty Program	(209)	4,139
Specialty Risk and Extended Warranty	(3,303)	9,216
Total AmTrust Reinsurance	(5,635)	21,405
<b>Total Net Premiums Written</b>	<b>\$ 3,031</b>	<b>\$ 35,944</b>

  

For the Nine Months Ended September 30,	2020	2019
<i>Net premiums written</i>	<b>Total</b>	<b>Total</b>
<b>Diversified Reinsurance</b>		
International	\$ 27,627	\$ 38,246
Other	(36)	(42)
Total Diversified Reinsurance	27,591	38,204
<b>AmTrust Reinsurance</b>		
Small Commercial Business	(8,517)	(329,116)
Specialty Program	268	(24,500)
Specialty Risk and Extended Warranty	(1,849)	(210,583)
Total AmTrust Reinsurance	(10,098)	(564,199)
<b>Total Net Premiums Written</b>	<b>\$ 17,493</b>	<b>\$ (525,995)</b>

The following tables set forth financial information relating to net premiums earned by major line of business and reportable segment for the three and nine months ended September 30, 2020 and 2019:

For the Three Months Ended September 30,	2020		2019	
<i>Net premiums earned</i>	<b>Total</b>	<b>% of Total</b>	<b>Total</b>	<b>% of Total</b>
<b>Diversified Reinsurance</b>				
International	\$ 11,414	47.0 %	\$ 20,516	21.6 %
Other	(91)	(0.4) %	(24)	— %
Total Diversified Reinsurance	11,323	46.6 %	20,492	21.6 %
<b>AmTrust Reinsurance</b>				
Small Commercial Business	(1,921)	(7.9) %	18,686	19.7 %
Specialty Program	(190)	(0.8) %	22,204	23.4 %
Specialty Risk and Extended Warranty	15,093	62.1 %	33,516	35.3 %
Total AmTrust Reinsurance	12,982	53.4 %	74,406	78.4 %
<b>Total Net Premiums Earned</b>	<b>\$ 24,305</b>	<b>100.0 %</b>	<b>\$ 94,898</b>	<b>100.0 %</b>

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**3. Segment Information (continued)**

For the Nine Months Ended September 30,	2020		2019	
<i>Net premiums earned</i>	Total	% of Total	Total	% of Total
<b>Diversified Reinsurance</b>				
International	\$ 35,417	46.1 %	\$ 68,298	16.6 %
Other	(36)	— %	(42)	— %
Total Diversified Reinsurance	35,381	46.1 %	68,256	16.6 %
<b>AmTrust Reinsurance</b>				
Small Commercial Business	(8,094)	(10.6)%	81,424	19.8 %
Specialty Program	311	0.4 %	128,751	31.2 %
Specialty Risk and Extended Warranty	49,230	64.1 %	133,555	32.4 %
Total AmTrust Reinsurance	41,447	53.9 %	343,730	83.4 %
<b>Total Net Premiums Earned</b>	<b>\$ 76,828</b>	<b>100.0 %</b>	<b>\$ 411,986</b>	<b>100.0 %</b>

**4. Investments**

**a) Fixed Maturities**

The original or amortized cost, estimated fair value and gross unrealized gains and losses of fixed maturities at September 30, 2020 and December 31, 2019 are as follows:

September 30, 2020	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. treasury bonds	\$ 100,930	\$ 197	\$ —	\$ 101,127
U.S. agency bonds – mortgage-backed	339,144	11,567	(361)	350,350
Non-U.S. government and supranational bonds	8,649	605	(32)	9,222
Asset-backed securities	184,982	1,233	(1,225)	184,990
Corporate bonds	625,210	27,782	(10,714)	642,278
<b>Total fixed maturity investments</b>	<b>\$ 1,258,915</b>	<b>\$ 41,384</b>	<b>\$ (12,332)</b>	<b>\$ 1,287,967</b>

December 31, 2019	Original or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. treasury bonds	\$ 94,921	\$ 704	\$ —	\$ 95,625
U.S. agency bonds – mortgage-backed	533,296	6,717	(1,291)	538,722
Non-U.S. government and supranational bonds	11,796	294	(91)	11,999
Asset-backed securities	187,881	821	(532)	188,170
Corporate bonds	981,441	31,140	(15,725)	996,856
Municipal bonds	4,091	55	—	4,146
<b>Total fixed maturity investments</b>	<b>\$ 1,813,426</b>	<b>\$ 39,731</b>	<b>\$ (17,639)</b>	<b>\$ 1,835,518</b>



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**4. Investments (continued)**

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

September 30, 2020	Amortized cost	Fair value
Due in one year or less	\$ 161,459	\$ 160,918
Due after one year through five years	445,698	459,737
Due after five years through ten years	127,632	131,972
	734,789	752,627
U.S. agency bonds – mortgage-backed	339,144	350,350
Asset-backed securities	184,982	184,990
<b>Total fixed maturity investments</b>	<b>\$ 1,258,915</b>	<b>\$ 1,287,967</b>

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

September 30, 2020	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. agency bonds – mortgage-backed	\$ 25,644	\$ (252)	\$ 9,871	\$ (109)	\$ 35,515	\$ (361)
Non-U.S. government and supranational bonds	1,481	(11)	597	(21)	2,078	(32)
Asset-backed securities	35,748	(450)	60,211	(775)	95,959	(1,225)
Corporate bonds	100,944	(4,857)	76,452	(5,857)	177,396	(10,714)
<b>Total temporarily impaired fixed maturities</b>	<b>\$ 163,817</b>	<b>\$ (5,570)</b>	<b>\$ 147,131</b>	<b>\$ (6,762)</b>	<b>\$ 310,948</b>	<b>\$ (12,332)</b>

At September 30, 2020, there were 116 securities in an unrealized loss position with a fair value of \$310,948 and unrealized losses of \$12,332. Of these securities, there were 54 securities that have been in an unrealized loss position for twelve months or greater with a fair value of \$147,131 and unrealized losses of \$6,762.

December 31, 2019	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. agency bonds – mortgage-backed	\$ 31,401	\$ (257)	\$ 85,008	\$ (1,034)	\$ 116,409	\$ (1,291)
Non-U.S. government and supranational bonds	1,824	(22)	701	(69)	2,525	(91)
Asset-backed securities	60,863	(240)	17,594	(292)	78,457	(532)
Corporate bonds	29,692	(305)	159,216	(15,420)	188,908	(15,725)
<b>Total temporarily impaired fixed maturities</b>	<b>\$ 123,780</b>	<b>\$ (824)</b>	<b>\$ 262,519</b>	<b>\$ (16,815)</b>	<b>\$ 386,299</b>	<b>\$ (17,639)</b>

At December 31, 2019, there were 104 securities in an unrealized loss position with a fair value of \$386,299 and unrealized losses of \$17,639. Of these securities, there were 67 securities that have been in an unrealized loss position for twelve months or greater with a fair value of \$262,519 and unrealized losses of \$16,815.

*Other-than-temporarily impaired*

The Company performs quarterly reviews of its fixed maturities in order to determine whether declines in fair value below the amortized cost basis were considered other-than-temporary in accordance with applicable guidance. At September 30, 2020, we determined that unrealized losses on fixed maturities were primarily due to changes in interest rates as well as the impact of foreign exchange rate changes on certain foreign currency denominated fixed maturities since their date of purchase. All fixed maturity securities continue to pay the expected coupon payments under the contractual terms of the securities. Any credit-related impairment related to fixed maturity securities that the Company does not plan to sell and for which the Company is not more likely than not to be required to sell is recognized in net earnings, with the non-credit related impairment recognized in comprehensive earnings.

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**4. Investments (continued)**

Based on our analysis, our fixed maturity portfolio is of high credit quality and we believe the amortized cost basis of the securities will ultimately be recovered. The Company continually monitors the credit quality of the fixed maturity investments to assess if it is probable that it will receive contractual or estimated cash flows in the form of principal and interest. For the three and nine months ended September 30, 2020, \$962 and \$2,468 of OTTI charges were recognized in earnings on two and four fixed maturity securities, respectively. For the three and nine months ended September 30, 2019, the Company recognized \$165 in OTTI charges in earnings on one fixed maturity security.

The following tables summarize the credit ratings of our fixed maturities as at September 30, 2020 and December 31, 2019:

September 30, 2020	Amortized cost	Fair value	% of Total fair value
U.S. treasury bonds	\$ 100,930	\$ 101,127	7.8 %
U.S. agency bonds	339,144	350,350	27.2 %
AAA	97,188	97,508	7.6 %
AA+, AA, AA-	114,808	116,591	9.1 %
A+, A, A-	280,518	288,467	22.4 %
BBB+, BBB, BBB-	280,263	289,970	22.5 %
BB+ or lower	46,064	43,954	3.4 %
<b>Total fixed maturities <sup>(1)</sup></b>	<b>\$ 1,258,915</b>	<b>\$ 1,287,967</b>	<b>100.0 %</b>

December 31, 2019	Amortized cost	Fair value	% of Total fair value
U.S. treasury bonds	\$ 94,921	\$ 95,625	5.2 %
U.S. agency bonds	533,296	538,722	29.4 %
AAA	99,212	99,542	5.4 %
AA+, AA, AA-	101,491	101,467	5.5 %
A+, A, A-	540,002	549,479	29.9 %
BBB+, BBB, BBB-	438,731	445,202	24.3 %
BB+ or lower	5,773	5,481	0.3 %
<b>Total fixed maturities<sup>(1)</sup></b>	<b>\$ 1,813,426</b>	<b>\$ 1,835,518</b>	<b>100.0 %</b>

(1) Ratings above are based on Standard & Poor's ("S&P"), or equivalent, ratings.

**b) Other Investments**

The table below shows the fair value of the Company's other investments as at September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Fair value	% of Total fair value	Fair value	% of Total fair value
Hedge fund investments	\$ 25,376	60.4 %	\$ —	— %
Investment in limited partnerships	13,850	33.0 %	3,077	63.1 %
Other	2,800	6.6 %	1,800	36.9 %
<b>Total other investments</b>	<b>\$ 42,026</b>	<b>100.0 %</b>	<b>\$ 4,877</b>	<b>100.0 %</b>

The Company also holds other investments made by special purpose vehicles ("SPV") related to lending activities of \$33,338 at September 30, 2020 (December 31, 2019 - \$26,871). These investments are carried at cost less impairment, if any, with any indication of impairment recognized in income when determined. Because these investments are carried at cost, they are not included in the table above. Please see "Note 5 - Fair Value Measurements" for additional information.

The Company has remaining unfunded commitments on its investment in limited partnerships of \$333 at September 30, 2020 (December 31, 2019 - \$340). The Company also has a remaining unfunded commitment on its investment in special purpose vehicles focused on lending activities of \$23,127 at September 30, 2020 (December 31, 2019 - \$767).

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**4. Investments (continued)**

**c) Net Investment Income**

Net investment income was derived from the following sources:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Fixed maturities	\$ 7,647	\$ 19,798	\$ 29,933	\$ 69,540
Funds withheld interest	3,981	5,267	11,843	14,973
Loan to related party	886	1,777	3,111	5,441
Cash and cash equivalents and other	548	599	1,203	2,190
	13,062	27,441	46,090	92,144
Interest paid on LPT/ADC and Commutation <sup>(1)</sup>	—	(13,596)	—	(13,596)
Investment expenses	(376)	(622)	(1,131)	(2,181)
<b>Net investment income</b>	<b>\$ 12,686</b>	<b>\$ 13,223</b>	<b>\$ 44,959</b>	<b>\$ 76,367</b>

<sup>(1)</sup> Interest expense paid on LPT/ADC Agreement and Commutation Payment includes: a) Maiden Reinsurance paid Enstar approximately \$7,261 in interest related to the LPT/ADC Agreement premium, calculated at the rate of 2.64% per annum from January 1, 2019 through August 12, 2019; and b) Maiden Reinsurance paid All approximately \$6,335 in interest related to the Commutation Payment premium, calculated at the rate of 3.30% per annum from January 1, 2019 through August 12, 2019. Settlement of funding for the LPT/ADC Agreement and Commutation Payment occurred on August 12, 2019 by Maiden Reinsurance's transfer of cash and invested assets as described in Part I of our Annual Report on Form 10-K for the year ended December 31, 2019.

**d) Realized Gains (Losses) on Investment**

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

For the Three Months Ended September 30, 2020	Gross gains	Gross losses	Net
Fixed maturities	\$ 3,948	\$ —	\$ 3,948
Other investments	715	(530)	185
<b>Net realized gains (losses) on investment</b>	<b>\$ 4,663</b>	<b>\$ (530)</b>	<b>\$ 4,133</b>
For the Three Months Ended September 30, 2019	Gross gains	Gross losses	Net
Fixed maturities	\$ 13,506	\$ (904)	\$ 12,602
Other investments	98	—	98
<b>Net realized gains (losses) on investment</b>	<b>\$ 13,604</b>	<b>\$ (904)</b>	<b>\$ 12,700</b>
For the Nine Months Ended September 30, 2020	Gross gains	Gross losses	Net
AFS fixed maturities	\$ 23,939	\$ (1)	\$ 23,938
Other investments	822	(714)	108
<b>Net realized gains (losses) on investment</b>	<b>\$ 24,761</b>	<b>\$ (715)</b>	<b>\$ 24,046</b>
For the Nine Months Ended September 30, 2019	Gross gains	Gross losses	Net
AFS fixed maturities	\$ 41,366	\$ (15,785)	\$ 25,581
Other investments	249	(145)	104
<b>Net realized gains (losses) on investment</b>	<b>\$ 41,615</b>	<b>\$ (15,930)</b>	<b>\$ 25,685</b>

Proceeds from sales of fixed maturities were \$71,857 and \$477,358 for the three and nine months ended September 30, 2020, respectively (2019 - \$136,347 and \$845,962, respectively).

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**4. Investments (continued)**

Net unrealized gains on investments were as follows at September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020	December 31, 2019
Fixed maturities	\$ 29,052	\$ 22,092
Deferred income tax	(114)	(96)
Net unrealized gains, net of deferred income tax	\$ 28,938	\$ 21,996
<b>Change, net of deferred income tax</b>	<b>\$ 6,942</b>	<b>\$ 81,758</b>

**e) Restricted Cash and Cash Equivalents and Investments**

The Company is required to provide collateral for its reinsurance liabilities under various reinsurance agreements and utilizes trust accounts to collateralize business with reinsurance counterparties. The assets in trust as collateral are primarily cash and highly rated fixed maturities. The fair values of these restricted assets were as follows at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Restricted cash – third party agreements	\$ 22,669	\$ 21,447
Restricted cash – related party agreements	75,505	37,634
Total restricted cash	98,174	59,081
Restricted investments – in trust for third party agreements at fair value (amortized cost: 2020 – \$62,013; 2019 – \$65,539)	62,059	65,678
Restricted investments – in trust for related party agreements at fair value (amortized cost: 2020 – \$972,375; 2019 – \$1,366,873)	997,935	1,382,994
Total restricted investments	1,059,994	1,448,672
<b>Total restricted cash and investments</b>	<b>\$ 1,158,168</b>	<b>\$ 1,507,753</b>

**5. Fair Value of Financial Instruments**

**(a) Fair Values of Financial Instruments**

*Fair Value Measurements* — Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- *Level 1* — Valuations based on unadjusted quoted market prices for identical assets or liabilities that we have the ability to access. Because valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples of assets and liabilities utilizing Level 1 inputs include: U.S. Treasury bonds;
- *Level 2* — Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data. Examples of assets and liabilities utilizing Level 2 inputs include: U.S. government-sponsored agency securities; non-U.S. government and supranational obligations; commercial mortgage-backed securities ("CMBS"); collateralized loan obligations ("CLO"); corporate and municipal bonds; and
- *Level 3* — Valuations based on models where significant inputs are not observable. The unobservable inputs reflect our own assumptions about assumptions that market participants would use. Examples of assets and liabilities utilizing Level 3 inputs include: an investment in preference shares of a start-up insurance producer.

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3.

## 5. Fair Value of Financial Instruments (continued)

We use prices and inputs that are current at the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

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

ASC 825, "Disclosure About Fair Value of Financial Instruments", requires all entities to disclose the fair value of their financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The following describes the valuation techniques used by the Company to determine the fair value of financial instruments held at September 30, 2020 and December 31, 2019.

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

*Non-U.S. government and supranational bonds* — These securities are generally priced by independent pricing services. The Pricing Service may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the Pricing Service typically uses analytical models which may incorporate spreads, interest rate data and market/sector news. As the significant inputs used to price non-U.S. government and supranational bonds are observable market inputs, the fair values of non-U.S. government and supranational bonds are included in the Level 2 fair value hierarchy.

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

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

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

The investments made by SPVs focused on lending activities are carried at cost less impairment, if any, with any indication of impairment recognized in income when determined. As these investments are carried at cost, they are not included in the fair value hierarchy below. The fair value of the start-up insurance entities are determined using recent private market transactions and as such, the fair value of these investments are included in the Level 3 fair value hierarchy.

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

*Loan to related party, reinsurance recoverable on unpaid losses, and funds withheld receivable* — The carrying values reported in the Condensed Consolidated Balance Sheets for these financial instruments approximate their fair value and are included in the Level 2 fair value hierarchy.

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**5. Fair Value of Financial Instruments (continued)**

*Senior notes* — The carrying value for these financial instruments represents the principal value of the notes less any unamortized issuance costs. As these notes are presented at carrying value, they are not included in the fair value hierarchy below.

**(b) Fair Value Hierarchy**

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

At September 30, 2020 and December 31, 2019, the Company classified its financial instruments measured at fair value on a recurring basis in the following valuation hierarchy:

September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV Practical Expedient	Total Fair Value
<b>Fixed maturities</b>					
U.S. treasury bonds	\$ 101,127	\$ —	\$ —	\$ —	\$ 101,127
U.S. agency bonds – mortgage-backed	—	350,350	—	—	350,350
Non-U.S. government and supranational bonds	—	9,222	—	—	9,222
Asset-backed securities	—	184,990	—	—	184,990
Corporate bonds	—	642,278	—	—	642,278
<b>Other investments</b>	—	—	2,800	39,226	42,026
<b>Total</b>	<b>\$ 101,127</b>	<b>\$ 1,186,840</b>	<b>\$ 2,800</b>	<b>\$ 39,226</b>	<b>\$ 1,329,993</b>
<b>As a percentage of total assets</b>	3.3 %	38.8 %	0.1 %	1.3 %	43.5 %
December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Based on NAV Practical Expedient	Total Fair Value
<b>Fixed maturities</b>					
U.S. treasury bonds	\$ 95,625	\$ —	\$ —	\$ —	\$ 95,625
U.S. agency bonds – mortgage-backed	—	538,722	—	—	538,722
Non-U.S. government and supranational bonds	—	11,999	—	—	11,999
Asset-backed securities	—	188,170	—	—	188,170
Corporate bonds	—	996,856	—	—	996,856
Municipal bonds	—	4,146	—	—	4,146
<b>Other investments</b>	—	—	1,800	3,077	4,877
<b>Total</b>	<b>\$ 95,625</b>	<b>\$ 1,739,893</b>	<b>\$ 1,800</b>	<b>\$ 3,077</b>	<b>\$ 1,840,395</b>
<b>As a percentage of total assets</b>	2.7 %	48.8 %	0.1 %	0.1 %	51.7 %

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

The Pricing Service was utilized to estimate fair value measurements for 99.5% and 99.7% of our fixed maturities at September 30, 2020 and December 31, 2019, respectively. The Pricing Service utilizes market quotations for fixed maturity securities that have quoted market prices in active markets. Because fixed maturities other than U.S. treasury bonds generally do not trade actively on a daily basis, the Pricing Service prepares estimates of fair value measurements using relevant market data, benchmark curves, sector groupings and matrix pricing and these have been classified as Level 2 within the fair value hierarchy.

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**5. Fair Value of Financial Instruments (continued)**

At September 30, 2020 and December 31, 2019, 0.5% and 0.3%, respectively, of the Level 2 fixed maturities are valued using the market approach. At September 30, 2020 and December 31, 2019, one security or \$6,172 and \$5,481, respectively, of Level 2 fixed maturities, was priced using a quotation from a broker and/or custodian as opposed to the Pricing Service due to lack of information available. At September 30, 2020 and December 31, 2019, the Company has not adjusted any pricing provided to it based on the review performed by its investment managers.

During the year ended December 31, 2019, the Company transferred its investment in special purpose vehicles focused on lending activities out of Level 3 within the fair value hierarchy due to a change in accounting policy to report these investments at cost less any impairment instead of fair market value. There were no other transfers to or from Level 3 during the periods represented by these Condensed Consolidated Financial Statements.

**(c) Level 3 Financial Instruments**

At September 30, 2020, the Company has other investments of \$2,800 (December 31, 2019 - \$1,800) which includes investments in start-up insurance entities. Due to significant unobservable inputs in these valuations, the Company classifies the fair value estimate of these other investments as Level 3 within the fair value hierarchy.

**(d) Financial Instruments not measured at Fair Value**

The following table presents the respective carrying value and fair value for the financial instruments not measured at fair value on the Condensed Consolidated Balance Sheets as at September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Other investments in SPV related to lending activities	\$ 33,338	\$ 42,452	\$ 26,871	\$ 42,156
<b>Financial Liabilities</b>				
Senior Notes - MHLA – 6.625%	\$ 110,000	\$ 87,340	\$ 110,000	\$ 86,460
Senior Notes - MHNC – 7.75%	152,500	134,444	152,500	137,067
<b>Total financial liabilities</b>	<b>\$ 262,500</b>	<b>\$ 221,784</b>	<b>\$ 262,500</b>	<b>\$ 223,527</b>

The fair value of other investments in SPV related to lending activities was determined using internally developed discounted cash flow models and therefore are included in the Level 3 fair value hierarchy.

The fair values of the Senior Notes are based on indicative market pricing obtained from a third-party service provider and therefore are included in the Level 2 fair value hierarchy.

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**6. Discontinued Operations**

***Sale of U.S. Treaty Reinsurance operations***

As described in Part II of our Annual Report on Form 10-K for the year ended December 31, 2019, the Company entered into a renewal rights transaction with Transatlantic Reinsurance Company on August 29, 2018 and subsequently sold Maiden US on December 27, 2018 to Enstar. Maiden US was a substantial portion of the Diversified Reinsurance segment; therefore the Company concluded that the sale represented a strategic shift that has a major effect on its ongoing operations and financial results and that all of the held for sale criteria were met. Accordingly, all transactions related to the U.S. treaty reinsurance operations are reported and presented as part the results from discontinued operations in the Condensed Consolidated Statements of Income.

As described in Part II of our Annual Report on Form 10-K for the year ended December 31, 2019, Cavello Bay Reinsurance Limited ("Cavello"), Enstar's Bermuda reinsurance affiliate, and Maiden Reinsurance entered into a retrocession agreement pursuant to which certain assets and liabilities associated with the U.S. treaty reinsurance business held by Maiden Reinsurance were retroceded to Cavello on December 27, 2018. As at December 31, 2018, the assets and liabilities related to this business including the retrocession agreement were classified as held for sale, however, a decision was made to reclassify them as it is now considered unlikely that these reserves will be novated in the foreseeable future; therefore, there are no remaining assets and liabilities classified as held for sale as at September 30, 2020 and December 31, 2019.

The following table summarizes the major classes of items constituting the net loss from discontinued operations for the three and nine months ended September 30, 2019 presented in the unaudited Condensed Consolidated Statements of Income:

	<u>For the Three Months Ended September 30,</u> 2019	<u>For the Nine Months Ended September 30,</u> 2019
Net loss and loss adjustment expenses	\$ —	\$ 6,363
General and administrative expenses	1	(1,842)
<b>Income from discontinued operations before income tax</b>	1	4,521
Loss on disposal of discontinued operations	—	(25,474)
Income tax benefit (expense)	74	(1,095)
<b>Income (loss) from discontinued operations, net of income tax</b>	<u>\$ 75</u>	<u>\$ (22,048)</u>

As a result of the Settlement and Commutation Agreement entered into by Maiden and Enstar on July 31, 2019, Maiden recorded an additional loss from discontinued operations of \$16,714 for the nine months ended September 30, 2019.



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**7. Long-Term Debt**

**Senior Notes**

At September 30, 2020 and December 31, 2019, both Maiden Holdings and its wholly owned subsidiary, Maiden NA, have outstanding publicly-traded senior notes which were issued in 2016 ("2016 Senior Notes") and 2013 ("2013 Senior Notes"), respectively (collectively "Senior Notes"). The 2013 Senior Notes issued by Maiden NA are fully and unconditionally guaranteed by Maiden Holdings. The Senior Notes are unsecured and unsubordinated obligations of the Company.

The following tables detail the issuances of Senior Notes outstanding at September 30, 2020 and December 31, 2019:

September 30, 2020	2016 Senior Notes	2013 Senior Notes	Total
Principal amount	\$ 110,000	\$ 152,500	\$ 262,500
Less: unamortized issuance costs	3,528	3,901	7,429
Carrying value	<u>\$ 106,472</u>	<u>\$ 148,599</u>	<u>\$ 255,071</u>
December 31, 2019	2016 Senior Notes	2013 Senior Notes	Total
Principal amount	\$ 110,000	\$ 152,500	\$ 262,500
Less: unamortized issuance costs	3,565	4,027	7,592
Carrying value	<u>\$ 106,435</u>	<u>\$ 148,473</u>	<u>\$ 254,908</u>

**Other details:**

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

The interest expense incurred on the Senior Notes for the three and nine months ended September 30, 2020 was \$4,777 and \$14,330, respectively (2019 - \$4,777 and \$14,330, respectively), of which \$1,342 was accrued at both September 30, 2020 and December 31, 2019, respectively. The issuance costs related to the Senior Notes were capitalized and are being amortized over the effective life of the Senior Notes. The amortization expense for the three and nine months ended September 30, 2020 was \$55 and \$163, respectively (2019 - \$54 and \$160, respectively).

Under the terms of the 2013 Senior Notes, the 2013 Senior Notes can be redeemed, in whole or in part after December 1, 2018 at Maiden NA's option at any time and from time to time, until maturity at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued but unpaid interest on the principal amount being redeemed to, but not including, the redemption date. Maiden NA is required to give at least thirty and not more than sixty days notice prior to the redemption date.

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**8. Reinsurance**

The Company uses reinsurance and retrocessional agreements ("ceded reinsurance") to mitigate volatility, reduce its exposure to certain risks and provide capital support. Ceded reinsurance provides for the recovery of a portion of loss and LAE under certain circumstances without relieving the Company of its obligations to the policyholders. The Company remains liable to the extent that any of its reinsurers or retrocessionaires fails to meet their obligations. Loss and LAE incurred and premiums earned are reported after deduction for ceded reinsurance. In the event that one or more of our reinsurers or retrocessionaires are unable to meet their obligations under these agreements, the Company would not realize the full value of the reinsurance recoverable balances.

The effect of ceded reinsurance on net premiums written and earned and on net loss and LAE for the nine months ended September 30, 2020 and 2019 was as follows:

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
<b>Premiums written</b>		
Direct	\$ 14,718	\$ 12,819
Assumed	5,515	(535,997)
Ceded	(2,740)	(2,817)
Net	<u>\$ 17,493</u>	<u>\$ (525,995)</u>
<b>Premiums earned</b>		
Direct	\$ 14,630	\$ 11,903
Assumed	64,853	402,197
Ceded	(2,655)	(2,114)
Net	<u>\$ 76,828</u>	<u>\$ 411,986</u>
<b>Loss and LAE</b>		
Gross loss and LAE	\$ 54,845	\$ 415,429
Loss and LAE ceded	(13,686)	(319)
Net	<u>\$ 41,159</u>	<u>\$ 415,110</u>

The Company's reinsurance recoverable on unpaid losses balance as at September 30, 2020 was \$597,677 (December 31, 2019 - \$623,422) presented in the Condensed Consolidated Balance Sheets. At September 30, 2020 and December 31, 2019, the Company had no valuation allowance against reinsurance recoverable on unpaid losses.

As discussed in "Note 1. Organization", on December 27, 2018, Cavello and Maiden Reinsurance entered into a retrocession agreement pursuant to which certain assets and liabilities associated with the U.S. treaty reinsurance business held by Maiden Reinsurance were retroceded to Cavello in exchange for a ceding commission. The balance of reinsurance recoverable on unpaid losses due from Cavello under this retrocession agreement was \$69,454 at September 30, 2020 (December 31, 2019 - \$62,699).

On July 31, 2019, Maiden Reinsurance and Cavello entered into the LPT/ADC Agreement, pursuant to which Cavello assumed the loss reserves as of December 31, 2018 associated with the AmTrust Quota Share in excess of a \$2,178,535 retention up to \$600,000, in exchange for a retrocession premium of \$445,000. The \$2,178,535 retention is subject to adjustment for paid losses subsequent to December 31, 2018. Please see "Note 1. Basis of Presentation" for further details.

The LPT/ADC Agreement provides Maiden Reinsurance with \$155,000 in adverse development cover over its carried AmTrust Quota Share loss reserves at December 31, 2018. The LPT/ADC Agreement meets the criteria for risk transfer and is thus accounted for as retroactive reinsurance. Cumulative ceded losses exceeding \$445,000 are recognized as a deferred gain liability and amortized into income over the settlement period of the ceded reserves in proportion to cumulative losses collected over the estimated ultimate reinsurance recoverable. The amount of the deferral is recalculated each period based on loss payments and updated estimates. Consequently, cumulative adverse development subsequent to December 31, 2018 may result in significant losses from operations until periods when the deferred gain is recognized as a benefit to earnings. As of September 30, 2020, the reinsurance recoverable on unpaid losses under the retroactive reinsurance agreement were \$524,995 while the deferred gain liability was \$79,995 (December 31, 2019 - \$557,950 and \$112,950, respectively). Amortization of the deferred gain will not occur until paid losses have exceeded the minimum retention under the LPT/ADC Agreement, which is estimated to be in 2024.

Cavello has provided collateral in the form of a letter of credit in the amount of \$445,000 to AmTrust under the LPT/ADC Agreement and Cavello is subject to additional collateral funding requirements as explained in "Note 10. Related Party Transactions". Under the terms of the LPT/ADC Agreement, the covered losses associated with the Commutation and Release Agreement with AmTrust are eligible to be covered but recoverable only when such losses are paid or settled by AII or its affiliates, provided such losses and other related amounts shall not exceed \$312,786. Cavello's parent company, Enstar, has credit ratings of BBB from both Standard & Poor's and Fitch Ratings at September 30, 2020.

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**9. Reserve for Loss and Loss Adjustment Expenses**

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

The anticipated effect of inflation is implicitly considered when estimating liabilities for loss and LAE. While anticipated changes in claim costs due to inflation are considered in estimating the ultimate claim costs, changes in average severity of claims are caused by a number of factors that vary with the individual type of policy written. Ultimate losses are projected based on historical trends adjusted for implemented changes in underwriting standards, claims handling, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and are modified if necessary.

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

	September 30, 2020	December 31, 2019
Reserve for reported loss and LAE	\$ 1,039,079	\$ 1,271,358
Reserve for losses incurred but not reported ("IBNR")	935,994	1,168,549
<b>Reserve for loss and LAE</b>	<b>\$ 1,975,073</b>	<b>\$ 2,439,907</b>

The following table represents a reconciliation of our beginning and ending gross and net loss and LAE reserves:

For the Nine Months Ended September 30,	2020	2019
Gross loss and LAE reserves, January 1	\$ 2,439,907	\$ 3,126,134
Less: reinsurance recoverable on unpaid losses, January 1	623,422	71,901
<b>Net loss and LAE reserves, January 1</b>	<b>1,816,485</b>	<b>3,054,233</b>
Net incurred losses related to:		
Current year	48,988	318,654
Prior years	(7,829)	96,456
	41,159	415,110
Net paid losses related to:		
Current year	(5,253)	(8,969)
Prior years	(519,864)	(872,125)
	(525,117)	(881,094)
Retroactive reinsurance adjustment	32,955	(549,542)
Effect of foreign exchange rate movements	11,914	(28,330)
Net loss and LAE reserves, September 30	1,377,396	2,010,377
Reinsurance recoverable on unpaid losses, September 30	597,677	615,481
<b>Gross loss and LAE reserves, September 30</b>	<b>\$ 1,975,073</b>	<b>\$ 2,625,858</b>

Prior period development arises from changes to loss estimates recognized in the current year that relate to loss reserves in previous calendar years. The favorable or unfavorable development reflects changes in management's best estimate of the ultimate losses under the relevant reinsurance policies after considerable review of changes in actuarial assessments. During the three and nine months ended September 30, 2020, the Company recognized net favorable prior year loss development of \$7,236 and \$7,829, respectively (2019 - adverse \$63,184 and \$96,456, respectively).

In the Diversified Reinsurance segment, net adverse prior year loss development was \$483 and \$312 for the three and nine months ended September 30, 2020, respectively (2019 - adverse \$692 and favorable \$1,456, respectively). Prior year loss development for the three and nine months ended September 30, 2020 was primarily due to adverse reserve development in European Capital Solutions. The favorable loss development for the nine months ended September 30, 2019 was largely due to favorable development in German Auto Programs as well as facultative reinsurance run-off lines.

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

The adverse development for the three months ended September 30, 2019 was due to facultative reinsurance run-off partially offset by favorable development in International Auto.

In the AmTrust Reinsurance segment, the net favorable prior year loss development was \$7,719 and \$8,141 for the three and nine months ended September 30, 2020, respectively (2019 - adverse \$62,384 and \$97,600, respectively). The net favorable prior year loss development for the three and nine months ended September 30, 2020 was primarily due to favorable development in Workers Compensation partly offset by adverse development within Commercial Auto and General Liability programs. The adverse development in the three and nine months ended September 30, 2019 was primarily driven by Commercial Auto and General Liability in accident years 2014 to 2018, partly offset by favorable development in Workers Compensation in accident years 2016 to 2018. The adverse development for the three and nine months ended September 30, 2019 includes \$27,587 recognized from application of the \$40,500 loss corridor cap on AmTrust program business (please see "Note 10. Related Party Transactions" for details).

Retroactive reinsurance adjustment of \$32,955 represents the decrease in reinsurance recoverable on unpaid losses under the LPT/ADC Agreement with Cavello that was recognized in the nine months ended September 30, 2020 (2019 - \$549,542 increase) in the reconciliation of our beginning and ending gross and net loss and LAE reserves presented above. This includes the corresponding decrease in the deferred gain on retroactive reinsurance for favorable development both on reserves covered under the LPT/ADC Agreement of \$9,250 and Workers Compensation commuted losses of \$23,705 during the nine months ended September 30, 2020 (2019 - \$104,542 increase in deferred gain). The deferred gain on retroactive reinsurance represents the cumulative adverse development under the AmTrust Quota Share covered under the LPT/ADC Agreement at September 30, 2020 and September 30, 2019. Amortization of the deferred gain will not occur until paid losses have exceeded the minimum retention under the LPT/ADC Agreement, which is estimated to be in 2024.

Under the Commutation and Release Agreement with AmTrust on July 1, 2019, Maiden Bermuda transferred cash and invested assets in the amount of \$312,786 which is the sum of the net ceded reserves in the amount of \$330,682 with respect to the commuted Business as of December 31, 2018 less payments in the amount of \$17,896 made by Maiden Bermuda with respect to the Commuted Business from January 1, 2019 through July 31, 2019. Settlement of the commutation occurred on August 12, 2019 and is reflected in the reconciliation of our beginning and ending gross and net loss and LAE reserves presented above under net paid losses related to prior years.

The Other category had net adverse prior year loss development of \$108 and \$312 for the three and nine months ended September 30, 2019 due to increased reserves in the run-off of the NGHC Quota Share which was commuted in November 2019.

### **10. Related Party Transactions**

The Founding Shareholders of the Company were Michael Karfunkel, George Karfunkel and Barry Zyskind. Based on each individual's most recent public filing, Leah Karfunkel (wife of the late Michael Karfunkel) owns or controls approximately 7.9% of the outstanding shares of the Company and Barry Zyskind (the Company's non-executive chairman) owns or controls approximately 7.4% of the outstanding shares of the Company. George Karfunkel owns or controls less than 5.0% of the outstanding shares of the Company. Leah Karfunkel and George Karfunkel are directors of AmTrust, and Barry Zyskind is the chief executive officer and chairman of AmTrust. Leah Karfunkel, George Karfunkel and Barry Zyskind own or control approximately 53.3% of the ownership interests of Evergreen Parent LP, the ultimate parent of AmTrust.

#### **AmTrust**

The following describes transactions between the Company and AmTrust:

#### **AmTrust Quota Share**

Effective July 1, 2007, the Company and AmTrust entered into a master agreement, as amended ("Master Agreement"), by which they caused Maiden Reinsurance, and AmTrust's Bermuda reinsurance subsidiary, AII, to enter into the AmTrust Quota Share by which AII retroceded to Maiden Reinsurance an amount equal to 40% of the premium written by subsidiaries of AmTrust, net of the cost of unaffiliated inuring reinsurance and 40% of losses. The Master Agreement further provided that AII receive a ceding commission of 31% of ceded written premiums. On June 11, 2008, Maiden Reinsurance and AII amended the AmTrust Quota Share to add Retail Commercial Package Business to the Covered Business. AII receives a ceding commission of 34.375% on Retail Commercial Package Business. On July 1, 2016, the agreement was renewed through June 30, 2019. Effective July 1, 2018, the amount AEL ceded to Maiden Reinsurance was reduced to 20%.

Effective July 1, 2013, for the Specialty Program portion of Covered Business only, AII was responsible for ultimate net loss otherwise recoverable from Maiden Reinsurance to the extent that the loss ratio to Maiden Reinsurance, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95% ("Loss Corridor"). Above and below the Loss Corridor, Maiden Reinsurance continued to reinsure losses at its proportional 40% share of the AmTrust Quota Share. Effective July 31, 2019, the Loss Corridor was amended such that the maximum amount covered is \$40,500, the amount calculated by Maiden Reinsurance for the Loss Corridor coverage as of September 30, 2019. Any development above this maximum amount will be subject to the coverage of the LPT/ADC Agreement. Please refer to Note 1. "Basis of Presentation" for additional information.

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

Effective January 1, 2019, Maiden Reinsurance and AII entered into the Partial Termination Amendment which amended the AmTrust Quota Share. The Partial Termination Amendment provided for the cut-off of the ongoing and unearned premium of AmTrust's Small Commercial Business, comprising workers' compensation, general liability, umbrella liability, professional liability (including cyber liability) insurance coverages, and U.S. Specialty Risk and Extended Warranty ("Terminated Business") as of December 31, 2018. Under the Partial Termination Amendment, the ceding commission payable by Maiden Reinsurance for its remaining in-force business immediately prior to January 1, 2019 increased by five percentage points with respect to in-force remaining business (excluding Terminated Business) and related unearned premium as of January 1, 2019. The Partial Termination Amendment resulted in Maiden Reinsurance returning \$647,980 in unearned premium to AII, or \$436,760 net of applicable ceding commission and brokerage as calculated during the second quarter of 2019.

Subsequently, on January 30, 2019, Maiden Reinsurance and AII agreed to terminate the remaining business subject to the AmTrust Quota Share on a run-off basis effective as of January 1, 2019.

Effective July 31, 2019, Maiden Reinsurance and AII entered into a Commutation and Release Agreement which provided for AII to assume all reserves ceded by AII to Maiden Reinsurance with respect to its proportional 40% share of the ultimate net loss under the AmTrust Quota Share related to the Commuted Business. Please refer to *Note 1 "Basis of Presentation"* for additional information.

AII and Maiden Reinsurance also agreed that, as of July 31, 2019, the AmTrust Quota Share shall be deemed amended as applicable so that the Commuted Business is no longer included as part of the Covered Business under the AmTrust Quota Share.

On January 30, 2019, in connection with the termination of the reinsurance agreement described above, the Company and AmTrust entered into a second amendment to the Master Agreement between the parties, originally entered into on July 3, 2007, to remove the provisions requiring AmTrust to reinsure business with the Company.

***European Hospital Liability Quota Share***

Effective April 1, 2011, Maiden Reinsurance entered into the European Hospital Liability Quota Share with AEL and AIU DAC, both wholly owned subsidiaries of AmTrust. Pursuant to the terms of the European Hospital Liability Quota Share, Maiden Reinsurance assumed 40% of the premiums and losses related to policies classified as European Hospital Liability, including associated liability coverages and policies covering physician defense costs, written or renewed on or after April 1, 2011. The European Hospital Liability Quota Share also covers policies written or renewed on or before March 31, 2011, but only with respect to losses that occur, accrue or arise on or after April 1, 2011. The maximum limit of liability attaching shall be €5,000 (€10,000 effective January 1, 2012) or currency equivalent (on a 100% basis) per original claim for any one original policy. Maiden Reinsurance paid a ceding commission of 5% on contracts assumed under the European Hospital Liability Quota Share.

Effective July 1, 2016, the European Hospital Liability Quota Share was amended such that Maiden Reinsurance assumes from AEL 32.5% of the premiums and losses of all policies written or renewed on or after July 1, 2016 until June 30, 2017 and 20% of all policies written or renewed on or after July 1, 2017. Thereafter, on January 30, 2019, Maiden Reinsurance, AEL and AIU DAC agreed to terminate the European Hospital Liability Quota Share on a run-off basis effective as of January 1, 2019.

The table below shows the effect of both of these quota share arrangements with AmTrust on the Company's Condensed Consolidated Income Statements for the three and nine months ended September 30, 2020 and 2019, respectively:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross and net premiums written	\$ (5,635)	\$ 21,405	\$ (10,340)	\$ (564,199)
Net premiums earned	12,981	74,407	41,205	344,370
Net loss and LAE	(2,441)	(126,945)	(21,456)	(373,980)
Commission and other acquisition expenses	(5,447)	(25,758)	(16,221)	(127,623)

***Collateral provided to AmTrust***

***a) AmTrust Quota Share***

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

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

- by lending funds in the amount of \$167,975 at September 30, 2020 and December 31, 2019 pursuant to a loan agreement entered into between those parties. Advances under the loan are secured by promissory notes. This loan was assigned by AII to AmTrust effective December 31, 2014 and is carried at cost. Interest is payable at a rate equivalent to the Federal Funds Effective Rate ("Fed Funds") plus 200 basis points per annum. Please see "Note 4. (c) Investments" for the total amount of interest earned from this loan. The interest income on the loan was \$886 and \$3,111 for the three and nine months ended September 30, 2020, respectively (2019 - \$1,777 and \$5,441, respectively) and the effective yield was 2.1% and 2.5% for the same respective periods (2019 - 4.2% and 4.3%, respectively).
- On January 30, 2019, in connection with the termination of the reinsurance agreements described above, the Company and AmTrust entered into an amendment to the Loan Agreement between Maiden Reinsurance, AmTrust and AII, originally entered into on November 16, 2007, extending the maturity date to January 1, 2025 and acknowledges that due to the termination of the AmTrust Quota Share, no further loans or advances may be made pursuant to the Loan Agreement;
- effective December 1, 2008, the Company entered into a Reinsurer Trust Assets Collateral agreement to provide to AII sufficient collateral to secure its proportional share of AII's obligations to the U.S. AmTrust subsidiaries. The amount of the collateral at September 30, 2020 was \$759,348 (December 31, 2019 - \$1,155,955) and the accrued interest was \$3,184 (December 31, 2019 - \$7,366). Please refer to "Note 4. (e) Investments" for additional information;
- on January 11, 2019, a portion of the existing trust accounts used for collateral on the AmTrust Quota Share were converted to a funds withheld arrangement. The Company transferred cash and investments of \$575,000 to AmTrust as a funds withheld receivable which initially had an annual interest rate of 3.5%, subject to annual adjustment. The annual interest rate was adjusted to 2.65% for the three and nine months ended September 30, 2020. At September 30, 2020, the balance of funds withheld was \$575,000 (December 31, 2019 - \$575,000) and the accrued interest was \$3,845 (December 31, 2019 - \$5,073). The interest income on the funds withheld receivable was \$3,845 and \$11,451 for the three and nine months ended September 30, 2020, respectively (2019 - \$5,073 and \$14,500, respectively).

Pursuant to the terms of the LPT/ADC Agreement, Maiden Reinsurance, Cavello and AmTrust and certain of its affiliated companies entered into a Master Collateral Agreement ("MCA") to define and enable the operation of collateral provided under the AmTrust Quota Share. Under the MCA, Cavello provided letters of credit on behalf of Maiden Reinsurance to AmTrust in an amount representing Cavello's obligations under the LPT/ADC Agreement. Because these letters of credit replaced other collateral previously provided directly by Maiden Reinsurance to AmTrust, the MCA coordinates the collateral protection that will be provided to AmTrust to ensure that no gaps in collateral funding occur by operation of the LPT/ADC Agreement and related MCA. As a result of entering into both the LPT/ADC Agreement and the MCA, certain post-termination endorsements ("PTEs") to the AmTrust Quota Share between AII and Maiden Reinsurance were required.

Effective July 31, 2019, the PTEs: i) enable the operation of both the LPT/ADC Agreement and MCA by making provision for certain forms of collateral, including letters of credit provided by Cavello on Maiden Reinsurance's behalf, and further defines the permitted use and return of collateral; and ii) increase the required funding percentage for Maiden Reinsurance under the collateral arrangements between the parties to 105% of its obligations, subject to a minimum excess funding requirement of \$54,000, as may be mutually amended by the parties from time to time. Under certain defined conditions, Maiden Reinsurance may be required to increase this funding percentage to 110%.

Effective March 16, 2020, Maiden Reinsurance discontinued as a Bermuda company and completed its re-domestication to the State of Vermont. Bermuda is a Solvency II equivalent jurisdiction and the State of Vermont is not such a jurisdiction; therefore, the collateral provided under the respective agreements with AmTrust subsidiaries was strengthened to reflect the impact of the re-domestication concurrent with the date of Maiden Reinsurance's re-domestication to Vermont. Maiden Reinsurance and AmTrust agreed to: 1) amend the AmTrust Quota Share pursuant to Post Termination Endorsement No. 2 effective March 16, 2020; and 2) amend the European Hospital Liability Quota Share pursuant to Post Termination Endorsement No. 1 effective March 16, 2020.

Pursuant to the terms of Post Termination Endorsement No. 2 to the AmTrust Quota Share, Maiden Reinsurance strengthened the collateral protection provided by Maiden Reinsurance to AII by increasing the required funding percentage for Maiden Reinsurance under the collateral arrangements between the parties to 110% of its obligations, subject to a minimum excess funding requirement of \$54,000, as may be mutually amended by the parties from time to time. Post Termination Endorsement No. 2 also sets forth conditions by which the funding percentage will be reduced and the sequence of how collateral will be utilized as obligations as defined under the AmTrust Quota Share are satisfied.

Pursuant to the terms of Post Termination Endorsement No. 1 to the European Hospital Liability Quota Share, Maiden Reinsurance strengthened the collateral protection provided by Maiden Reinsurance to AEL and AIU DAC by increasing the required funding percentage for Maiden Reinsurance under the collateral arrangements between the parties to the greater of 120% of the Exposure (as defined therein) and the amount of security required to offset the increase in the Solvency Capital Requirement ("SCR") that results from the changes in the SCR which arise out of Maiden Reinsurance's re-domestication as compared to the SCR calculation if Maiden Reinsurance had remained domesticated in a Solvency II equivalent jurisdiction with a solvency ratio above 100% and provided collateral equivalent to 100% of the Exposure.

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

### *b) European Hospital Liability Quota Share*

Collateral has been provided to both AEL and AIU DAC under the European Hospital Liability Quota Share. For AEL, the amount of the collateral held in reinsurance trust accounts at September 30, 2020 was \$302,733 (December 31, 2019 - \$253,631) and the accrued interest was \$1,883 (December 31, 2019 - \$1,821). For AIU DAC, the Company utilizes funds withheld to satisfy its collateral requirements. At September 30, 2020, the amount of funds withheld was \$26,902 (December 31, 2019 - \$57,305) and the accrued interest was \$271 (December 31, 2019 - \$269). AIU DAC pays Maiden Reinsurance a fixed annual interest rate of 0.5%, on the average daily funds withheld balance which is subject to annual adjustment. The interest income on the funds withheld receivable was \$64 and \$262 for the three and nine months ended September 30, 2020, respectively (2019 - \$71 and \$196, respectively).

#### **Brokerage Agreement**

Effective July 1, 2007, the Company entered into a reinsurance brokerage agreement with AII Reinsurance Broker Ltd. ("AIIB"), a wholly owned subsidiary of AmTrust. Pursuant to the brokerage agreement, AIIB provided brokerage services relating to the AmTrust Quota Share and the European Hospital Liability Quota Share for a fee equal to 1.25% of the premium assumed. AIIB was not the Company's exclusive broker. The brokerage agreement was terminated as of March 15, 2019.

Maiden Reinsurance recorded \$162 and \$515 of reinsurance brokerage expense for the three and nine months ended September 30, 2020, respectively (2019 - \$930 and \$4,305, respectively) and deferred reinsurance brokerage of \$1,728 at September 30, 2020 (December 31, 2019 - \$2,372) as a result of this agreement.

#### **Asset Management Agreement**

Effective July 1, 2007, the Company entered into an asset management agreement with AII Insurance Management Limited ("AIIM"), a wholly owned subsidiary of AmTrust, pursuant to which AIIM agreed to provide investment management services to the Company. Effective January 1, 2018, AIIM provides investment management services for a quarterly fee of 0.02125% of the average value of the account. The agreement may be terminated upon 30 days written notice by either party. The Company recorded \$321 and \$1,071 of investment management fees for the three and nine months ended September 30, 2020, respectively (2019 - \$618 and \$2,071, respectively) under this agreement.

On September 9, 2020, Maiden Reinsurance, AmTrust and AIIM entered into a novation agreement, effective July 1, 2020, which provided for the novation of the asset management agreement, dated January 1, 2018 between Maiden Reinsurance and AIIM, and the release by Maiden Reinsurance of AIIM's obligations under the asset management agreement. The novation mandates that AmTrust is to be bound by the terms of the asset management agreement in place of AIIM and AmTrust agrees to perform any and all past, present and future obligations of AIIM under the asset management agreement.

#### **Insurance Management Services Agreement**

Effective August 31, 2019, the Company entered into an agreement with Risk Services - Vermont, Inc. ("Risk Services"), an affiliate of AmTrust. Pursuant to the agreement, Risk Services agreed to provide insurance management services to the Company including regulatory compliance services in connection with the re-domestication, licensing and operation of Maiden Reinsurance in the State of Vermont. The initial term of the agreement is three years and will automatically renew for an additional three years until either party gives written notice of its intention to terminate this agreement at least three months prior to the commencement of the next applicable period.

The fee for this agreement was an initial \$100 retainer for re-domestication services and \$100 annually and reimbursement for reasonable out-of-pocket expenses incurred by Risk Services pursuant to the terms of the agreement. The Company recorded \$25 and \$75 of annual fees for the three and nine months ended September 30, 2020, respectively. The initial retainer of \$100 was incurred during the three and nine months ended September 30, 2019.

#### **683 Capital Partners, LP ("683 Partners")**

683 Partners and its affiliates currently own or control approximately 9.1% of the outstanding common shares of the Company and is thus deemed a related party at September 30, 2020. 683 Partners and its affiliates also reported that they own Preference Shares of the Company and Senior Notes issued by both Maiden Holdings and Maiden NA.

#### **Limited Partnership Agreement with 683 Capital Management, LLC ("683 Capital")**

In July 2020, the Company and 683 Capital entered into a limited partnership agreement ("683 LP Agreement") whereby 683 Capital will separately manage certain funds of Maiden Reinsurance at its discretion, subject to guidelines established by the parties. Under the 683 LP Agreement, Maiden Reinsurance will pay 683 Capital a management fee and subject to certain metrics agreed to by the parties, an incentive fee upon attainment of those metrics. Maiden Reinsurance may periodically and in its discretion increase the amount invested under the 683 LP Agreement, and subject to certain conditions, reduce the amount invested under the 683 LP Agreement. Hedge fund investments of \$25,376 were managed by 683 Capital under this agreement at September 30, 2020.

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**11. Commitments and Contingencies**

There are no material changes from the commitments, contingencies and concentrations previously disclosed in the Company's Form 10-K for the year ended December 31, 2019.

**a) Concentrations of Credit Risk**

At September 30, 2020 and December 31, 2019, the Company's assets where significant concentrations of credit risk may exist include investments, cash and cash equivalents, loan to related party, reinsurance balances receivable, reinsurance recoverable on unpaid losses and funds withheld receivable. Please refer to "Note 8. Reinsurance" for additional information regarding the Company's credit risk exposure on its reinsurance counterparties including the impact of the LPT/ADC Agreement effective January 1, 2019. The Company requires its reinsurers to have adequate financial strength. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. Provisions are made for amounts considered potentially uncollectible. Letters of credit are provided by its reinsurers for material amounts recoverable as discussed further in "Note 8 — Reinsurance".

The Company manages concentration of credit risk in its investment portfolio through issuer and sector exposure limitations. The Company believes it bears minimal credit risk in its cash on deposit. The Company also monitors the credit risk related to the loan to related party and funds withheld receivable, within which the largest balance is due from AmTrust. AmTrust has a financial strength/credit rating of A- (Excellent) from A.M. Best at September 30, 2020. To mitigate credit risk, the Company generally has a contractual right of offset thereby allowing claims to be settled net of any premiums or loan receivable. The Company believes these balances as at September 30, 2020 will be fully collectible.

**b) Operating Lease Commitments**

The Company leases office spaces, housing, office equipment and company vehicles under various operating leases expiring in various years through 2024. The Company did not enter into any new lease arrangements during the three and nine months ended September 30, 2020 however one of its existing leases was recently renewed through 2024. The Company's leases are all currently classified as operating leases and none of them have non-lease components. For operating leases that have a lease term of more than twelve months, and whose lease payments are above a certain threshold, the Company recognized a lease liability and a right-of-use asset in the Company's Condensed Consolidated Balance Sheets at the present value of the remaining lease payments until expiration. As the lease contracts generally do not provide an implicit discount rate, the Company used the weighted-average discount rate of 10%, representing its secured incremental borrowing rate, in calculating the present value of the lease liability.

The Company has made an accounting policy election not to include renewal, termination, or purchase options that are not reasonably certain of exercise when determining the term of the borrowing. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company's weighted-average remaining lease term is approximately 2.5 years at September 30, 2020.

At September 30, 2020, the Company's future lease obligations of \$1,790 (December 31, 2019 - \$2,342) was calculated based on the present value of future annual rental commitments excluding taxes, insurance and other operating costs for non-cancellable operating leases discounted using its secured incremental borrowing rate. This amount has been recognized on the Condensed Consolidated Balance Sheets as a lease liability of \$1,790 within accrued expenses and other liabilities with an equivalent amount for the right-of-use asset presented as part of other assets. Under *Topic 842, Leases*, the Company continues to recognize the related leasing expense on a straight-line basis over the lease term in the Condensed Consolidated Statements of Income. The Company's total lease expense for the three and nine months ended September 30, 2020 was \$444 and \$1,303, respectively (2019 - \$486 and \$1,296, respectively) which was recognized within net income consistent with the accounting treatment in prior periods under *Topic 840*. The operating cash outflows from operating leases included in the measurement of the lease liability during the three and nine months ended September 30, 2020 was \$341 and \$1,021, respectively (2019 - \$340 and \$1,021, respectively).

The scheduled maturity of the Company's operating lease liabilities are expected to be as follows:

	September 30, 2020
2020	\$ 207
2021	841
2022	841
2023	91
2024	45
Discount for present value	(235)
<b>Total discounted operating lease liabilities</b>	<b>\$ 1,790</b>



**11. Commitments and Contingencies (continued)**

***c) Legal Proceedings***

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

In April 2009, the Company learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Reinsurance, sent a letter to the U.S. Department of Labor claiming that his employment with the Company was terminated in retaliation for corporate whistle-blowing in violation of the whistle-blower protection provisions of the Sarbanes-Oxley Act of 2002. Mr. Turin alleged that he was terminated for raising concerns regarding corporate governance with respect to the negotiation of the terms of the Trust Preferred Securities Offering. He seeks reinstatement as Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Reinsurance, back pay and legal fees incurred. On December 31, 2009, the U.S. Secretary of Labor found no reasonable cause for Mr. Turin's claim and dismissed the complaint in its entirety. Mr. Turin objected to the Secretary's findings and requested a hearing before an administrative law judge in the U.S. Department of Labor. The Company moved to dismiss Mr. Turin's complaint, and its motion was granted by the Administrative Law Judge on June 30, 2011. On July 13, 2011, Mr. Turin filed a petition for review of the Administrative Law Judge's decision with the Administrative Review Board in the U.S. Department of Labor. On March 29, 2013, the Administrative Review Board reversed the dismissal of the complaint on procedural grounds, and remanded the case to the administrative law judge. The administrative hearing began in September 2014 and concluded in November 2018. The Company believes that it had good and sufficient reasons for terminating Mr. Turin's employment and that the claim is without merit. The Company will continue to vigorously defend itself against this claim.

A putative class action complaint was filed against Maiden Holdings, Arturo M. Raschbaum, Karen L. Schmitt, and John M. Marshaleck in the United States District Court for the District of New Jersey on February 11, 2019. On February 19, 2020, the Court appointed lead plaintiffs, and on May 1, 2020, lead plaintiffs filed an amended class action complaint (the "Amended Complaint"). The Amended Complaint asserts violations of Section 10(b) of the Exchange Act and Rule 10b-5 (and Section 20(a) for control person liability) arising in large part from allegations that Maiden failed to take adequate loss reserves in connection with reinsurance provided to AmTrust. Plaintiffs further claim that certain of Maiden Holdings' representations concerning its business, underwriting and financial statements were rendered false by the allegedly inadequate loss reserves, that these misrepresentations inflated the price of Maiden Holdings' common stock, and that when the truth about the misrepresentations was revealed, the Company's stock price fell, causing Plaintiffs to incur losses. The Company believes the claims are without merit and intends to vigorously defend itself. It is possible that additional lawsuits will be filed against the Company, its subsidiaries and its respective officers due to the diminution in value of our securities as a result of our operating results and financial condition. It is currently uncertain as to the effect of such litigation on our business, operating results and financial condition.

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

**12. Earnings per Common Share**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Numerator:</b>				
Net income (loss) from continuing operations	\$ 2,162	\$ (58,402)	\$ 32,235	\$ (88,328)
Amount allocated to participating common shareholders <sup>(1)</sup>	(24)	—	(559)	—
Income (loss) attributable to common shareholders, before discontinued operations	2,138	(58,402)	31,676	(88,328)
<b>Income (loss) from discontinued operations, net of income tax</b>	<b>—</b>	<b>75</b>	<b>—</b>	<b>(22,048)</b>
<b>Net income (loss) allocated to common shareholders</b>	<b>\$ 2,138</b>	<b>\$ (58,327)</b>	<b>\$ 31,676</b>	<b>\$ (110,376)</b>
<b>Denominator:</b>				
<b>Weighted average number of common shares – basic and diluted<sup>(2)</sup></b>	<b>84,744,787</b>	<b>83,092,085</b>	<b>84,181,528</b>	<b>83,036,925</b>
Basic and diluted earnings (loss) from continuing operations per share attributable to common shareholders	\$ 0.03	\$ (0.70)	\$ 0.38	\$ (1.06)
Basic and diluted loss from discontinued operations per share attributable to common shareholders	—	—	—	(0.27)
<b>Basic and diluted earnings (loss) per share attributable to common shareholders:</b>	<b>\$ 0.03</b>	<b>\$ (0.70)</b>	<b>\$ 0.38</b>	<b>\$ (1.33)</b>

- (1) This represents the share in net income using the two class method of the holders of non-vested restricted shares issued to the Company's employees under the 2019 Omnibus Incentive Plan.
- (2) Please refer to "Note 13. Shareholders' Equity" and "Note 14. Share Compensation and Pension Plans" of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, for the terms and conditions of securities that could potentially be dilutive in the future. For the three and nine months ended September 30, 2020, there were no potentially dilutive securities.

**13. Shareholders' Equity**

**a) Common Shares**

At September 30, 2020, the aggregate authorized share capital of the Company is 150,000,000 shares from which the Company has issued 89,777,896 common shares, of which 84,763,882 common shares are outstanding, and 18,600,000 preference shares, all of which are outstanding. The remaining 41,622,104 shares are undesignated at September 30, 2020. For further discussion on the components of Shareholders' Equity, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

**b) Treasury Shares**

During the nine months ended September 30, 2020, the Company repurchased total shares of 834 (2019 - 23,220) at an average price per share of \$1.13 (2019 - \$0.78) from employees, which represent withholdings in respect of tax obligations on the vesting of restricted shares and performance based shares.

The Company has a remaining authorization of \$74,245 for share repurchases at September 30, 2020 (December 31, 2019 - \$74,245). No repurchases were made during the three and nine months ended September 30, 2020 and 2019 under the share repurchase plan.

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

**13. Shareholders' Equity (continued)**

**c) Accumulated Other Comprehensive Income**

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

<b>For the Three Months Ended September 30, 2020</b>	<b>Change in net unrealized gains on investment</b>	<b>Foreign currency translation</b>	<b>Total</b>
Beginning balance	\$ 17,184	\$ (7,983)	\$ 9,201
Other comprehensive income (loss) before reclassifications	14,996	(6,998)	7,998
Amounts reclassified from AOCI to net income, net of tax	(3,242)	—	(3,242)
Net current period other comprehensive income (loss)	11,754	(6,998)	4,756
Ending balance, Maiden shareholders	<u>\$ 28,938</u>	<u>\$ (14,981)</u>	<u>\$ 13,957</u>

<b>For the Three Months Ended September 30, 2019</b>	<b>Change in net unrealized gains on investment</b>	<b>Foreign currency translation</b>	<b>Total</b>
Beginning balance	\$ 29,278	\$ (8,126)	\$ 21,152
Other comprehensive (loss) income before reclassifications	(2,141)	11,480	9,339
Amounts reclassified from AOCI to net loss, net of tax	(8,555)	—	(8,555)
Net current period other comprehensive (loss) income	(10,696)	11,480	784
Ending balance, Maiden shareholders	<u>\$ 18,582</u>	<u>\$ 3,354</u>	<u>\$ 21,936</u>

<b>For the Nine Months Ended September 30, 2020</b>	<b>Change in net unrealized gains on investment</b>	<b>Foreign currency translation</b>	<b>Total</b>
Beginning balance	\$ 21,996	\$ (4,160)	\$ 17,836
Other comprehensive income (loss) before reclassifications	16,585	(10,821)	5,764
Amounts reclassified from AOCI to net income, net of tax	(9,643)	—	(9,643)
Net current period other comprehensive income (loss)	6,942	(10,821)	(3,879)
Ending balance, Maiden shareholders	<u>\$ 28,938</u>	<u>\$ (14,981)</u>	<u>\$ 13,957</u>

<b>For the Nine Months Ended September 30, 2019</b>	<b>Change in net unrealized gains on investment</b>	<b>Foreign currency translation</b>	<b>Total</b>
Beginning balance	\$ (59,762)	\$ (5,932)	\$ (65,694)
Other comprehensive income before reclassifications	89,826	9,286	99,112
Amounts reclassified from AOCI to net loss, net of tax	(11,482)	—	(11,482)
Net current period other comprehensive income	78,344	9,286	87,630
Ending balance, Maiden shareholders	<u>\$ 18,582</u>	<u>\$ 3,354</u>	<u>\$ 21,936</u>

#### **14. Income Taxes**

The Company uses the estimated annual effective tax rate method. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions.

Maiden NA files a consolidated federal income tax return for the Company's U.S. based subsidiaries, including Maiden Reinsurance, which re-domesticated to Vermont on March 16, 2020 and, as a result, became subject to U.S. taxes. Maiden NA has Net Operating Loss carry-forwards ("NOLs") and other Deferred Tax Assets ("DTAs") and Deferred Tax Liabilities ("DTLs") that are not presently recognized as a net DTA because a full valuation allowance is currently carried against them.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief and Economic Security Act (the "CARES" Act) to mitigate the economic impacts of COVID-19. The Company believes that the provisions of the CARES Act will not have a material impact on its U.S. federal tax liabilities.

#### **15. Subsequent Events**

##### ***Preference Shares***

On November 13, 2020, the Company announced that commencing November 16, 2020, Maiden Reinsurance was offering to purchase for cash, upon the terms and subject to the conditions set forth in its Offer to Purchase ("Purchase Offer") and accompanying Letter of Transmittal, up to \$100.0 million of its 8.25% Non-Cumulative Preference Shares Series A, 7.125% Non-Cumulative Preference Shares Series C and 6.7% Non-Cumulative Preference Shares Series D ("Preference Securities"). The acquisition by Maiden Reinsurance of the Preference Securities pursuant to the Purchase Offer is being made in compliance with Maiden Reinsurance's investment policy previously approved by the Vermont DFR.

The principal purpose of the Purchase Offer is to adjust the Company's and Maiden Reinsurance's capital structure to reflect its current operations and the amount of capital that is required to operate. The Company's Board of Directors has not declared or paid a dividend on the Preference Securities since the fourth quarter of 2018 and there can be no assurance that it will declare and pay dividends on the Preference Securities in the future. The Preference Securities are perpetual and there is no fixed date on which we are required to redeem or otherwise repurchase them. Further, given the perpetual form of capital the Preference Securities represent, there can be no assurance that the Company or Maiden Reinsurance will make additional offers in the future to purchase the Preference Securities. The Company expects to use cash on hand to pay the consideration payable by it pursuant to the Purchase Offer and the fees and expenses incurred by it in connection therewith. The Purchase Offer is neither conditioned upon any minimum number of Securities being tendered, nor subject to any financing condition.

The Company or Maiden Reinsurance reserves the right, but is not obligated to, increase the Maximum Aggregate Purchase Amount in its sole and absolute discretion. The Purchase Offer will expire on December 15, 2020 at 11:59 p.m., New York City time, unless the Company or Maiden Reinsurance extends it (such date and time, as the same may be extended, the "Expiration Date"). If the aggregate Offer Price of the Preference Securities that are validly tendered and not properly withdrawn at the Expiration Time (the "Total Consideration Amount") exceeds the Maximum Aggregate Purchase Amount, Maiden Reinsurance will accept for purchase that number of Securities that does not result in the Total Consideration Amount exceeding the Maximum Aggregate Purchase Amount. In that event, the Securities will be subject to proration, as will be described in the Purchase Offer.

##### ***Novation of the Asset Management Agreement***

On November 13, 2020, Maiden Life Försäkrings AB ("Maiden LF"), Maiden General Försäkrings AB ("Maiden GF"), AmTrust and AIIM entered into a novation agreement, effective July 1, 2020, which provided for the novation of the asset management agreement, dated January 1, 2018 between Maiden LF, Maiden GF and AIIM, and the release by Maiden LF and Maiden GF of AIIM's obligations under the asset management agreement. The novation mandates that AmTrust is to be bound by the terms of the asset management agreement in place of AIIM and AmTrust agrees to perform any and all past, present and future obligations of AIIM under the asset management agreement.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (this "Form 10-Q" or this "Report"). References in this Form 10-Q to the terms "we", "us", "our", "the Company" or other similar terms mean the consolidated operations of Maiden Holdings, Ltd. and its subsidiaries, unless the context requires otherwise. References in this Form 10-Q to the term "Maiden Holdings" means Maiden Holdings, Ltd. only. Certain reclassifications have been made for 2019 to conform to the 2020 presentation and have no impact on consolidated net income and total equity previously reported.*

### **Note on Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. These projections and statements are forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 and are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections and statements may address, among other things, our strategy for growth, product development, financial results and reserves. Our actual results and financial condition may differ, possibly materially, from these projections and statements and therefore you should not place undue reliance on them. Factors that could cause our actual results and financial condition to differ, possibly materially, from those in the specific projections and statements are discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations and in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 18, 2020, however, these factors should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by law.

## Overview

Maiden Holdings is a Bermuda-based holding company, previously focused on serving the needs of regional and specialty insurers in the United States ("U.S."), Europe and select other global markets. We are running off the liabilities associated with AmTrust Financial Services, Inc. ("AmTrust") contracts terminated in early 2019 as discussed below. We are not actively underwriting reinsurance business. We have also entered into a retroactive reinsurance agreement and a commutation agreement that further reduces our exposure to and limits the potential volatility related to these AmTrust liabilities, which are discussed in "Note 1. Basis of Presentation" of the Notes to Condensed Consolidated Financial Statements included in Part I Item 1. "Financial Information". We operate internationally providing branded auto and credit life insurance products through insurer partners to retail clients in the EU and other global markets through our wholly owned subsidiary Maiden Global Holdings, Ltd. ("Maiden Global"). These products also produce reinsurance programs which are underwritten by our indirect wholly owned subsidiary Maiden Reinsurance Ltd. ("Maiden Reinsurance"). Certain international credit life business is written on a primary basis by our wholly owned subsidiary Maiden Life Försäkrings AB ("Maiden LF") and general insurance business is written on a primary basis by our wholly owned subsidiary Maiden General Försäkrings AB ("Maiden GF").

As discussed in "Note 1. Basis of Presentation" of the Notes to Condensed Consolidated Financial Statements included in Part I Item 1. "Financial Information" and in Item 1. "Business" of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 18, 2020, the sale of Maiden Reinsurance North America, Inc. ("Maiden US") and the termination of both of our quota share contracts with AmTrust have materially reduced our gross and net premiums written since 2018. We have significantly reduced our operating expenses and continue to take steps to reduce these costs further.

Our business consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. As a result of the strategic decision to divest all our U.S. treaty reinsurance operations in 2018, we revised the composition of our reportable segments in the fourth quarter of 2018. Our Diversified Reinsurance segment now only consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located primarily in Europe. Our AmTrust Reinsurance segment includes the run-off of all business ceded by AmTrust to Maiden Reinsurance, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share.

## Recent Developments

Since the third quarter of 2018, we have engaged in a series of transactions that have dramatically reduced the regulatory capital required to operate our business, materially strengthened our solvency ratios, and ceased active reinsurance underwriting. During that time, we significantly increased our estimate of ultimate losses and loss reserves while purchasing reinsurance protection against further loss reserve volatility and as a result, have improved the ultimate economic value of the Company.

The measures we have taken were initiated in early 2018, when our Board of Directors initiated a review of strategic alternatives ("Strategic Review") to evaluate ways to increase shareholder value after a period of continuing higher than targeted combined ratios and lower returns on equity than expected. This Strategic Review resulted in a series of transactions that transformed our operations and materially reduced the risk on our balance sheet. These transactions can be found in Part II of our Annual Report on Form 10-K for the year ended December 31, 2019.

Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019 for further information.

Effective March 16, 2020, we re-domesticated our principal operating subsidiary, Maiden Reinsurance, to the State of Vermont in the U.S. Maiden Reinsurance is now subject to the statutes and regulations of Vermont in the ordinary course of business. We have determined that re-domesticating Maiden Reinsurance to Vermont enables us to better align our capital and resources with our liabilities, which originate mostly in the United States, resulting in a more efficient structure. The re-domestication, in combination with the transactions completed pursuant to the Strategic Review, will continue to strengthen the Company's capital position and solvency ratios. While the Vermont Department of Financial Regulation ("Vermont DFR") will be the group supervisor for the Company, the re-domestication did not apply to the parent holding company which remains a Bermuda-based holding company. Securities issued by Maiden Holdings were not affected by the re-domestication of Maiden Reinsurance to Vermont. Concurrent with the re-domestication, Maiden Holdings contributed as capital the remaining 65% of its ownership in Maiden Reinsurance to our wholly owned subsidiary Maiden Holdings North America, Ltd. ("Maiden NA"). Maiden NA now owns 100% of Maiden Reinsurance in the aggregate.

Maiden NA also maintains a portfolio of cash and fixed maturity investments, along with other strategic investments of \$41.1 million at September 30, 2020. We believe Maiden NA's investments, including its ownership of Maiden Reinsurance, will create opportunities to utilize net operating loss carry-forwards ("NOLs") which total \$211.6 million as of September 30, 2020. These NOLs are not presently recognized as deferred tax assets as a full valuation allowance is currently carried against them. For further details please see "Note 16. Taxation" included under Item 8 "Financial Statements and Supplementary Data" in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 18, 2020. Taken together, the Company believes these measures should generate additional income for Maiden NA in a tax-efficient manner while sharing in the improvement in profitability anticipated in Maiden Reinsurance as a result of the measures enacted as part of the Strategic Review.

## Strategy

We expect to continue to re-evaluate our operating strategy during 2020 while leveraging the significant assets and capital we retain. In addition to restoring operating profitability, our strategic focus will center on creating the greatest risk-adjusted shareholder returns, whether via asset and capital management or active reinsurance underwriting, or a combination of both. Our present assessment of the reinsurance marketplace along with our current operating profile is that the risk-adjusted returns

that may be produced via active reinsurance underwriting are likely to present more limited opportunities compared to other strategic initiatives which may produce greater shareholder value. As a result, our strategic focus has shifted to activities which utilize our unrestricted cash and investments to manage our capital and where prudent, enhance our investment return by investing in asset classes which we believe will produce appropriate returns.

The measures implemented now enable the Company to more flexibly allocate capital to those activities most likely to produce the greatest returns for shareholders, and the Company is actively engaged in evaluating and deploying funds in both pillars of these strategies as discussed herein. As part of our expanded asset management activities, we have evaluated and continue to consider investing in various initiatives in the insurance industry across a variety of segments which we believe will produce appropriate risk-adjusted returns while maintaining the option to consider underwriting activities in the future.

Our capital management strategy is significantly informed by the required capital needed to operate our business in a prudent manner and our ongoing analysis of our loss development trends. Recent trends have increased our confidence in our recorded ultimate losses for our insurance liabilities in run-off, however a prudent assessment dictates that the run-off portfolio still requires additional maturity to fully emerge. While there is no guarantee that these recent loss development trends will persist, as confidence increases it allows us to consider capital management initiatives. Our current assessment is that losses have stabilized sufficiently to consider certain capital management initiatives, although we are careful to approach these strategies in a deliberate fashion.

On November 13, 2020, as part of the capital management pillar of our strategy, the Company announced that commencing November 16, 2020, Maiden Reinsurance was offering to purchase for cash, upon the terms and subject to the conditions set forth in its Offer to Purchase and accompanying Letter of Transmittal, up to \$100.0 million of its 8.25% Non-Cumulative Preference Shares Series A, 7.125% Non-Cumulative Preference Shares Series C and 6.7% Non-Cumulative Preference Shares Series D (the "Preference Securities"). There can be no assurance that our insurance liabilities will run-off at levels that will permit future capital management activities, which we expect to continually review as part of our strategy. Please refer to the "*Liquidity and Capital Resources*" section for further information.

#### **COVID-19 Pandemic**

The continuing COVID-19 global pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known. Circumstances caused by the COVID-19 pandemic are complex, uncertain and rapidly evolving. Our results of operations, financial condition, and liquidity and capital resources have been adversely impacted by the COVID-19 pandemic, and the future impact of the pandemic on our financial condition or results of operations is difficult to predict.

As described herein, the Company is not currently engaged in active reinsurance underwriting and is running off the remaining unearned exposures it has reinsured. Maiden Global's business development teams partner with automobile manufacturers, dealer associations and local primary insurers to design and implement point of sale insurance programs which generate revenue for the auto manufacturer and insurance premiums for the primary insurer ("IIS unit"). Our IIS unit does write limited primary insurance coverages that could be exposed to COVID-19 claims. While we assess our exposure to COVID-19 insurance and reinsurance claims on our existing insurance exposures and remaining reinsurance exposures as limited and immaterial, given the uncertainty surrounding the COVID-19 pandemic and its impact on the insurance industry, our preliminary estimates of loss and loss adjustment expenses ("loss and LAE") and estimates of reinsurance recoverable arising from the COVID-19 pandemic may materially change. Maiden Reinsurance has not received any COVID-19 claims to date but our companies within our IIS unit have received a limited number of claims related to those coverages which it deems as immaterial. Unanticipated issues relating to claims and coverage may emerge, which could adversely affect our business by increasing the scope of coverage beyond our intent and/or increasing the frequency and severity of claims.

The Company's investment portfolio may be adversely impacted by unfavorable market conditions caused by the COVID-19 pandemic and we and our reinsurance subsidiaries may need additional capital to maintain compliance with regulatory capital requirements and/or be required to post additional collateral under existing reinsurance arrangements, which could reduce our liquidity. In addition, the Company may experience continued volatility in our results of operations which could negatively impact our financial condition and create a reduction in the amount of available distribution or dividend capacity from our regulated reinsurance subsidiaries, which would also reduce liquidity.

Please refer to the "*Liquidity and Capital Resources*" section for a further discussion of the impact of the COVID-19 pandemic on our liquidity and investment portfolio.

### Three and Nine Months Ended September 30, 2020 and 2019 Financial Highlights

For the Three Months Ended September 30,	2020	2019	Change
Summary Consolidated Statement of Income Data (unaudited):			
	(\$ in thousands except per share data)		
Net income (loss) from continuing operations	\$ 2,162	\$ (58,402)	\$ 60,564
Income from discontinued operations, net of income tax	—	75	(75)
Net income (loss)	2,162	(58,327)	60,489
Basic and diluted earnings (loss) per common share <sup>(9)</sup> :			
Net income (loss) attributable to common shareholders <sup>(2)(9)</sup>	0.03	(0.70)	0.73
Gross premiums written	3,517	35,844	(32,327)
Net premiums earned	24,305	94,898	(70,593)
Underwriting income (loss) <sup>(3)</sup>	3,402	(80,255)	83,657
Net investment income	12,686	13,223	(537)
Combined ratio <sup>(4)</sup>	109.4 %	191.2 %	(81.8)
Non-GAAP measures:			
Non-GAAP operating (loss) earnings <sup>(1)</sup>	\$ (2,313)	\$ 39,482	\$ (41,795)
Non-GAAP basic and diluted operating (loss) earnings per common share <sup>(1)(9)</sup>	(0.03)	0.47	(0.50)
Annualized non-GAAP operating return on average common shareholders' equity <sup>(1)</sup>	(5.6)%	105.0 %	(110.6)
For the Nine Months Ended September 30,	2020	2019	Change
Summary Consolidated Statement of Income Data (unaudited):			
	(\$ in thousands except per share data)		
Net income (loss) from continuing operations	\$ 32,235	\$ (88,328)	\$ 120,563
Loss from discontinued operations, net of income tax	—	(22,048)	22,048
Net income (loss)	32,235	(110,376)	142,611
Basic and diluted earnings (loss) per common share <sup>(9)</sup> :			
Net income (loss) attributable to Maiden common shareholders <sup>(2)(9)</sup>	0.38	(1.33)	1.71
Gross premiums written	20,233	(523,178)	543,411
Net premiums earned	76,828	411,986	(335,158)
Underwriting loss <sup>(3)</sup>	(308)	(162,075)	161,767
Net investment income	44,959	76,367	(31,408)
Combined ratio <sup>(4)</sup>	124.6 %	146.0 %	(21.4)
Non-GAAP measures:			
Non-GAAP operating earnings (loss) <sup>(1)</sup>	\$ 2,041	\$ (9,411)	\$ 11,452
Non-GAAP basic and diluted operating earnings (loss) per common share <sup>(1)(9)</sup>	0.02	(0.11)	0.13
Annualized non-GAAP operating return on average common shareholders' equity <sup>(1)</sup>	1.8 %	(9.6)%	11.4



	September 30, 2020	December 31, 2019	Change
Consolidated Financial Condition			
(\$ in thousands except per share data)			
Total investments and cash and cash equivalents <sup>(5)</sup>	\$ 1,553,226	\$ 1,974,544	\$ (421,318)
Total assets	3,054,704	3,568,196	(513,492)
Reserve for loss and LAE	1,975,073	2,439,907	(464,834)
Senior notes - principal amount	262,500	262,500	—
Common shareholders' equity	73,086	42,718	30,368
Shareholders' equity	538,086	507,718	30,368
Total capital resources <sup>(6)</sup>	800,586	770,218	30,368
Ratio of debt to total capital resources <sup>(12)</sup>	32.8 %	34.1 %	(1.3)
<b>Book Value calculations:</b>			
Book value per common share <sup>(7)</sup>	\$ 0.86	\$ 0.51	\$ 0.35
Accumulated dividends per common share	4.27	4.27	—
Book value per common share plus accumulated dividends	\$ 5.13	\$ 4.78	\$ 0.35
Change in book value per common share plus accumulated dividends	7.3 %		
Diluted book value per common share <sup>(8)</sup>	\$ 0.85	\$ 0.50	\$ 0.35
<b>Non-GAAP measures:</b>			
Adjusted book value per common share <sup>(10)</sup>	\$ 1.81	\$ 1.87	\$ (0.06)
Adjusted Maiden shareholders' equity <sup>(11)</sup>	618,081	620,668	(2,587)
Adjusted total capital resources <sup>(11)</sup>	880,581	883,168	(2,587)
Ratio of debt to adjusted total capital resources <sup>(13)</sup>	29.8 %	29.7 %	0.1

- (1) Non-GAAP operating earnings (loss), non-GAAP operating earnings (loss) per common share, and annualized non-GAAP operating return on average common equity and underwriting loss are non-GAAP financial measures. See "Key Financial Measures" for additional information.
- (2) Please refer to "Notes to Condensed Consolidated Financial Statements (unaudited) Note 12. Earnings per Common Share" for the calculation of basic and diluted income or loss per common share.
- (3) Underwriting income or loss is a non-GAAP measure and is calculated as net premiums earned plus other insurance revenue less net loss and LAE, commission and other acquisition expenses and general and administrative expenses directly related to underwriting activities. See "Key Financial Measures" for additional information.
- (4) Combined ratio is calculated by adding together the net loss and LAE ratio and the expense ratio.
- (5) Total investments and cash and cash equivalents includes both restricted and unrestricted.
- (6) Total capital resources is the sum of the Company's principal amount of debt and shareholders' equity. See "Key Financial Measures" for additional information.
- (7) Book value per common share is calculated using common shareholders' equity (shareholders' equity excluding the aggregate liquidation value of our preference shares) divided by the number of common shares outstanding. See "Key Financial Measures" for additional information.
- (8) Diluted book value per common share is calculated by dividing common shareholders' equity, adjusted for assumed proceeds from the exercise of dilutive options, by the number of outstanding common shares plus dilutive options and restricted shares (assuming exercise of all dilutive share based awards). See "Key Financial Measures" for additional information.
- (9) During a period of loss, the basic weighted average common shares outstanding is used in the denominator of the diluted loss per common share computation as the effect of including potential dilutive shares would be anti-dilutive.
- (10) Adjusted book value per common share is a non-GAAP measure that is calculated using common shareholders' equity, adjusted for the estimated unamortized deferred gain on retroactive reinsurance, divided by the number of common shares outstanding. See "Key Financial Measures" for additional information.
- (11) Adjusted shareholders' equity and adjusted total capital resources are calculated by adding the unamortized deferred gain on retroactive reinsurance to the GAAP shareholders' equity and GAAP total capital resources, respectively. The deferred gain arises from the LPT/ADC Agreement with Cavello relating to losses from the AmTrust Quota Share agreement. Under U.S. GAAP, the deferred gain shall be amortized over the estimated remaining settlement period. See "Key Financial Measures" for additional information.
- (12) Ratio of debt to total capital resources is calculated using the total principal amount of debt divided by the sum of total capital resources.
- (13) Ratio of debt to adjusted total capital resources is calculated using the total principal amount of debt divided by the sum of adjusted total capital resources.

## Key Financial Measures

In addition to the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income and Comprehensive Income, management uses certain key financial measures, some of which are non-GAAP measures, to evaluate the Company's financial performance and the overall growth in value generated for the Company's common shareholders. Management believes that these measures, which may be defined differently by other companies, explain the Company's results to investors in a manner that allows for a more complete understanding of the underlying trends in the Company's business. The non-GAAP measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. The calculation of some of these key financial measures including the reconciliation of non-GAAP measures to the nearest GAAP measure and relevant discussions are found within *Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations"*. These key financial measures are:

*Non-GAAP operating earnings (loss) and non-GAAP diluted operating earnings (loss) per common share:* Management believes that the use of non-GAAP operating earnings (loss) and non-GAAP diluted operating earnings (loss) per common share enables investors and other users of the Company's financial information to analyze its performance in a manner similar to how management analyzes performance. Management also believes that these measures generally follow industry practice therefore allowing the users of financial information to compare the Company's performance with its industry peer group, and that the equity analysts and certain rating agencies which follow the Company, and the insurance industry as a whole, generally exclude these items from their analyses for the same reasons. Non-GAAP operating earnings (loss) should not be viewed as a substitute for U.S. GAAP net income (loss).

Non-GAAP operating earnings (loss) is an internal performance measure used by management as these measures focus on the underlying fundamentals of the Company's operations by excluding, on a recurring basis: (1) net realized gains or losses on investment; (2) total other-than-temporary impairment ("OTTI") losses; (3) foreign exchange and other gains or losses; and (4) the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements and related changes in amortization of the deferred gain liability. It also excludes on a non-recurring basis: (1) loss from discontinued operations, net of income tax and; (2) interest expense paid resulting from the LPT/ADC Agreement and Commutation and Release Agreement; (3) loss and related activity from our NGHC Quota Share run-off operations which was commuted in November 2019. We exclude net realized gains or losses on investment, OTTI losses and foreign exchange and other gains or losses as we believe these are influenced by market opportunities and other factors. We do not believe results from our NGHC Quota Share run-off operations commuted in November 2019 and results from our discontinued operations, (2) interest expense paid on the LPT/ADC Agreement and Commutation and Release Agreement and ceded risks under retroactive reinsurance agreements are representative of our ongoing and future business. We believe all of these amounts are substantially independent of our business and any potential future underwriting process therefore including them would distort the analysis of underlying trends in our operations.

*Underwriting income (loss)* is a non-GAAP measure and is calculated as net premiums earned plus other insurance revenue less net loss and LAE, commission and other acquisition expenses and general and administrative expenses directly related to underwriting activities. For purposes of these non-GAAP operating measures, the fee-generating business which is included in our Diversified Reinsurance segment, is considered part of the underwriting operations of the Company. Management believes that this measure is important in evaluating the underwriting performance of the Company and its segments. This measure is also a useful tool to measure the profitability of the Company separately from the investment results and is also a widely used performance indicator in the insurance industry. A reconciliation of the Company's underwriting results can be found in the Condensed Consolidated Financial Statements in the "*Notes to Condensed Consolidated Financial Statements (unaudited) Note 3. Segment Information*" included under *Item 1. "Financial Statements"* of this Quarterly Report on Form 10-Q.

*Combined ratio* is commonly used in the insurance and reinsurance industry in conjunction with underwriting income (loss) as a measure of underwriting profitability. Management measures underwriting results on an overall basis and for each segment on the basis of the combined ratio. The combined ratio is the sum of the net loss and LAE ratio and the expense ratio and the computations of each component are described below. A combined ratio under 100% indicates underwriting profitability, as the net loss and LAE, commission and other acquisition expenses and general and administrative expenses are less than the net premiums earned and other insurance revenue on that business. While the Company has continued to utilize this non-GAAP measure in this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2020, as the run-off of our reinsurance portfolios progresses, such ratios may increasingly be of less value to readers as they evaluate the financial results of the Company, particularly compared to historical data. Please refer to "*Notes to Condensed Consolidated Financial Statements (unaudited) Note 3. Segment Information*" included under *Item 1. "Financial Statements"* of this Quarterly Report on Form 10-Q for further details.

While an important metric of success, underwriting income (loss) and combined ratio do not reflect all components of profitability, as they do not recognize the impact of investment income earned on premiums between the time premiums are received and the time loss payments are ultimately paid to clients. Because we do not manage our cash and investments by segment, investment income and interest expense are not allocated to the reportable segments. Certain general and administrative expenses are generally allocated to segments based on actual costs incurred.

The "*net loss and LAE ratio*" is derived by dividing net loss and LAE by the sum of net premiums earned and other insurance revenue. The "*commission and other acquisition expense ratio*" is derived by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue. The "*general and administrative expense ratio*" is derived by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue. The "*expense ratio*" is the sum of the commission and other acquisition expense ratio and the general and administrative expense ratio.

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

*Book Value per Common Share and Diluted Book Value per Common Share*: Book value per common share and diluted book value per common share are non-GAAP measures. Management uses growth in both of these metrics as a prime measure of the value we are generating for our common shareholders, because management believes that growth in each metric ultimately results in growth in the Company's common share price. These metrics are impacted by the Company's net income and external factors, such as interest rates, which can drive changes in unrealized gains or losses on our investment portfolio, as well as share repurchases.

*Ratio of Debt to Total Capital Resources*: Management uses this non-GAAP measure to monitor the financial leverage of the Company. This measure is calculated using the total principal amount of debt divided by the sum of total capital resources.

*Non-GAAP underwriting income (loss), Non-GAAP earnings (loss) and LAE ratio, and Non-GAAP combined ratio*: Management has further adjusted underwriting loss, as defined above, as well as the reported loss and LAE ratios and reported combined ratios by excluding the portion of favorable or unfavorable prior year reserve development for which we have ceded the risk under retroactive reinsurance agreements such as the LPT/ADC Agreement. These losses are estimated to be fully recoverable from Cavello and management believes adjusting for this shows the ultimate economic benefit of the LPT/ADC Agreement on the Company's underwriting results. We believe reflecting the economic benefit of this retroactive reinsurance agreement is helpful for understanding future trends in our operations.

*Adjusted Total Shareholders' Equity, Adjusted Total Capital Resources, Ratio of Debt to Adjusted Total Capital Resources and Adjusted Book Value per Common Share*: Management has adjusted GAAP shareholders' equity by adding the unamortized deferred gain on retroactive reinsurance arising from the LPT/ADC Agreement to shareholders' equity. The unamortized deferred gain on retroactive reinsurance arising from the LPT/ADC Agreement includes the aggregate impact of: 1) cumulative increases to losses incurred prior to December 31, 2018 for which we have ceded the risk under the LPT/ADC Agreement; and 2) changes in estimated ultimate losses for certain workers' compensation reserves previously commuted by the Company to AmTrust which are subject to specific terms and conditions pursuant to the LPT/ADC Agreement. As a result, by virtue of this adjustment, management has also adjusted Total Capital Resources and computed the Ratio of Debt to Adjusted Capital Resources and Adjusted Book Value per Common Share. The deferred gain liability represents amounts estimated to be fully recoverable from Cavello and management believes adjusting for this shows the ultimate economic benefit of the LPT/ADC Agreement. We believe reflecting the economic benefit of this retroactive reinsurance agreement is helpful to understand future trends in our operations, which will improve the Company's shareholders' equity over the settlement period.

### **Certain Operating Measures**

Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019 for a general discussion on "Certain Operating Measures" utilized by the Company.

### **Critical Accounting Policies and Estimates**

The Company's critical accounting policies and estimates are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 18, 2020. The critical accounting policies and estimates should be read in conjunction with "Part I, Item 1 - Notes to Condensed Consolidated Financial Statements (unaudited) Note 2. Significant Accounting Policies" included in this Form 10-Q and "Notes to Consolidated Financial Statements Note 2. Significant Accounting Policies" included within the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 18, 2020. There have been no material changes in the application of our critical accounting estimates subsequent to that report.

## Results of Operations

The following table sets forth our selected unaudited Condensed Consolidated Statement of Income data for three and nine months ended September 30, 2020 and 2019:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross premiums written	\$ 3,517	\$ 35,844	\$ 20,233	\$ (523,178)
Net premiums written	\$ 3,031	\$ 35,944	\$ 17,493	\$ (525,995)
Net premiums earned	\$ 24,305	\$ 94,898	\$ 76,828	\$ 411,986
Other insurance revenue	261	554	919	2,120
Net loss and LAE	(9,065)	(140,860)	(41,159)	(415,110)
Commission and other acquisition expenses	(9,651)	(32,763)	(29,778)	(152,036)
General and administrative expenses <sup>(1)</sup>	(2,448)	(2,084)	(7,118)	(9,035)
<b>Underwriting income (loss)<sup>(2)</sup></b>	<b>3,402</b>	<b>(80,255)</b>	<b>(308)</b>	<b>(162,075)</b>
Other general and administrative expenses <sup>(1)</sup>	(5,712)	(6,814)	(18,853)	(28,640)
Net investment income	12,686	13,223	44,959	76,367
Net realized gains on investment	4,133	12,700	24,046	25,685
Total other-than-temporary impairment losses	(962)	(165)	(2,468)	(165)
Foreign exchange and other (losses) gains	(6,536)	7,827	(634)	14,013
Interest and amortization expenses	(4,832)	(4,831)	(14,493)	(14,490)
Income tax (expense) benefit	(17)	(87)	(14)	977
Net income (loss) from continuing operations	2,162	(58,402)	32,235	(88,328)
<b>Income (loss) from discontinued operations, net of income tax</b>	<b>—</b>	<b>75</b>	<b>—</b>	<b>(22,048)</b>
<b>Net income (loss)</b>	<b>\$ 2,162</b>	<b>\$ (58,327)</b>	<b>\$ 32,235</b>	<b>\$ (110,376)</b>
<b>Ratios</b>				
Net loss and LAE ratio <sup>(3)</sup>	36.9 %	147.6 %	52.9 %	100.2 %
Commission and other acquisition expense ratio <sup>(4)</sup>	39.3 %	34.3 %	38.3 %	36.7 %
General and administrative expense ratio <sup>(5)</sup>	33.2 %	9.3 %	33.4 %	9.1 %
Expense ratio <sup>(6)</sup>	72.5 %	43.6 %	71.7 %	45.8 %
Combined ratio <sup>(7)</sup>	109.4 %	191.2 %	124.6 %	146.0 %

- (1) Underwriting related general and administrative expenses is a non-GAAP measure. Please refer to "General and Administrative Expenses" below for additional information related to these corporate expenses and the reconciliation to those presented in our unaudited Condensed Consolidated Statements of Income.
- (2) Underwriting loss is a non-GAAP measure and is calculated as net premiums earned plus other insurance revenue less net loss and LAE, commission and other acquisition expenses and general and administrative expenses directly related to underwriting activities.
- (3) Calculated by dividing net loss and LAE by the sum of net premiums earned and other insurance revenue.
- (4) Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.
- (5) Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.
- (6) Calculated by adding together commission and other acquisition expense ratio and general and administrative expense ratio.
- (7) Calculated by adding together net loss and LAE ratio and the expense ratio.

### **Net Income (Loss)**

Net income for the three months ended September 30, 2020 was \$2.2 million compared to a net loss of \$58.3 million for the same period in 2019. The net improvement in results for the three months ended September 30, 2020 compared to the same period in 2019 was primarily due to the following:

- net income from continuing operations of \$2.2 million compared to net loss from continuing operations of \$58.4 million for the same period in 2019 largely due to the following factors:
  - underwriting income of \$3.4 million for the three months ended September 30, 2020 compared to an underwriting loss of \$80.3 million in the same period in 2019. The improvement in the underwriting income was due to:
    - the impact of lower loss ratios for current year premiums earned during the three months ended September 30, 2020 compared to the same period in 2019; and
    - favorable prior year loss development of \$7.2 million or 29.5 percentage points in the third quarter of 2020 compared to adverse prior year loss development of \$63.2 million or 66.2 percentage points during the same period in 2019 which had been incurred primarily within AmTrust Reinsurance Segment.

The improvement in our underwriting results was partially offset by the following:

- lower realized gains on investment of \$4.1 million for the three months ended September 30, 2020 compared to realized gains of \$12.7 million for the same period in 2019;
- a reduction in net investment income of \$0.5 million or 4.1% for the three months ended September 30, 2020 compared to the same period in 2019 primarily due to the decline in average investable assets of 34.1%; and
- foreign exchange and other losses of \$6.5 million for the three months ended September 30, 2020 compared to foreign exchange and other gains of \$7.8 million for the same period in 2019.

Net income for the nine months ended September 30, 2020 was \$32.2 million compared to a net loss of \$110.4 million for the same period in 2019. The net improvement in results for the nine months ended September 30, 2020 compared to the same period in 2019 was primarily due to the following:

- net income from continuing operations of \$32.2 million compared to net loss from continuing operations of \$88.3 million for the same period in 2019 largely due to the following factors:
  - underwriting loss of \$0.3 million compared to \$162.1 million in the same period in 2019. The reduction in the underwriting loss was due to:
    - the impact of lower loss ratios for current year premiums earned during the nine months ended September 30, 2020 compared to the same period in 2019; and
    - favorable prior year loss development of \$7.8 million or 10.1 percentage points in the nine months ended September 30, 2020 compared to adverse prior year loss development of \$96.5 million or 23.3 percentage points during the same period in 2019 which had been incurred primarily within AmTrust Reinsurance Segment.

The improvement in our underwriting results was partially offset by the following:

- a reduction in net investment income of \$31.4 million or 41.1% for the nine months ended September 30, 2020 compared to the same period in 2019, primarily due to the decline in average investable assets of 34.2%; and
  - lower realized gains on investment of \$24.0 million for the nine months ended September 30, 2020 compared to realized gains of \$25.7 million for the same period in 2019; and
  - foreign exchange and other losses of \$0.6 million for the nine months ended September 30, 2020 compared to foreign exchange and other gains of \$14.0 million for the same period in 2019.
- net income from discontinued operations of \$0.0 million for the nine months ended September 30, 2020 compared to a net loss from discontinued operations of \$22.0 million for the same period in 2019 as a result of the Settlement and Commutation Agreement entered into by the Company and Enstar on July 31, 2019 which caused a net additional loss of \$16.7 million to be recognized.

### Net Premiums Written

The tables below compare net premiums written by our reportable segments, reconciled to the total consolidated net premiums written for the three and nine months ended September 30, 2020 and 2019:

For the Three Months Ended September 30, (\$ in thousands)	2020		2019		Change in	
	Total		Total		\$	%
Diversified Reinsurance	\$ 8,666		\$ 14,539		\$ (5,873)	(40.4)%
AmTrust Reinsurance	(5,635)		21,405		(27,040)	(126.3)%
<b>Total</b>	<b>\$ 3,031</b>		<b>\$ 35,944</b>		<b>\$ (32,913)</b>	<b>(91.6)%</b>

  

For the Nine Months Ended September 30, (\$ in thousands)	2020		2019		Change in	
	Total		Total		\$	%
Diversified Reinsurance	\$ 27,591		\$ 38,204		\$ (10,613)	(27.8)%
AmTrust Reinsurance	(10,098)		(564,199)		554,101	(98.2)%
<b>Total</b>	<b>\$ 17,493</b>		<b>\$ (525,995)</b>		<b>\$ 543,488</b>	<b>(103.3)%</b>

Net premiums written for the three and nine months ended September 30, 2020 were \$3,031 and \$17,493, respectively, compared to net premiums written of \$35,944 and \$(525,995) in the same respective periods in 2019 due to the following:

- Premiums written in the Diversified Reinsurance segment decreased by \$5.9 million or 40.4% and \$10.6 million or 27.8% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 due to lower premiums written in German Auto programs within our IIS business.
- There were no new written premiums within the AmTrust Reinsurance segment due to the termination of both the AmTrust Quota Share and the European Hospital Liability Quota Share effective January 1, 2019. For the three and nine months ended September 30, 2020 and 2019, the negative premiums written are primarily the result of return premium and other adjustments after the termination of the AmTrust contracts in 2019. In 2019, the Partial Termination Amendment resulted in Maiden Reinsurance returning approximately \$648.0 million in unearned premium to AII, or \$436.8 million net of applicable ceding commission and brokerage.

Please refer to the analysis below of our Diversified Reinsurance and AmTrust Reinsurance segments for further details.

### Net Premiums Earned

Net premiums earned decreased by \$70.6 million or 74.4% and \$335.2 million or 81.4% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. The tables below compare net premiums earned by our reportable segments, reconciled to the total consolidated net premiums earned, for the three and nine months ended September 30, 2020 and 2019:

For the Three Months Ended September 30, (\$ in thousands)	2020		2019		Change in	
	Total	% of Total	Total	% of Total	\$	%
Diversified Reinsurance	\$ 11,323	46.6 %	\$ 20,492	21.6 %	\$ (9,169)	(44.7)%
AmTrust Quota Share Reinsurance	12,982	53.4 %	74,406	78.4 %	(61,424)	(82.6)%
<b>Total</b>	<b>\$ 24,305</b>	<b>100.0 %</b>	<b>\$ 94,898</b>	<b>100.0 %</b>	<b>\$ (70,593)</b>	<b>(74.4)%</b>

  

For the Nine Months Ended September 30, (\$ in thousands)	2020		2019		Change in	
	Total	% of Total	Total	% of Total	\$	%
Diversified Reinsurance	\$ 35,381	46.1 %	\$ 68,256	16.6 %	\$ (32,875)	(48.2)%
AmTrust Quota Share Reinsurance	41,447	53.9 %	343,730	83.4 %	(302,283)	(87.9)%
<b>Total</b>	<b>\$ 76,828</b>	<b>100.0 %</b>	<b>\$ 411,986</b>	<b>100.0 %</b>	<b>\$ (335,158)</b>	<b>(81.4)%</b>

Net premiums earned in the AmTrust Reinsurance segment for the three and nine months ended September 30, 2020 decreased by \$61.4 million or 82.6% and \$302.3 million or 87.9%, respectively, compared to the same respective periods in 2019 due to the terminations of the AmTrust Quota Share and European Hospital Liability Quota Share effective January 1, 2019. Please refer to the analysis of our AmTrust Reinsurance segment for further discussion.

Net premiums earned in our Diversified Reinsurance segment for the three and nine months ended September 30, 2020 decreased by \$9.2 million or 44.7% and \$32.9 million or 48.2%, respectively, compared to the same respective periods in 2019 driven by non-renewals in our European Capital Solutions business combined with reductions in quota share cessions for German Auto Programs within our IIS business. Please refer to the analysis of our Diversified Reinsurance segment for further discussion.

### Other Insurance Revenue

All of our Other Insurance Revenue is produced by our Diversified Reinsurance segment. Please refer to the analysis below of our Diversified Reinsurance segment for further discussion.

### Net Investment Income

Net investment income decreased by \$0.5 million or 4.1% and \$31.4 million or 41.1% for the three and nine months ended September 30, 2020, respectively, compared to the respective periods in 2019, primarily due to the decline in average investable assets of 34.1% and 34.2% in those same respective periods. The decrease in investable assets is largely due to the cessation of active reinsurance underwriting which materially reduced our revenues resulting in significant negative operating cash flows as we run-off our existing reinsurance liabilities.

During the three and nine months ended September 30, 2019, the Company paid AmTrust and Enstar an aggregate of \$13.6 million for interest due on the settlement of funding for amounts related to the Commutation and Release Agreement and the LPT/ADC Agreement, respectively. Excluding this non-recurring interest expense, average book yields were 2.9% and 3.1% for the three and nine months ended September 30, 2019, respectively, compared to average book yields of 2.1% and 2.3% for the same respective periods in 2020.

The following table details the Company's average investable assets and average book yield for the three and nine months ended September 30, 2020 compared to the same respective periods in 2019:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Average investable assets <sup>(1)</sup>	\$ 2,412,864	\$ 3,661,544	\$ 2,559,333	\$ 3,892,366
Average book yield <sup>(2)</sup>	2.1 %	1.4 %	2.3 %	2.6 %
Adjusted average book yield <sup>(3)</sup>	2.1 %	2.9 %	2.3 %	3.1 %

(1) The average of our total investments, cash, restricted cash and cash equivalents, funds withheld receivable and loan to related party held at each quarter-end during the period.

(2) Ratio of net investment income over average investable assets at fair value.

(3) Ratio of net investment income, excluding the interest payments to AmTrust and Enstar, over average investable assets at fair value, as adjusted.

### Net Realized Gains on Investment

Net realized gains on investment were \$4.1 million and \$24.0 million for the three and nine months ended September 30, 2020, respectively, compared to net realized gains of \$12.7 million and \$25.7 million for the same respective periods in 2019. The realized gains for the three and nine months ended September 30, 2020 were primarily due to sales of corporate bonds during 2020 for the settlement of claim payments to AmTrust.

The net realized gains on investment of \$12.7 million and \$25.7 million for the same respective periods in 2019 were the result of sales of corporate bonds in anticipation of completing and funding the LPT/ADC Agreement with Enstar as well as sales of corporate bonds during the third quarter for the settlement of the Commutation Payment to AmTrust via transfer of cash and invested assets on August 12, 2019. The year-to-date gains were partially offset by net investment losses realized on the non-cash transfer of corporate and other debt securities in early 2019 related to the Partial Termination Amendment with AmTrust and the conversion of a portion of reinsurance trust assets held as collateral into a funds withheld receivable.

### Net Impairment Losses Recognized in Earnings

The Company recognized \$1.0 million and \$2.5 million of OTTI losses on two and four fixed maturity securities for the three and nine months ended September 30, 2020, respectively, compared to \$0.2 million of OTTI losses on one fixed maturity security for the three and nine months ended September 30, 2019.

### Net Loss and LAE

Net loss and LAE decreased by \$131.8 million and \$374.0 million during the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 largely due to the cessation of active reinsurance underwriting, including the termination of the AmTrust Reinsurance quota share agreements effective January 1, 2019.

The loss ratio for the third quarter of 2020 was impacted by net favorable prior year reserve development of \$7.2 million or 29.5 percentage points compared to net adverse prior year reserve development of \$63.2 million or 66.2 percentage points during the same period in 2019. The loss ratio for the nine months ended September 30, 2020 was impacted by net favorable prior year reserve development of \$7.8 million or 10.1 percentage points compared to net adverse prior year reserve development of \$96.5 million or 23.3 percentage points during the same period in 2019. The prior year development is discussed in greater detail in the individual segment discussion and analysis.

The net loss and LAE ratios decreased to 36.9% and 52.9% for the three and nine months ended September 30, 2020, respectively, compared to 147.6% and 100.2% for the same respective periods in 2019 primarily due to significant reduction in adverse prior year loss development resulting from the termination of the AmTrust Reinsurance quota share contracts effective January 1, 2019.

### **Commission and Other Acquisition Expenses**

Commission and other acquisition expenses decreased by \$23.1 million or 70.5% and \$122.3 million or 80.4% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 due to significantly lower earned premiums in both of our reportable segments. The commission and other acquisition expense ratio increased to 39.3% and 38.3% for the three and nine months ended September 30, 2020, respectively, compared to 34.3% and 36.7% for the same respective periods in 2019.

### **General and Administrative Expenses**

General and administrative expenses include both segment and corporate expenses which are segregated for analytical purposes as a component of underwriting income. General and administrative expenses for the three and nine months ended September 30, 2020 and 2019 comprise:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
General and administrative expenses – segments	\$ 2,448	\$ 2,084	\$ 7,118	\$ 9,035
General and administrative expenses – corporate	5,712	6,814	18,853	28,640
<b>Total general and administrative expenses</b>	<b>\$ 8,160</b>	<b>\$ 8,898</b>	<b>\$ 25,971</b>	<b>\$ 37,675</b>

Total general and administrative expenses decreased by \$0.7 million, or 8.3% and \$11.7 million or 31.1% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. The general and administrative expense ratio increased to 33.2% and 33.4% for the three and nine months ended September 30, 2020, respectively, from 9.3% and 9.1% for the three and nine months ended September 30, 2019 as a result of significantly lower earned premiums compared to the prior periods. Lower earned premiums was largely due to termination of the AmTrust Reinsurance quota share contracts effective January 1, 2019 and non-renewals within our International business in the Diversified Reinsurance segment.

The decreased corporate expenses for the three and nine months ended September 30, 2020 compared to the same respective periods in 2019 were largely due to lower salary, benefits and other corporate expenses associated with the Strategic Review and related headcount reductions since 2018.

### **Interest and Amortization Expenses**

The interest and amortization expenses related to the outstanding senior notes issued by Maiden Holdings in 2016 and Maiden NA in 2013 ("Senior Notes") were \$4.8 million and \$14.5 million for the three and nine months ended September 30, 2020 and 2019, respectively.

Please refer to "Notes to Condensed Consolidated Financial Statements (unaudited) Note 7. Long Term Debt" for further details on the Senior Notes. The weighted average effective interest rate for the Senior Notes was 7.6% for the three and nine months ended September 30, 2020 and 2019, respectively.

### **Foreign Exchange and Other (Losses) Gains**

Net foreign exchange and other losses amounted to \$6.5 million and \$0.6 million during the three and nine months ended September 30, 2020, respectively, compared to net foreign exchange and other gains of \$7.8 million and \$14.0 million for the same respective periods in 2019.

Net foreign exchange losses of \$6.5 million and \$0.2 million occurred during the three and nine months ended September 30, 2020, respectively, due to the weakening of the U.S. dollar on the re-measurement of net loss reserves and related liabilities denominated in British pound and euro.

Net foreign exchange and other gains of \$14.0 million for the nine months ended September 30, 2019 included \$4.3 million of proceeds received from the sale of AVS and its related European subsidiaries to Allianz Partners on January 10, 2019. Excluding the gain of \$4.3 million, net foreign exchange gains of \$9.7 million were realized primarily attributable to the strengthening of the U.S. dollar on the re-measurement of net loss reserves and related liabilities denominated in British pound and euro.



**Underwriting Results by Reportable Segment**  
**Diversified Reinsurance Segment**

The underwriting results and associated ratios for our Diversified Reinsurance segment for the three and nine months ended September 30, 2020 and 2019 were as follows:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross premiums written	\$ 9,152	\$ 14,439	\$ 30,573	\$ 41,021
Net premiums written	\$ 8,666	\$ 14,539	\$ 27,591	\$ 38,204
Net premiums earned	\$ 11,323	\$ 20,492	\$ 35,381	\$ 68,256
Other insurance revenue	261	554	919	2,120
Net loss and LAE	(6,624)	(13,807)	(19,703)	(40,695)
Commission and other acquisition expenses	(4,204)	(7,005)	(13,557)	(24,413)
General and administrative expenses	(1,818)	(1,849)	(5,177)	(6,972)
<b>Underwriting loss</b>	<b>\$ (1,062)</b>	<b>\$ (1,615)</b>	<b>\$ (2,137)</b>	<b>\$ (1,704)</b>
<b>Ratios</b>				
Net loss and LAE ratio	57.2 %	65.6 %	54.3 %	57.8 %
Commission and other acquisition expense ratio	36.3 %	33.3 %	37.3 %	34.7 %
General and administrative expense ratio	15.7 %	8.8 %	14.3 %	9.9 %
Expense ratio	52.0 %	42.1 %	51.6 %	44.6 %
Combined ratio	109.2 %	107.7 %	105.9 %	102.4 %

The combined ratio for the three and nine months ended September 30, 2020 increased to 109.2% and 105.9%, respectively, compared to 107.7% and 102.4% for the same respective periods in 2019, largely due to significant declines in earned premium volume which increased the expense ratio and more than offset lower loss and LAE ratios. Please see the respective sections on net loss, commissions and administrative expenses for factors that have impacted the combined ratios in the discussion below.

**Premiums** — Gross premiums written decreased by \$5.3 million or 36.6% and \$10.4 million or 25.5% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. This was primarily due to lower premiums written in German Auto Programs in our IIS business during the three and nine months ended September 30, 2020. Net premiums written decreased by \$5.9 million or 40.4% and \$10.6 million or 27.8% during the three and nine months ended September 30, 2020 compared to the same respective periods in 2019 mainly due to lower net premiums written in our German Auto programs within our IIS business as discussed above.

The tables below show net premiums written by line of business for the three and nine months ended September 30, 2020 and 2019:

For the Three Months Ended September 30, (\$ in thousands)	2020	2019	Change in	
	Total	Total	\$	%
<b>Net Premiums Written</b>				
International	\$ 8,757	\$ 14,563	\$ (5,806)	(39.9)%
Other	(91)	(24)	(67)	NM
<b>Total Diversified Reinsurance</b>	<b>\$ 8,666</b>	<b>\$ 14,539</b>	<b>\$ (5,873)</b>	<b>(40.4)%</b>
<b>For the Nine Months Ended September 30,</b>				
(\$ in thousands)	2020	2019	Change in	
	Total	Total	\$	%
<b>Net Premiums Written</b>				
International	\$ 27,627	\$ 38,246	\$ (10,619)	(27.8)%
Other	(36)	(42)	6	(14.3)%
<b>Total Diversified Reinsurance</b>	<b>\$ 27,591</b>	<b>\$ 38,204</b>	<b>\$ (10,613)</b>	<b>(27.8)%</b>

NM - not meaningful

Net premiums earned decreased by \$9.2 million or 44.7% and \$32.9 million or 48.2% during the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 primarily due to lower earned premiums from German Auto programs and non-renewals in our European Capital Solutions business since 2019. The tables below show net premiums earned by line of business for the three and nine months ended September 30, 2020 and 2019:

<b>For the Three Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change in</b>	
(\$ in thousands)	<b>Total</b>		<b>Total</b>		<b>\$</b>	<b>%</b>
<b>Net Premiums Earned</b>						
International	\$	11,414	\$	20,516	\$ (9,102)	(44.4)%
Other		(91)		(24)	(67)	NM
<b>Total Diversified Reinsurance</b>	<b>\$</b>	<b>11,323</b>	<b>\$</b>	<b>20,492</b>	<b>\$ (9,169)</b>	<b>(44.7)%</b>

  

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change in</b>	
(\$ in thousands)	<b>Total</b>		<b>Total</b>		<b>\$</b>	<b>%</b>
<b>Net Premiums Earned</b>						
International	\$	35,417	\$	68,298	\$ (32,881)	(48.1)%
Other		(36)		(42)	6	(14.3)%
<b>Total Diversified Reinsurance</b>	<b>\$</b>	<b>35,381</b>	<b>\$</b>	<b>68,256</b>	<b>\$ (32,875)</b>	<b>(48.2)%</b>

NM - not meaningful

**Other Insurance Revenue** — Other insurance revenue, which represents fee income from our IIS business that is not directly associated with premium revenue assumed by the Company as well as other income earned from transitional services relating to the sale of Maiden US, decreased by \$0.3 million or 52.9% and \$1.2 million or 56.7% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. This was partly due to the sale of AVS and its subsidiaries on January 10, 2019 as a substantial portion of our International fee income was generated by AVS and its subsidiaries in Germany and Austria through its point of sale producers in select OEM's dealerships.

The tables below show other insurance revenue by source for the three and nine months ended September 30, 2020 and 2019:

<b>For the Three Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change</b>	
	(\$ in thousands)					
						%
International	\$	197	\$	302	\$ (105)	(34.8) %
Other income		64		252	(188)	(74.6) %
<b>Total Diversified Reinsurance</b>	<b>\$</b>	<b>261</b>	<b>\$</b>	<b>554</b>	<b>\$ (293)</b>	<b>(52.9) %</b>

  

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change</b>	
	(\$ in thousands)					
						%
International	\$	789	\$	1,363	\$ (574)	(42.1) %
Other income		130		757	(627)	(82.8) %
<b>Total Diversified Reinsurance</b>	<b>\$</b>	<b>919</b>	<b>\$</b>	<b>2,120</b>	<b>\$ (1,201)</b>	<b>(56.7) %</b>

**Net Loss and LAE** — Net loss and LAE decreased by \$7.2 million or 52.0% and \$21.0 million or 51.6% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. Net loss and LAE ratio decreased to 57.2% and 54.3% for the three and nine months ended September 30, 2020, respectively, compared with 65.6% and 57.8% during the same respective periods in 2019.

During the three months ended September 30, 2020, the net loss and LAE ratio decreased by 8.4 percentage points compared to the same period in 2019. The 2020 loss ratio was impacted by adverse prior year loss reserve development which was \$0.5 million or 4.2 percentage points during the three months ended September 30, 2020, compared to the impact of adverse development of \$0.7 million or 3.3 percentage points on the loss ratio for the same period in 2019. The loss development in 2020 was due to adverse development experienced in European Capital Solutions while the loss development in 2019 was the result of adverse development experienced in facultative reinsurance run-off partially offset by favorable development in International Auto.

During the nine months ended September 30, 2020, the net loss and LAE ratio decreased by 3.5 percentage points compared to the same period in 2019. The 2020 loss ratio was impacted by adverse prior year loss reserve development which was \$0.3 million or 0.9 percentage points during the nine months ended September 30, 2020, compared to the impact of favorable development of \$1.5 million or 2.1 percentage points on the loss ratio in 2019. The adverse loss development in 2020 was the

result of adverse development experienced in European Capital Solutions, while the favorable loss development in 2019 was due to favorable development experienced from facultative reinsurance run-off lines as well as German Auto programs.

The impact on the net loss and LAE ratios should be considered in conjunction with the commission and other acquisition expense ratio as changes to either ratio can be effected by changes in the mix of business and the impact of increases in the commission and other acquisition expense rates on pro-rata contracts with loss sensitive features. As a result of these factors, as well as the impact on the loss ratio described above, the combined ratio increased by 1.5 and 3.5 percentage points for the three and nine months ended September 30, 2020 compared to the same respective periods in 2019.

**Commission and Other Acquisition Expenses** — Commission and other acquisition expenses decreased by \$2.8 million or 40.0% and \$10.9 million or 44.5% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019, largely as a result of the corresponding decrease in net premiums earned in this segment.

The commission and other acquisition expense ratio for the three and nine months ended September 30, 2020 increased to 36.3% and 37.3%, respectively, compared to 33.3% and 34.7% for the same respective periods in 2019, reflecting the change in the mix of pro rata versus excess of loss premiums written compared to the same respective periods in 2019. Please refer to the preceding paragraph for other factors that can impact the combined ratio.

**General and Administrative Expenses** — General and administrative expenses decreased by 1.7% and \$1.8 million or 25.7% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. The general and administrative expense ratio increased to 15.7% and 14.3% for the three and nine months ended September 30, 2020, respectively, compared to 8.8% and 9.9% for the same respective periods in 2019 due to lower net premiums earned compared to the respective prior year periods.

The overall expense ratio (including commission and other acquisition expenses) for the three and nine months ended September 30, 2020 increased to 52.0% and 51.6% compared to 42.1% and 44.6% for the same respective periods in 2019 largely as a result of lower premium revenue compared to the respective prior year periods.

### AmTrust Reinsurance Segment

The AmTrust Reinsurance segment reported underwriting income of \$4.5 million and \$1.8 million during the three and nine months ended September 30, 2020, respectively, compared to an underwriting loss of \$78.5 million and \$160.1 million in the same respective periods in 2019. The improvement in the underwriting results was due to improved loss development on prior years, which resulted in a sharply lower combined ratio on significantly lower earned premiums during the three and nine months ended September 30, 2020 compared to the respective periods in 2019.

The underwriting results and associated ratios for the AmTrust Reinsurance segment for the three and nine months ended September 30, 2020 and 2019 were as follows:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross premiums written	\$ (5,635)	\$ 21,405	\$ (10,340)	\$ (564,199)
Net premiums written	\$ (5,635)	\$ 21,405	\$ (10,098)	\$ (564,199)
Net premiums earned	\$ 12,982	\$ 74,406	\$ 41,447	\$ 343,730
Net loss and LAE	(2,441)	(126,945)	(21,456)	(374,103)
Commission and other acquisition expenses	(5,447)	(25,758)	(16,221)	(127,623)
General and administrative expenses	(630)	(235)	(1,941)	(2,063)
<b>Underwriting income (loss)</b>	<b>\$ 4,464</b>	<b>\$ (78,532)</b>	<b>\$ 1,829</b>	<b>\$ (160,059)</b>
<b>Ratios</b>				
Net loss and LAE ratio	18.8 %	170.6 %	51.8 %	108.8 %
Commission and other acquisition expense ratio	42.0 %	34.6 %	39.1 %	37.1 %
General and administrative expense ratio	4.8 %	0.3 %	4.7 %	0.6 %
Expense ratio	46.8 %	34.9 %	43.8 %	37.7 %
<b>Combined ratio</b>	<b>65.6 %</b>	<b>205.5 %</b>	<b>95.6 %</b>	<b>146.5 %</b>

The combined ratio decreased 139.9 percentage points to 65.6% for the three months ended September 30, 2020 compared to 205.5% for the same period in 2019 partly due to the impact of favorable prior year loss development of \$7.7 million or 59.5 percentage points during the third quarter of 2020 compared to the impact of adverse prior year development of \$62.4 million or 83.8 percentage points for the same period in 2019. Prior year favorable development in 2020 was primarily due to Workers Compensation partly offset by adverse development within Commercial Auto and General Liability. The adverse loss development in Commercial Auto and General Liability for the three months ended September 30, 2020 was significantly more limited compared to the same period in 2019. The adverse development in 2019 was primarily due to Commercial Auto and General Liability in accident years 2015 to 2018, partly offset by favorable development in Workers Compensation in accident years 2016 to 2018.

The combined ratio decreased 50.9 percentage points to 95.6% for the nine months ended September 30, 2020 compared to 146.5% for the same period in 2019 partly due to the impact of favorable prior year loss development of \$8.1 million or 19.6 percentage points in the first nine months of 2020 compared to the impact of adverse prior year development of \$97.6 million or 28.4 percentage points for the same period in 2019. Prior year favorable development in 2020 was primarily due to Workers Compensation partly offset by adverse development within Commercial Auto and General Liability. The adverse loss development in Commercial Auto and General Liability for the nine months ended September 30, 2020 was significantly more limited compared to the same period in 2019. The adverse development in 2019 was primarily due to Commercial Auto and General Liability in accident years 2014 to 2018, partly offset by favorable development in Workers Compensation in accident years 2016 to 2018.

**Premiums** — There were negative gross and net premiums written for the three and nine months ended September 30, 2020 reflecting premium adjustments under the AmTrust Quota Share from April 1, 2020. Furthermore, the termination of both the AmTrust Quota Share and the European Hospital Liability Quota Share as of January 1, 2019, led to no new business written under these contracts during 2020. In 2019, the Partial Termination Amendment resulted in Maiden Reinsurance returning approximately \$648.0 million in unearned premium to AIL, or approximately \$436.8 million net of applicable ceding commission and brokerage, which caused negative gross and net premiums written for the nine months ended September 30, 2019.

The tables below show net premiums written by category for the three and nine months ended September 30, 2020 and 2019:

<b>For the Three Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
(\$ in thousands)	<b>Total</b>	<b>Total</b>
<b>Net Premiums Written</b>		
Small Commercial Business	\$ (2,123)	\$ 8,050
Specialty Program	(209)	4,139
Specialty Risk and Extended Warranty	(3,303)	9,216
<b>Total AmTrust Reinsurance</b>	<b>\$ (5,635)</b>	<b>\$ 21,405</b>

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
(\$ in thousands)	<b>Total</b>	<b>Total</b>
<b>Net Premiums Written</b>		
Small Commercial Business	\$ (8,517)	\$ (329,116)
Specialty Program	268	(24,500)
Specialty Risk and Extended Warranty	(1,849)	(210,583)
<b>Total AmTrust Reinsurance</b>	<b>\$ (10,098)</b>	<b>\$ (564,199)</b>

Net premiums earned decreased by \$61.4 million or 82.6% and \$302.3 million or 87.9% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 due to the terminations of the AmTrust Quota Share and European Hospital Liability Quota Share as of January 1, 2019. The negative net premiums earned on Small Commercial Business for the three and nine months ended September 30, 2020 was due to premium adjustments and earned premium returns under the recent commutation of certain home warranty business under the AmTrust Quota Share as of April 1, 2020. The tables below detail net premiums earned by category for the three and nine months ended September 30, 2020 and 2019:

<b>For the Three Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change in</b>	
(\$ in thousands)	<b>Total</b>	<b>% of Total</b>	<b>Total</b>	<b>% of Total</b>	<b>\$</b>	<b>%</b>
<b>Net Premiums Earned</b>						
Small Commercial Business	\$ (1,921)	(14.8)%	\$ 18,686	25.1 %	\$ (20,607)	(110.3)%
Specialty Program	(190)	(1.5)%	22,204	29.8 %	(22,394)	(100.9)%
Specialty Risk and Extended Warranty	15,093	116.3 %	33,516	45.1 %	(18,423)	(55.0)%
<b>Total AmTrust Reinsurance</b>	<b>\$ 12,982</b>	<b>100.0 %</b>	<b>\$ 74,406</b>	<b>100.0 %</b>	<b>\$ (61,424)</b>	<b>(82.6)%</b>

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>		<b>2019</b>		<b>Change in</b>	
(\$ in thousands)	<b>Total</b>	<b>% of Total</b>	<b>Total</b>	<b>% of Total</b>	<b>\$</b>	<b>%</b>
<b>Net Premiums Earned</b>						
Small Commercial Business	\$ (8,094)	(19.5)%	\$ 81,424	23.7 %	\$ (89,518)	(109.9)%
Specialty Program	311	0.7 %	128,751	37.5 %	(128,440)	(99.8)%
Specialty Risk and Extended Warranty	49,230	118.8 %	133,555	38.8 %	(84,325)	(63.1)%
<b>Total AmTrust Reinsurance</b>	<b>\$ 41,447</b>	<b>100.0 %</b>	<b>\$ 343,730</b>	<b>100.0 %</b>	<b>\$ (302,283)</b>	<b>(87.9)%</b>

**Net Loss and LAE** — Net loss and LAE decreased by \$124.5 million or 98.1% and \$352.6 million or 94.3% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 due to significantly lower earned premiums as a result of the termination of both quota share agreements with AmTrust. Net loss and LAE ratios decreased to 18.8% and 51.8% for the three and nine months ended September 30, 2020, respectively, compared to 170.6% and 108.8% for the same respective periods in 2019.

During the three months ended September 30, 2020, the net loss and LAE ratio decreased by 151.8 percentage points compared to the same period in 2019 primarily due to the following factors:

- the Partial Termination Amendment caused significant changes in the mix of business being earned in 2020 compared to 2019. These changes resulted in a current year loss ratio which decreased relative to the same period in 2019 for the remaining in-force business; and

- the impact of prior year loss development was favorable development of \$7.7 million or 59.5 percentage points during the three months ended September 30, 2020 on the loss ratio, compared to the impact of adverse prior year loss development which was \$62.4 million or 83.8 percentage points for the same period in 2019. Prior year favorable development in 2020 was primarily due to Workers Compensation partly offset by adverse development within Commercial Auto and General Liability. The adverse loss development in Commercial Auto and General Liability for the three months ended September 30, 2020 was significantly more limited compared to the same period in 2019. Prior year adverse development in 2019 was due to favorable development in Commercial Auto and General Liability in accident years 2015 to 2018, partly offset by favorable development in Workers Compensation.

During the nine months ended September 30, 2020, the net loss and LAE ratio decreased by 57.0 percentage points compared to the same period in 2019 primarily due to the following factors:

- the Partial Termination Amendment caused significant changes in the mix of business being earned in 2020 compared to 2019. These changes resulted in a current year loss ratio which decreased relative to the same period in 2019 for the remaining in-force business; and
- the impact of prior year loss development was favorable development of \$8.1 million or 19.6 percentage points during the nine months ended September 30, 2020 on the loss ratio, compared to the impact of adverse prior year loss development which was \$97.6 million or 28.4 percentage points for the same period in 2019. Prior year favorable development in 2020 was primarily due to Workers Compensation partly offset by adverse development within Commercial Auto and General Liability. The adverse loss development in Commercial Auto and General Liability for the nine months ended September 30, 2020 was significantly more limited compared to the same period in 2019. Prior year adverse development in 2019 was due to Commercial Auto and General Liability in accident years 2014 to 2018, partly offset by favorable development in Workers Compensation in accident years 2016 to 2018.

**Commission and Other Acquisition Expenses** — Commission and other acquisition expenses decreased by \$20.3 million or 78.9% and \$111.4 million or 87.3% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019 due to significantly lower earned premiums as a result of the terminations of both quota share agreements with AmTrust effective as of January 1, 2019.

The commission and other acquisition expense ratio increased to 42.0% and 39.1% for the three and nine months ended September 30, 2020, respectively, compared to 34.6% and 37.1% for the same respective periods in 2019.

**General and Administrative Expenses** — General and administrative expenses increased by \$0.4 million or 168.1% and decreased by \$0.1 million or 5.9% for the three and nine months ended September 30, 2020, respectively, compared to the same respective periods in 2019. The general and administrative expense ratios increased to 4.8% and 4.7% for the three and nine months ended September 30, 2020, respectively, compared to 0.3% and 0.6% for the same respective periods in 2019 as a result of much lower earned premiums due to the termination of both quota share agreements with AmTrust as of January 1, 2019.

The overall expense ratio (including commission and other acquisition expenses) increased to 46.8% and 43.8% for the three and nine months ended September 30, 2020, respectively, compared to 34.9% and 37.7% for the same respective periods in 2019 primarily due to significantly lower earned premiums as discussed above.

## Liquidity and Capital Resources

### Liquidity

Maiden Holdings is a holding company and transacts no business of its own. We therefore rely on cash flows in the form of dividends, advances, loans and other permitted distributions from our subsidiary companies to pay expenses and make dividend payments on our common and preference shares. The jurisdictions in which our operating subsidiaries are licensed to write business impose regulations requiring companies to maintain or meet statutory solvency and liquidity requirements and also place restrictions on the declaration and payment of dividends and other distributions.

As of September 30, 2020, the Company had investable assets of \$2.4 billion compared to \$2.8 billion as of December 31, 2019. Investable assets are the combined total of our investments, cash and cash equivalents (including restricted), loan to a related party and funds withheld receivable. The decrease in investable assets is primarily the result of significant negative operating cash flows during nine months ended September 30, 2020, particularly as a result of our cessation of active reinsurance underwriting, including certain contract terminations that occurred in 2019 that require the disbursement of cash and investments to settle claim payments in 2020.

The regulatory and liquidity requirements of the Company's operating segments are discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 18, 2020.

As previously indicated, Maiden Reinsurance re-domesticated to Vermont on March 16, 2020. We continue to be actively engaged with the Vermont DFR regarding the formulation of Maiden Reinsurance's longer term business plan, including its investment policy, changes to which require prior regulatory approval as stipulated by Vermont law or the Vermont DFR for any active underwriting, capital management or other strategic initiatives. Maiden Reinsurance has received all necessary approvals required to date by the Vermont DFR, including its investment policy.

The Company's investment portfolio may be adversely impacted by unfavorable market conditions caused by the COVID-19 pandemic and we and our insurance subsidiaries may need additional capital to maintain compliance with regulatory capital requirements and/or be required to post additional collateral under existing reinsurance arrangements, which could reduce our liquidity. In addition, we may experience continued volatility in our results of operations which could negatively impact our

financial condition and create a reduction in the amount of available distribution or dividend capacity from our regulated reinsurance subsidiaries, which would also reduce liquidity.

#### *Operating, investing and financing cash flows*

Our sources of funds historically have consisted of premium receipts net of commissions and brokerage, investment income, net proceeds from capital raising activities, and proceeds from sales, maturities, pay downs and redemption of investments. Cash is currently used primarily to pay loss and LAE, ceded reinsurance premium, general and administrative expenses, and interest expense, with the remainder in excess of our operating requirements, made available to our investment managers for investment in accordance with our investment policy.

Our business has undergone significant changes in the past two years. As previously noted, the Strategic Review resulted in a series of transactions that have materially reduced our balance sheet risk and have transformed our operations. As a result of the transactions entered into from the Strategic Review, we are not engaged in any active underwriting of reinsurance business thus our net premiums written will continue to be materially lower in 2020 and investment income will become a significantly larger portion of our total revenues. This has caused significant negative operating cash flows, particularly as we run off the AmTrust Reinsurance reserves as shown in the table below. We expect this trend to continue going forward for the rest of 2020 and beyond.

We expect to use funds from cash and investment portfolios, collected premiums on reinsurance contracts in force or being run-off, investment income and proceeds from investment sales and redemptions to meet our expected claims payments and operational expenses. Claim payments will be principally from the run-off of existing reserves for loss and loss adjustment expenses. A significant portion of those liabilities are collateralized and claim payments will be funded by using this collateral which should provide sufficient funding to fulfill those obligations. We generally expect negative operating cash flows to be sufficiently offset by positive investing cash flows. Overall, we continue to expect our cash flows to be sufficient to meet our cash requirements and to operate our business.

At September 30, 2020 and December 31, 2019, unrestricted cash and cash equivalents and unrestricted fixed maturity investments were \$319.7 million and \$435.0 million, respectively. The Company's management believes its current sources of liquidity are adequate to meet its cash requirements for the next twelve months. The table below summarizes our operating, investing and financing cash flows for the nine months ended September 30, 2020 and 2019:

<b>For the Nine Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
	(\$ in thousands)	
Operating activities	\$ (447,664)	\$ (949,283)
Investing activities	528,677	686,394
Financing activities	(1)	(18)
Effect of exchange rate changes on foreign currency cash	1,605	(1,269)
<b>Total increase (decrease) in cash, restricted cash and cash equivalents</b>	<b>82,617</b>	<b>(264,176)</b>
<b>Less: change in cash, restricted cash and cash equivalents of discontinued operations</b>	<b>—</b>	<b>(6,113)</b>
<b>Total change in cash, restricted cash and cash equivalents of continuing operations</b>	<b>\$ 82,617</b>	<b>\$ (258,063)</b>

#### *Cash Flows used in Operating Activities*

Cash flows used in operating activities for the nine months ended September 30, 2020 were \$447.7 million compared to cash flows used in operating activities of \$949.3 million for the nine months ended September 30, 2019, a decrease of \$501.6 million. Cash flows used in discontinued operations were \$0.0 million for the nine months ended September 30, 2020 compared to \$1.8 million in the nine months ended September 30, 2019. Cash flows used in continuing operating activities were \$447.7 million for the nine months ended September 30, 2020 compared to cash flows used in continuing operations of \$947.4 million for the nine months ended September 30, 2019.

The operating cash flows used in continuing operations for the nine months ended September 30, 2020 and 2019 were primarily the result of the termination of the AmTrust Quota Share including both the Partial Termination Amendment and the Commutation and Release Agreement, and the termination of the European Hospital Liability Quota Share, which significantly decreased gross premiums written during both respective periods while claim payments have been principally from the run-off of existing reserves for loss and LAE.

#### *Cash Flows from Investing Activities*

Cash flows from investing activities consist primarily of proceeds from the sales and maturities of investments and payments for investments acquired. Net cash provided by investing activities was \$528.7 million for the nine months ended September 30, 2020 compared to \$686.4 million for the same period in 2019 primarily due to proceeds from the sale of fixed maturity investments which were made to settle claim payments during the nine months ended September 30, 2020. Net cash provided by investing activities of \$686.4 million for the same period in 2019 was primarily due to the sale of fixed maturity investments in the third quarter of 2019 which were made to settle the Commutation Payment of \$312.8 million and retrocession premium of \$445.0 million under the LPT/ADC Agreement.

Cash flows used in discontinued operations was \$0.0 million for the nine months ended September 30, 2020 compared to cash flows used in discontinued operations of \$6.1 million for the same period in 2019. Cash flows provided by continuing operations was \$528.7 million during the nine months ended September 30, 2020 compared to cash flows provided by

continuing operations of \$692.5 million for the same period in 2019 as the proceeds from the sales, maturities and calls exceeded the purchases of fixed maturity securities by \$572.8 million compared to an inflow of \$695.8 million for the same period in 2019.

#### *Cash Flows from Financing Activities*

Cash flows used in financing activities were \$1.0 thousand for the nine months ended September 30, 2020 compared to \$18.0 thousand for the same period in 2019 which represent repurchases of common shares to settle employee withholding in respect of tax obligations on the vesting of restricted shares and performance based shares. No dividends on common or preference shares were paid during the nine months ended September 30, 2020 and 2019. Our Board of Directors have not declared any common or preference share dividends since the fourth quarter of 2018.

#### **Restrictions, Collateral and Specific Requirements**

The Company's restrictions, collateral and specific requirements are discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section included under Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 18, 2020.

At September 30, 2020 and December 31, 2019, restricted cash and cash equivalents and fixed maturity investments used as collateral were \$1.2 billion and \$1.5 billion, respectively. This collateral represents 78.4% and 77.6% of the fair value of our total fixed maturity investments and cash, restricted cash and cash equivalents at September 30, 2020 and December 31, 2019, respectively.

#### **Investments**

The investment of our funds has generally been designed to ensure safety of principal while generating current income. Accordingly, the majority of our funds have been invested in liquid, investment-grade fixed income securities which are all designated as available-for-sale at September 30, 2020. Please see "*Notes to Condensed Consolidated Financial Statements (unaudited) Note 4. Investments*" included under Part I Item 1 "*Financial Information*" of this Form 10-Q.

As our insurance liabilities continue to run-off and the required capital to operate our business for regulatory purposes decreases, we may have the ability to consider additional asset classes to enhance the income and returns our investment portfolio produces. We have and may continue to allocate a portion of our investment portfolio to other investments, including private equity and credit funds, fixed income funds, hedge funds, equity funds and other non-fixed income investments. We categorize these investments as "Other Investments" on our condensed consolidated balance sheets. For further details on these Other Investments, please see "*Notes to Condensed Consolidated Financial Statements (unaudited) Note 4(b). Other Investments*" included under Part I Item 1 "*Financial Information*" of this Form 10-Q.

We may utilize and pay fees to various companies to provide investment advisory and/or management services related to these investments. These fees, which would be predominantly based upon the amount of assets under management, would be included in net investment income. We believe other investments and equity method investments would provide diversification against our fixed maturity investments and an opportunity for improved risk-adjusted returns; however, the returns of other investments may be more volatile and we may experience significant unrealized gains or losses in any particular quarter or year.

The substantial majority of our current and future investments are held by Maiden Reinsurance, whose investment policy has been approved by the Vermont DFR. Maiden Reinsurance has received all necessary approvals for its investment policy.

During the nine months ended September 30, 2020, the yield on the 10-year U.S. Treasury bond decreased by 123 basis points to 0.69%. The 10-year U.S. Treasury rate is the key risk-free determinant in the fair value of many of the securities in our portfolio. The U.S. Treasury yield curve experienced a material downward shift during the nine months ended September 30, 2020, reflecting significant global financial and economic volatility from the COVID-19 pandemic which spread during the first half of 2020. The global nature of the pandemic resulted in an abrupt downturn in economic activity both globally and within the U.S., and financial markets experienced unprecedented volatility during this period. The U.S. Federal Reserve, along with central bankers globally, have implemented multiple rounds of rapid and aggressive monetary measures to provide liquidity to financial markets and to relieve imbalances that rapidly formed in those markets in the face of the pandemic and its economic and financial impacts. Government policymakers in the U.S. and globally have additionally implemented an ongoing series of unprecedented fiscal policy measures to provide immediate and near-term economic relief to affected populations.

The movement in the market values of our fixed maturity portfolio during the nine months ended September 30, 2020 generated net unrealized gains of \$7.0 million, despite the ongoing COVID-19 pandemic which has caused widening credit spreads, a surging demand for liquidity and a slowdown to global economic activity. Due in large part to the ongoing uncertainty caused by the COVID-19 pandemic in global financial markets during the nine months ended September 30, 2020, our investment portfolio experienced significant fluctuation in unrealized gains and losses (largely due to rapidly fluctuating credit spreads on fixed income investments), increased volatility, heightened credit risk, and declines in average yields on our fixed income investments. Our investment portfolios may be adversely impacted by unfavorable market conditions caused by the COVID-19 pandemic, which could cause continued volatility in our results of operations and negatively impact our financial condition.

At September 30, 2020, we consider the levels of cash and cash equivalents we are holding to be within our targeted ranges. During periods when interest rates experience greater volatility, we have periodically maintained more cash and cash equivalents in order to better assess current market conditions and opportunities within our defined risk appetite, and may do so in future periods. To limit our exposure to unexpected interest rate increases which would reduce the value of our fixed income securities and reduce our shareholders' equity, we attempt to maintain the duration of our fixed maturity investment portfolio combined with our cash and cash equivalents, both restricted and unrestricted, within a reasonable range of the duration of our loss reserves.



At September 30, 2020 and December 31, 2019, these respective durations in years were as follows:

	September 30, 2020	December 31, 2019
Fixed maturities and cash and cash equivalents	2.3	3.0
Reserve for loss and LAE <sup>(1)</sup>	4.4	4.2

(1) The duration regarding our reserve for loss and LAE at September 30, 2020 is gross of LPT/ADC Agreement reserves.

During the nine months ended September 30, 2020, the weighted average duration of our fixed maturity investment portfolio decreased by 0.7 years to 2.3 years and the duration for the reserve for loss and LAE increased by 0.2 years to 4.4 years. The differential in duration between these assets and liabilities may fluctuate over time and in the case of fixed maturities, historically has been affected by factors such as market conditions, changes in asset mix and prepayment speeds in the case of both our agency mortgage-backed securities ("Agency MBS") and commercial mortgage-backed securities. At September 30, 2020, the duration of our fixed maturity investment portfolio decreased compared to December 31, 2019 due to sales of fixed maturity investments primarily as a result of settling claim payments with AmTrust. At September 30, 2020, the duration of our loss reserves net of the LPT/ADC Agreement was in line with the duration of our fixed maturity investment portfolio.

The average yield and average duration of our fixed maturities, by asset class, and our cash and cash equivalents (restricted and unrestricted) are as follows at September 30, 2020 and December 31, 2019, respectively:

September 30, 2020	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Average yield <sup>(1)</sup>	Average duration <sup>(2)</sup>
(\$ in thousands)						
U.S. treasury bonds	\$ 100,930	\$ 197	\$ —	\$ 101,127	2.1 %	0.1
U.S. agency bonds – mortgage-backed	339,144	11,567	(361)	350,350	2.6 %	3.4
Non-U.S. government and supranational bonds	8,649	605	(32)	9,222	1.1 %	6.4
Asset-backed securities	184,982	1,233	(1,225)	184,990	2.3 %	0.7
Corporate bonds	625,210	27,782	(10,714)	642,278	2.3 %	3.2
	<u>1,258,915</u>	<u>41,384</u>	<u>(12,332)</u>	<u>1,287,967</u>	2.4 %	2.7
<b>Cash and cash equivalents</b>	189,895	—	—	189,895	0.1 %	0.0
<b>Total</b>	<u>\$ 1,448,810</u>	<u>\$ 41,384</u>	<u>\$ (12,332)</u>	<u>\$ 1,477,862</u>	2.1 %	2.3
December 31, 2019	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Average yield <sup>(1)</sup>	Average duration <sup>(2)</sup>
(\$ in thousands)						
U.S. treasury bonds	\$ 94,921	\$ 704	\$ —	\$ 95,625	2.5 %	0.7
U.S. agency bonds – mortgage-backed	533,296	6,717	(1,291)	538,722	2.9 %	4.1
Non-U.S. government and supranational bonds	11,796	294	(91)	11,999	1.2 %	4.6
Asset-backed securities	187,881	821	(532)	188,170	3.8 %	0.9
Corporate bonds	981,441	31,140	(15,725)	996,856	2.9 %	3.4
Municipal bonds	4,091	55	—	4,146	4.6 %	1.4
	<u>1,813,426</u>	<u>39,731</u>	<u>(17,639)</u>	<u>1,835,518</u>	3.0 %	3.2
<b>Cash and cash equivalents</b>	107,278	—	—	107,278	0.6 %	0.0
<b>Total</b>	<u>\$ 1,920,704</u>	<u>\$ 39,731</u>	<u>\$ (17,639)</u>	<u>\$ 1,942,796</u>	2.8 %	3.0

- (1) Average yield is calculated by dividing annualized investment income for each sub-component of fixed maturity securities and cash and cash equivalents (including amortization of premium or discount) by amortized cost.  
(2) Average duration in years.

At September 30, 2020 and December 31, 2019, 100.0% of the Company's U.S. agency bond holdings are mortgage-backed. Additional details on the Agency MBS at September 30, 2020 and December 31, 2019 were as follows:

(\$ in thousands)	September 30, 2020		December 31, 2019	
	Fair Value	% of Total	Fair Value	% of Total
<b>U.S. agency bonds - mortgage-backed</b>				
<i>Residential mortgage-backed ("RMBS")</i>				
GNMA – fixed rate	\$ 21,102	6.0 %	\$ 33,079	6.1 %
GNMA – variable rate	6,020	1.7 %	7,075	1.3 %
FNMA – fixed rate	152,738	43.6 %	241,905	44.9 %
FHLMC – fixed rate	170,490	48.7 %	256,663	47.7 %
<b>Total U.S. agency bonds</b>	<b>\$ 350,350</b>	<b>100.0 %</b>	<b>\$ 538,722</b>	<b>100.0 %</b>

Our Agency MBS portfolio is 27.2% of our fixed maturity investments at September 30, 2020. Given the relative size of this portfolio to our total investments, if faster prepayment patterns were to occur over an extended period of time, this could potentially limit the growth in our investment income in certain circumstances or reduce the total amount of investment income we earn.

At September 30, 2020 and December 31, 2019, 96.6% and 99.7%, respectively, of our fixed maturity investments consisted of investment grade securities. We define a security as being below investment grade if it has an S&P credit rating of BB+, or equivalent, or less. Please see "Part I, Item 1 - Notes to Condensed Consolidated Financial Statements (unaudited) Note 4. Investments" for additional information on the credit rating of our fixed income portfolio.

The security holdings by sector and financial strength rating of our corporate bond holdings at September 30, 2020 and December 31, 2019 were as follows:

September 30, 2020	Ratings <sup>(1)</sup>				Fair Value (\$ in thousands)	% of Corporate bonds portfolio
	AAA, AA+, AA, AA-	A+, A, A-	BBB+, BBB, BBB-	BB+ or lower		
<b>Corporate bonds</b>						
Basic Materials	— %	0.9 %	1.4 %	— %	\$ 15,356	2.3 %
Communications	— %	1.0 %	4.5 %	1.6 %	45,468	7.1 %
Consumer	— %	2.0 %	21.9 %	1.6 %	163,424	25.5 %
Energy	2.5 %	6.1 %	2.9 %	1.9 %	86,022	13.4 %
Financial Institutions	7.0 %	25.0 %	12.3 %	1.0 %	291,193	45.3 %
Industrials	— %	0.9 %	1.5 %	0.7 %	19,816	3.1 %
Technology	— %	2.7 %	0.6 %	— %	20,999	3.3 %
<b>Total</b>	<b>9.5 %</b>	<b>38.6 %</b>	<b>45.1 %</b>	<b>6.8 %</b>	<b>\$ 642,278</b>	<b>100.0 %</b>

December 31, 2019	Ratings <sup>(1)</sup>				Fair Value (\$ in thousands)	% of Corporate bonds portfolio
	AAA, AA+, AA, AA-	A+, A, A-	BBB+, BBB, BBB-	BB+ or lower		
<b>Corporate bonds</b>						
Basic Materials	— %	0.6 %	1.4 %	— %	\$ 19,517	2.0 %
Communications	— %	2.4 %	4.0 %	— %	64,159	6.4 %
Consumer	0.2 %	8.3 %	19.6 %	— %	279,940	28.1 %
Energy	0.9 %	6.1 %	3.8 %	— %	107,369	10.8 %
Financial Institutions	3.1 %	30.1 %	10.7 %	0.6 %	443,983	44.5 %
Industrials	— %	1.8 %	3.5 %	— %	53,279	5.3 %
Technology	— %	1.7 %	1.2 %	— %	28,609	2.9 %
<b>Total</b>	<b>4.2 %</b>	<b>51.0 %</b>	<b>44.2 %</b>	<b>0.6 %</b>	<b>\$ 996,856</b>	<b>100.0 %</b>

(1) Ratings as assigned by S&P, or equivalent

At September 30, 2020, the Company's ten largest corporate holdings, 50.9% of which are U.S. dollar denominated, 39.1% of which are in the Consumer Sector and 48.3% of which are in the Financial Institutions sector, at fair value and as a percentage of all fixed income securities were as follows:

September 30, 2020	Fair Value	% of Holdings	Rating <sup>(1)</sup>
	(\$ in thousands)		
Electricite de France, 4.625%, Due 9/11/2024	\$ 17,862	1.4 %	A-
UBS Group Funding (Jersey) Ltd, 2.65% Due 2/1/2022	17,487	1.4 %	A-
Abbvie Inc., 3.80%, Due 3/15/2025	16,633	1.3 %	BBB
Brookfield Asset Management Inc., 4.00% Due 1/15/2025	13,459	1.0 %	A-
Nordea Bank ABP, 0.875% Due 6/26/2023	13,115	1.0 %	A
Anheuser-Busch INBEV NV, 2.875% Due 9/25/2024	13,063	1.0 %	BBB+
Bayer US Finance LLC, 3.375% Due 10/8/2024	13,054	1.0 %	BBB+
Deutsche Bank AG, 1.25%, Due 9/8/2021	12,994	1.0 %	BBB-
Carlsberg Breweries A/S, 2.5%, Due 5/28/2024	12,693	1.0 %	BBB
Deutsche Bank AG (NY Branch), 3.7%, Due 5/30/2024	11,525	0.9 %	BBB-
<b>Total</b>	<b>\$ 141,885</b>	<b>11.0 %</b>	

(1) Ratings as assigned by S&P, or equivalent

At September 30, 2020 and December 31, 2019, respectively, we hold the following non-U.S. dollar denominated securities:

(\$ in thousands)	September 30, 2020		December 31, 2019	
	Fair Value	% of Total	Fair Value	% of Total
Non-U.S. dollar denominated corporate bonds	\$ 343,962	97.4 %	\$ 310,323	96.3 %
Non-U.S. government and supranational bonds	9,222	2.6 %	11,999	3.7 %
<b>Total non-U.S. dollar denominated securities</b>	<b>\$ 353,184</b>	<b>100.0 %</b>	<b>\$ 322,322</b>	<b>100.0 %</b>

At September 30, 2020 and December 31, 2019, respectively, these non-U.S. securities are invested in the following currencies:

(\$ in thousands)	September 30, 2020		December 31, 2019	
	Fair Value	% of Total	Fair Value	% of Total
Euro	\$ 322,075	91.2 %	\$ 272,493	84.5 %
British Pound	24,830	7.0 %	42,342	13.1 %
Canadian Dollar	4,875	1.4 %	5,364	1.7 %
All other currencies	1,404	0.4 %	2,123	0.7 %
<b>Total non-U.S. dollar denominated securities</b>	<b>\$ 353,184</b>	<b>100.0 %</b>	<b>\$ 322,322</b>	<b>100.0 %</b>

The net increase in non-U.S. denominated fixed maturities is primarily due to the depreciation of Euro denominated corporate bonds during the nine months ended September 30, 2020. At September 30, 2020 and December 31, 2019, all of the Company's non-U.S. government and supranational issuers have a rating of A or higher by S&P.

For our non-U.S. dollar denominated corporate bonds, the following table summarizes the composition of the fair value of our fixed maturity investments at the dates indicated by ratings:

Ratings <sup>(1)</sup>	September 30, 2020		December 31, 2019	
(\$ in thousands)	Fair Value	% of Total	Fair Value	% of Total
AAA	\$ 1,217	0.4 %	\$ 481	0.2 %
AA+, AA, AA-	29,698	8.6 %	21,231	6.8 %
A+, A, A-	161,301	46.9 %	137,584	44.3 %
BBB+, BBB, BBB-	138,703	40.3 %	145,546	46.9 %
BB+ or lower	13,043	3.8 %	5,481	1.8 %
<b>Total non-U.S. dollar denominated corporate bonds</b>	<b>\$ 343,962</b>	<b>100.0 %</b>	<b>\$ 310,323</b>	<b>100.0 %</b>

(1) Ratings as assigned by S&P, or equivalent

The Company does not employ any credit default protection against any of the fixed maturities held in non-U.S. denominated currencies at September 30, 2020 and December 31, 2019, respectively.

### Other Balance Sheet Changes

The following table summarizes the Company's other material balance sheet changes at September 30, 2020 and December 31, 2019:

(\$ in thousands)	September 30, 2020	December 31, 2019	Change	Change %
Reinsurance recoverable on unpaid losses	\$ 597,677	\$ 623,422	\$ (25,745)	(4.1)%
Deferred commission and other acquisition expenses	55,962	77,356	(21,394)	(27.7)%
Funds withheld receivable	652,855	684,441	(31,586)	(4.6)%
Reserve for loss and LAE	1,975,073	2,439,907	(464,834)	(19.1)%
Unearned premiums	161,453	220,269	(58,816)	(26.7)%
Deferred gain on retroactive reinsurance	79,995	112,950	(32,955)	(29.2)%
Accrued expenses and other liabilities	45,026	32,444	12,582	38.8 %

The Company's deferred commission and other acquisition expenses decreased by 27.7% and unearned premiums decreased by 26.7% primarily due to the Partial Termination Amendment with AmTrust on a cut-off basis and the termination of the remaining business under both quota share contracts with AmTrust which are now in run-off with no new business written beginning January 1, 2019. Funds withheld receivable decreased by 4.6% primarily due to lower funds withheld to be utilized as collateral for the European Hospital Liability Quota Share.

Accrued expenses and other liabilities increased by 38.8% as at September 30, 2020 compared to December 31, 2019 due to increases in reinsurance balances payable, particularly claims, to AmTrust. The Company's reserve for loss and LAE decreased by 19.1% primarily due to the recent commutation of workers' compensation reserves during 2019 in the AmTrust Reinsurance segment.

The deferred gain on retroactive reinsurance decreased by 29.2%. The decrease in the unamortized deferred gain on retroactive reinsurance for the nine months ended September 30, 2020 is attributable to the following: 1) \$9.3 million in loss and loss adjustment expenses recognized as favorable loss development in the Company's GAAP income statement that are subject to the LPT/ADC Agreement; and 2) \$23.7 million related to a reduction in estimated ultimate losses for certain workers' compensation losses previously commuted by the Company to AmTrust which are subject to specific terms and conditions pursuant to the LPT/ADC Agreement. This also impacted the reinsurance recoverable on unpaid losses which decreased by 4.1% as at September 30, 2020 compared to December 31, 2019.

### Capital Resources

Capital resources consist of funds deployed in support of our operations. In the nine months ended September 30, 2020, our total capital resources increased by \$30.4 million, or 3.9% compared to December 31, 2019 due to net income attributable to common shareholders partly offset by unrealized gains on our investment portfolio. The following table shows the movement in total capital resources at September 30, 2020 and December 31, 2019:

(\$ in thousands)	September 30, 2020	December 31, 2019	Change	Change %
Preference shares	\$ 465,000	\$ 465,000	\$ —	— %
Common shareholders' equity	73,086	42,718	30,368	71.1 %
<b>Total shareholders' equity</b>	<b>538,086</b>	<b>507,718</b>	<b>30,368</b>	<b>6.0 %</b>
Senior Notes - principal amount	262,500	262,500	—	— %
<b>Total capital resources</b>	<b>\$ 800,586</b>	<b>\$ 770,218</b>	<b>\$ 30,368</b>	<b>3.9 %</b>

The major factors contributing to the net increase in capital resources were as follows:

#### Shareholders' equity

Total shareholders' equity at September 30, 2020 increased by \$30.4 million, or 6.0% compared to December 31, 2019 due to the following factors:

- net income attributable to Maiden of \$32.2 million for the nine months ended September 30, 2020; and
- net increase in share based transactions of \$2.0 million; partly offset by
- net decrease in AOCI of \$3.9 million which arose due to: (1) an increase in net unrealized gains on investment of \$6.9 million resulting from the net increase in the fair value of our investment portfolio relating to market price movements due to widening credit spreads and unfavorable economic conditions during the nine months ended September 30, 2020; and (2) a decrease in cumulative translation adjustments of \$10.8 million due to the effect of the appreciation of

the euro relative to the original currencies on our non-U.S. dollar net liabilities (excluding non-U.S. dollar denominated AFS fixed maturities).

On February 21, 2017, the Company's Board of Directors approved the repurchase of up to \$100.0 million of the Company's common shares from time to time at market prices. During the nine months ended September 30, 2020, the Company did not repurchase any common shares under its share repurchase authorization, as it is precluded from repurchasing its common shares due to its failure to pay dividends on its preference shares. Until such time as dividends on preference shares are paid, the Company will not be able to repurchase or pay dividends on its common shares. At September 30, 2020, the Company has a remaining authorization of \$74.2 million for share repurchases.

Please refer to "Notes to Consolidated Financial Statements Note 13. Shareholders' Equity" included under Part II Item 8. "Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for a discussion of the equity instruments issued by the Company as at December 31, 2019.

On October 25, 2019, the Company transferred the listing of its common shares from the NASDAQ Global Select Market to the NASDAQ Capital Market. The NASDAQ Capital Market is a continuous trading market that operates in substantially the same manner as the NASDAQ Global Select Market and listed companies must meet certain financial requirements and comply with the NASDAQ Stock Market LLC's ("NASDAQ") corporate governance requirements. The Company's common shares continue to trade under the symbol "MHL".

On April 17, 2020, the Company received a letter from NASDAQ stating that the Company had not regained compliance during the compliance period and that the Company's securities would be delisted from the NASDAQ Capital Market by the opening of business on April 28, 2020 unless the Company requests an appeal of NASDAQ's determination to a Hearings Panel. On April 24, 2020, the Company filed a Hearing Request Form to appeal NASDAQ's determination with the Hearings Panel, which stayed the de-listing until a decision is rendered subsequent to the appeal hearing. On June 2, 2020, the Company issued a press release announcing it has regained compliance with NASDAQ's minimum bid price and all applicable listing requirements for continued listing, and the appeal hearing was canceled. Accordingly, the Company's common shares continue to be listed on the NASDAQ Capital Market.

Book value and diluted book value per common share at September 30, 2020 and December 31, 2019 were computed as follows:

	September 30, 2020	December 31, 2019
(\$ in thousands except share and per share data)		
Ending common shareholders' equity	\$ 73,086	\$ 42,718
Numerator for diluted book value per common share calculation	\$ 73,086	\$ 42,718
Common shares outstanding	84,763,882	83,148,458
Shares issued from assumed conversion of dilutive options and restricted shares	1,518,843	1,818,797
Denominator for diluted book value per common share calculation	86,282,725	84,967,255
<b>Book value per common share</b>	<b>\$ 0.86</b>	<b>\$ 0.51</b>
<b>Diluted book value per common share</b>	<b>0.85</b>	<b>0.50</b>

At September 30, 2020, book value per common share increased by 68.6% and diluted book value per common share increased by 70.0%, compared to December 31, 2019. This was primarily due to our net income attributable to common shareholders of \$32.2 million during the nine months ended September 30, 2020, partly offset by the net decrease in AOCI of \$3.9 million for the nine months ended September 30, 2020.

Please see the section named "Liquidity and Capital Resources - Investments" above for further information on the change in fair value of our fixed maturity investment portfolio.

#### Senior Notes

There were no changes in the Company's Senior Notes at September 30, 2020 compared to December 31, 2019 and the Company did not enter into any short-term borrowing arrangements during the nine months ended September 30, 2020. Please refer to "Notes to Condensed Consolidated Financial Statements (unaudited) Note 7. Long Term Debt" included under Part I Item 1 "Financial Information" of this Form 10-Q for a discussion of the Company's Senior Notes.

The ratio of Debt to Total Capital Resources at September 30, 2020 and December 31, 2019 was computed as follows:

(\$ in thousands)	September 30, 2020	December 31, 2019
Senior notes - principal amount	\$ 262,500	\$ 262,500
Maiden shareholders' equity	538,086	507,718
<b>Total capital resources</b>	<b>\$ 800,586</b>	<b>\$ 770,218</b>
<b>Ratio of debt to total capital resources</b>	32.8 %	34.1 %

### *Preference Shares*

On November 13, 2020, the Company announced that commencing November 16, 2020, Maiden Reinsurance was offering to purchase for cash, upon the terms and subject to the conditions set forth in its Offer to Purchase ("Purchase Offer") and accompanying Letter of Transmittal, up to \$100.0 million of its 8.25% Non-Cumulative Preference Shares Series A, 7.125% Non-Cumulative Preference Shares Series C and 6.7% Non-Cumulative Preference Shares Series D (the "Preference Securities"). The acquisition by Maiden Reinsurance of the Preference Securities pursuant to the Purchase Offer is being made in compliance with Maiden Reinsurance's investment policy previously approved by the Vermont DFR.

The principal purpose of the Purchase Offer is to adjust the Company's and Maiden Reinsurance's capital structure to reflect its current operations and the amount of capital that is required to operate. The Company's Board of Directors has not declared or paid a dividend on the Preference Securities since the fourth quarter of 2018 and there can be no assurance that it will declare and pay dividends on the Preference Securities in the future. The Preference Securities are perpetual and there is no fixed date on which we are required to redeem or otherwise repurchase them. Further, given the perpetual form of capital the Preference Securities represent, there can be no assurance that the Company or Maiden Reinsurance will make additional offers in the future to purchase the Preference Securities. The Company expects to use cash on hand to pay the consideration payable by it pursuant to the Purchase Offer and the fees and expenses incurred by it in connection therewith. The Offer is neither conditioned upon any minimum number of Securities being tendered, nor subject to any financing condition.

The Company or Maiden Reinsurance reserves the right, but is not obligated to, increase the Maximum Aggregate Purchase Amount in its sole and absolute discretion. The Purchase Offer will expire on December 15, 2020 at 11:59 p.m., New York City time, unless the Company or Maiden Reinsurance extends it (such date and time, as the same may be extended, the "Expiration Date"). If the aggregate Offer Price of the Preference Securities that are validly tendered and not properly withdrawn at the Expiration Time (the "Total Consideration Amount") exceeds the Maximum Aggregate Purchase Amount, Maiden Reinsurance will accept for purchase that number of Securities that does not result in the Total Consideration Amount exceeding the Maximum Aggregate Purchase Amount. In that event, the Securities will be subject to proration, as will be described in the Purchase Offer.

## Non-GAAP Measures

As defined and described in the *Key Financial Measures* section, management uses certain key financial measures, some of which are non-GAAP measures, to evaluate the Company's financial performance and the overall growth in value generated for the Company's common shareholders. Management believes that these measures, which may be defined differently by other companies, explain the Company's results to investors in a manner that allows for a more complete understanding of the underlying trends in the Company's business. The calculation, reconciliation to nearest GAAP measure and discussion of relevant non-GAAP measures used by management are as follows:

Non-GAAP operating loss was \$2.3 million for the three months ended September 30, 2020, compared to non-GAAP operating earnings of \$39.5 million for the same period in 2019. The Company's non-GAAP operating results included a non-GAAP underwriting loss of \$4.4 million for the three months ended September 30, 2020, compared to underwriting income of \$24.3 million for the same period in 2019, which was primarily the result of underwriting results not covered by the LPT/ADC Agreement, specifically the run-off of the AmTrust Quota Share with losses occurring after December 31, 2018 (including the additional ceding commission paid under the Partial Termination Amendment) as well as claims related to the European Hospital Liability Quota Share.

Non-GAAP operating earnings were \$2.0 million for the nine months ended September 30, 2020, compared to a non-GAAP operating loss of \$9.4 million for the same period in 2019. The Company's non-GAAP operating results included a non-GAAP underwriting loss of \$9.6 million for the nine months ended September 30, 2020, compared to a non-GAAP underwriting loss of \$57.5 million for the same period in 2019, which was primarily the result of underwriting results in the AmTrust segment not covered by the LPT/ADC Agreement, specifically the run-off of the AmTrust Quota Share with losses occurring after December 31, 2018 (including the additional ceding commission paid under the Partial Termination Amendment) as well as claims related to the European Hospital Liability Quota Share. The significant improvement in non-GAAP underwriting losses for the nine months ended September 30, 2020 as compared to the same period 2019 was also assisted by a \$9.8 million decline in other general and administrative expenses offset by a \$31.4 million decrease in net investment income.

### *Non-GAAP operating earnings (loss) and Non-GAAP diluted operating earnings (loss) per share attributable to common shareholders*

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

<b>For the Three Months Ended September 30,</b>	<b>2020</b>	<b>2019</b>
	(\$ in thousands except per share data)	
Net income (loss)	\$ 2,162	\$ (58,327)
<i>Add (subtract):</i>		
Net realized gains on investment	(4,133)	(12,700)
Total other-than-temporary impairment losses	962	165
Foreign exchange and other losses (gains)	6,536	(7,827)
(Favorable) adverse prior year loss development subject to LPT/ADC Agreement	(7,840)	104,542
Income from discontinued operations, net of income tax	—	(75)
Interest expense paid under the LPT/ADC Agreement and the Commutation Agreement	—	13,596
Loss from NGHHC Quota Share run-off	—	108
Non-GAAP operating (loss) earnings	<u>\$ (2,313)</u>	<u>\$ 39,482</u>
Diluted earnings (loss) per share attributable to common shareholders	\$ 0.03	\$ (0.70)
<i>Add (subtract):</i>		
Net realized gains on investment	(0.05)	(0.15)
Total other-than-temporary impairment losses	0.01	—
Foreign exchange and other losses (gains)	0.07	(0.09)
(Favorable) adverse prior year loss development subject to LPT/ADC Agreement	(0.09)	1.25
Interest expense paid under the LPT/ADC Agreement and the Commutation Agreement	—	0.16
Non-GAAP diluted operating (loss) earnings per share attributable to common shareholders	<u>\$ (0.03)</u>	<u>\$ 0.47</u>

For the Nine Months Ended September 30,

	2020	2019
	(\$ in thousands except per share data)	
Net income (loss)	\$ 32,235	\$ (110,376)
Add (subtract):		
Net realized gains on investment	(24,046)	(25,685)
Total other-than-temporary impairment losses	2,468	165
Foreign exchange and other losses (gains)	634	(14,013)
Loss from NGHC Quota Share run-off	—	312
(Favorable) adverse prior year loss development subject to LPT/ADC Agreement	(9,250)	104,542
Loss from discontinued operations, net of income tax	—	22,048
Interest expense paid under the LPT/ADC Agreement and the Commutation Agreement	—	13,596
Non-GAAP operating earnings (loss)	<u>\$ 2,041</u>	<u>\$ (9,411)</u>
Diluted earnings (loss) per share attributable to common shareholders	\$ 0.38	\$ (1.33)
Add (subtract):		
Net realized gains on investment	(0.29)	(0.31)
Total other-than-temporary impairment losses	0.03	—
Foreign exchange and other losses (gains)	0.01	(0.17)
Loss from NGHC Quota Share run-off	—	0.01
(Favorable) adverse prior year loss development subject to LPT/ADC Agreement	(0.11)	1.26
Loss from discontinued operations, net of income tax	—	0.27
Interest expense paid under the LPT/ADC Agreement and the Commutation Agreement	—	0.16
Non-GAAP diluted operating earnings (loss) per share attributable to common shareholders	<u>\$ 0.02</u>	<u>\$ (0.11)</u>

*Non-GAAP Operating ROACE*

Non-GAAP Operating ROACE for the three and nine months ended September 30, 2020 and 2019 was computed as follows:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Non-GAAP operating (loss) earnings	\$ (2,313)	\$ 39,482	\$ 2,041	\$ (9,411)
Opening adjusted common shareholders' equity	177,279	125,572	155,668	89,275
Ending adjusted common shareholders' equity	153,081	172,697	153,081	172,697
Average adjusted common shareholders' equity	165,180	149,135	154,375	130,986
Non-GAAP Operating ROACE	(5.6)%	105.0 %	1.8 %	(9.6)%



### Non-GAAP Underwriting Results and Combined Ratio

The following summarizes our non-GAAP underwriting results for the three and nine months ended September 30, 2020 and 2019:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Gross premiums written	\$ 3,517	\$ 35,844	\$ 20,233	\$ (523,178)
Net premiums written	\$ 3,031	\$ 35,944	\$ 17,493	\$ (525,995)
Net premiums earned	\$ 24,305	\$ 94,898	\$ 76,828	\$ 411,986
Other insurance revenue	261	554	919	2,120
Non-GAAP net loss and LAE <sup>(1)</sup>	(16,905)	(36,318)	(50,409)	(310,568)
Commission and other acquisition expenses	(9,651)	(32,763)	(29,778)	(152,036)
General and administrative expenses	(2,448)	(2,084)	(7,118)	(9,035)
<b>Non-GAAP underwriting (loss) income<sup>(1)</sup></b>	<b>\$ (4,438)</b>	<b>\$ 24,287</b>	<b>\$ (9,558)</b>	<b>\$ (57,533)</b>
<b>Ratios:</b>				
Non-GAAP net loss and LAE ratio <sup>(1)</sup>	68.8 %	38.1 %	64.8 %	75.0 %
Commission and other acquisition expense ratio	39.3 %	34.3 %	38.3 %	36.7 %
General and administrative expense ratio	33.2 %	9.3 %	33.4 %	9.1 %
Expense ratio	72.5 %	43.6 %	71.7 %	45.8 %
Non-GAAP combined ratio <sup>(1)</sup>	141.3 %	81.7 %	136.5 %	120.8 %

(1) Non-GAAP underwriting income (loss), non-GAAP net loss and LAE, non-GAAP net loss and LAE ratio, and non-GAAP combined ratio for the three and nine months ended September 30, 2020 and 2019 include the impact of prior year reserve development subject to the LPT/ADC Agreement in the respective periods. Please see the "Key Financial Measures" section for definitions of Non-GAAP underwriting income (loss), net loss and LAE, non-GAAP net loss and LAE ratio, and non-GAAP combined ratio.

The non-GAAP underwriting results as well as the non-GAAP loss and LAE and ratios and non-GAAP combined ratios include the impact of prior year loss reserve development related to the AmTrust Quota Share which is fully recoverable from Cavello and subject to the LPT/ADC Agreement to show the ultimate economic benefit to the Company.

As shown in the table above, adjusted for the impact of favorable prior year reserve development subject to the LPT/ADC Agreement of \$7.8 million and \$9.3 million during the three and nine months ended September 30, 2020, respectively, the non-GAAP underwriting loss was \$4.4 million and \$9.6 million, respectively. This compared to non-GAAP underwriting income of \$24.3 million and a non-GAAP underwriting loss of \$57.5 million for the same respective periods in 2019 when adjusted for the impact of adverse prior year reserve development subject to the LPT/ADC Agreement of \$104.5 million during the three and nine months ended September 30, 2019. The non-GAAP underwriting results in all respective periods were primarily the result of underwriting results in the AmTrust segment not covered by the LPT/ADC Agreement, specifically the run-off of the AmTrust Quota Share with losses occurring after December 31, 2018 (including the additional ceding commission paid under the Partial Termination Amendment) as well as claims related to the European Hospital Liability Quota Share. Results in the Diversified segment during the three and nine months ended September 30, 2020 and 2019, respectively, were stable.

The non-GAAP combined ratio during the three and nine months ended September 30, 2020 was 141.3% and 136.5%, respectively, compared to 81.7% and 120.8% during the same respective periods in 2019 as shown in the table below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Combined ratio	109.4 %	191.2 %	124.6 %	146.0 %
Less: change in unamortized deferred gain on retroactive reinsurance	(31.9) %	109.5 %	(11.9) %	25.2 %
<b>Non-GAAP combined ratio</b>	<b>141.3 %</b>	<b>81.7 %</b>	<b>136.5 %</b>	<b>120.8 %</b>

### Non-GAAP Net Loss and LAE

As noted previously, adjusted for the impact of favorable prior year loss development on AmTrust reserves subject to the LPT/ADC Agreement, non-GAAP net loss and LAE for the three and nine months ended September 30, 2020 increased by \$7.8 million and \$9.3 million for the respective periods as these amounts are ultimately recoverable from Cavello. In comparison, adjusted for the impact of adverse prior year loss development on AmTrust reserves subject to the LPT/ADC Agreement of \$104.5 million during the three and nine months ended September 30, 2019, non-GAAP net loss and LAE decreased by \$104.5 million for the same respective periods as these amounts are ultimately recoverable from Cavello.

These adjustments have been reflected in the calculation of non-GAAP Loss and LAE as shown in the table below:

(\$ in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net loss and LAE	\$ 9,065	\$ 140,860	\$ 41,159	\$ 415,110
Less: impact of PPD subject to LPT/ADC Agreement	(7,840)	104,542	(9,250)	104,542
Non-GAAP net loss and LAE	\$ 16,905	\$ 36,318	\$ 50,409	\$ 310,568

Adjusted for the impact of favorable prior year loss development on AmTrust reserves subject to the LPT/ADC Agreement of \$7.8 million and \$9.3 million during the three and nine months ended September 30, 2020, non-GAAP net loss and LAE was \$16.9 million and \$50.4 million, respectively, as shown in the table above.

Adjusted for the impact of adverse prior year loss development on AmTrust reserves subject to the LPT/ADC Agreement of \$104.5 million during the three and nine months ended September 30, 2019, non-GAAP net loss and LAE was \$36.3 million and \$310.6 million, respectively.

The non-GAAP net loss and LAE ratios were 68.8% and 64.8%, respectively, for the three and nine months ended September 30, 2020 compared to non-GAAP net loss ratios of 38.1% and 75.0% for the same respective periods in 2019.

*Adjusted Shareholders' Equity, Adjusted Total Capital Resources, Adjusted Book Value per Common Share, and Ratio of Debt to Total Adjusted Capital Resources*

The Adjusted Shareholders' Equity, Adjusted Total Capital Resources and Adjusted Book Value per Common Share at September 30, 2020 and December 31, 2019 reflect the addition of the unamortized deferred gain on retroactive reinsurance to the GAAP shareholders' equity as depicted in the computations below. The estimated deferred gain of \$80.0 million at September 30, 2020 and \$113.0 million at December 31, 2019 arises from the LPT/ADC Agreement with Cavello relating to losses subject to that agreement which are fully recoverable from Cavello.

The change in the unamortized deferred gain on retroactive reinsurance for the nine months ended September 30, 2020 is attributable to the following: (1) \$9.3 million in loss and loss adjustment expenses recognized as favorable loss development in the Company's GAAP income statement that are subject to the LPT/ADC Agreement; and (2) \$23.7 million related to a reduction in estimated ultimate losses for certain workers' compensation reserves previously commuted by the Company to AmTrust which are subject to specific terms and conditions pursuant to the LPT/ADC Agreement. We believe the inclusion of the unamortized deferred gain in these metrics better reflects the ultimate economic benefit of the LPT/ADC Agreement, which will improve the Company's shareholders' equity over the settlement period under the terms of the agreement.

*Reconciliation of shareholders' equity to Adjusted shareholders' equity and Adjusted Total Capital Resources*

The following table computes adjusted shareholders' equity and adjusted total capital resources by recognizing the unamortized deferred gain on retroactive reinsurance at September 30, 2020 and December 31, 2019:

(\$ in thousands)	September 30, 2020	December 31, 2019	Change	Change %
Preference shares	\$ 465,000	\$ 465,000	\$ —	— %
Common shareholders' equity	73,086	42,718	30,368	71.1 %
<b>Total shareholders' equity</b>	<b>538,086</b>	<b>507,718</b>	<b>30,368</b>	<b>6.0 %</b>
Unamortized deferred gain on retroactive reinsurance	79,995	112,950	(32,955)	(29.2)%
<b>Adjusted shareholders' equity</b>	<b>618,081</b>	<b>620,668</b>	<b>(2,587)</b>	<b>(0.4)%</b>
Senior Notes - principal amount	262,500	262,500	—	— %
<b>Adjusted total capital resources</b>	<b>\$ 880,581</b>	<b>\$ 883,168</b>	<b>\$ (2,587)</b>	<b>(0.3)%</b>

*Reconciliation of Book Value per Common Share to Adjusted Book Value per Common Share*

The adjusted book value per common share as reconciled for the recognition of the unamortized deferred gain on retroactive reinsurance at September 30, 2020 and December 31, 2019 was computed as follows:

	September 30, 2020	December 31, 2019
Book value per common share	\$ 0.86	\$ 0.51
Unamortized deferred gain on retroactive reinsurance	0.95	1.36
<b>Adjusted book value per common share</b>	<b>\$ 1.81</b>	<b>\$ 1.87</b>

*Ratio of Debt to Adjusted Total Capital Resources*

Management uses this non-GAAP measure to monitor the financial leverage of the Company. This measure is calculated using the total principal amount of debt divided by the sum of adjusted total capital resources as computed in the table above. The ratio of Debt to Adjusted Total Capital Resources at September 30, 2020 and December 31, 2019 was computed as follows:

(\$ in thousands)	September 30, 2020	December 31, 2019
Senior notes - principal amount	\$ 262,500	\$ 262,500
Adjusted shareholders' equity	618,081	620,668
<b>Adjusted total capital resources</b>	<b>\$ 880,581</b>	<b>\$ 883,168</b>
<b>Ratio of debt to adjusted total capital resources</b>	<b>29.8 %</b>	<b>29.7 %</b>

## **Currency and Foreign Exchange**

We conduct business in a variety of foreign (non-U.S.) currencies, the principal exposures being the euro and the British pound. Assets and liabilities denominated in foreign currencies are exposed to changes in currency exchange rates. Our reporting currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results and financial position. Our principal exposure to foreign currency risk is our obligation to settle claims in foreign currencies. In addition, in order to minimize this risk, we maintain and expect to continue to maintain a portion of our investment portfolio in investments denominated in currencies other than the U.S. dollar. We may employ various strategies (including hedging) to manage our exposure to foreign currency exchange risk. To the extent that these exposures are not fully hedged or the hedges are ineffective, our results of operations or equity may be adversely affected. At September 30, 2020, no such hedges or hedging strategies were in force or had been entered into. We measure monetary assets and liabilities denominated in foreign currencies at period end exchange rates, with the resulting foreign exchange gains and losses recognized in the unaudited Condensed Consolidated Statements of Income. Revenues and expenses in foreign currencies are converted at average exchange rates during the period. The effect of the translation adjustments for foreign operations is included in AOCI.

Net foreign exchange losses of \$6.5 million and \$0.2 million were generated during the three and nine months ended September 30, 2020, respectively, compared to foreign exchange gains of \$7.8 million and \$9.7 million for the three and nine months ended September 30, 2019, respectively.

## **Effects of Inflation**

The anticipated effects of inflation are considered explicitly in the pricing of the insured exposures, which are used as the initial estimates of reserves for loss and LAE. In addition, inflation is also implicitly accounted for in subsequent estimates of loss and LAE reserves, as the expected rate of emergence is in part predicated upon the historical levels of inflation that impact ultimate claim costs. To the extent inflation causes these costs, particularly medical treatments and litigation costs, to vary from the assumptions made in the pricing or reserving estimates, the Company will be required to change the reserve for loss and LAE with a corresponding change in its earnings in the period in which the variance is identified. The actual effects of inflation on the results of operations of the Company cannot be accurately known until claims are ultimately settled.

## **Off-Balance Sheet Arrangements**

At September 30, 2020, we did not have any off-balance sheet arrangements as defined by Item 303(a) (4) of Regulation S-K.

## **Recent Accounting Pronouncements**

See "*Part I, Item 1 - Notes to Condensed Consolidated Financial Statements (unaudited) Note 2. Significant Accounting Policies*" for a discussion on recently issued accounting pronouncements not yet adopted.

#### **Item 4. Controls and Procedures**

Our management, with the participation and under the supervision of our Co-Chief Executive Officers and Chief Financial Officer, have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by SEC rules and forms and that such information is accumulated and communicated to management, including our Co-Chief Executive Officers and Chief Financial Officer, to allow for timely decisions regarding required disclosures. Our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the end of the period covered by this report, such disclosure controls and procedures were effective. Our management, including our Co-Chief Executive Officers and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. 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 an absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

During the most recent fiscal quarter, there were no changes in the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

See "Part I, Item 1 - Notes to Condensed Consolidated Financial Statements (unaudited) Note 11. Commitments and Contingencies" for an update on legal matters. Except as disclosed above, there are no material changes from the legal proceedings previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

### Item 1A. Risk Factors

Our business is subject to a number of risks, including those identified in Item 1A. of Part I of our Annual Report on Form 10-K for the year ended December 31, 2019, that could have a material adverse effect on our business, results of operations, financial condition and/or liquidity and that could cause our operating results to vary significantly from period to period. The risks described in our 2019 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could have a material adverse effect on our business, results of operations, financial condition and/or liquidity.

Circumstances caused by the COVID-19 pandemic are complex, uncertain and rapidly evolving. We therefore may not be able to accurately predict the longer-term effects that the COVID-19 pandemic may have on our financial condition or results of operations. To the extent the COVID-19 pandemic adversely affects our financial condition or results of operations, it may also have the effect of heightening additional risks described in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2019.

***The impact of COVID-19 and related risks has adversely affected, and is expected to continue to adversely affect, our business, results of operations, financial condition, and liquidity and capital resources, and any future impact on our business is difficult to predict at this time.***

The continuing COVID-19 global pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known. Circumstances caused by the COVID-19 pandemic are complex, uncertain and rapidly evolving. Our results of operations, financial condition, and liquidity and capital resources have been adversely impacted by the COVID-19 pandemic, and the future impact of the pandemic on our financial condition or results of operations is difficult to predict. In particular, we believe we are subject to the following risks related to the COVID-19 pandemic:

***Investments.*** Due in large part to the uncertainty caused by the COVID-19 pandemic in global financial markets, our investment portfolio has experienced increased volatility, heightened credit risk, and declines in yields on our fixed income investments. Our investment portfolios may continue to be adversely impacted by unfavorable market conditions caused by the COVID-19 pandemic, which could cause continued volatility in our results of operations and negatively impact our financial condition.

***Debt and Equity Financing.*** As a result of the economic conditions caused by the COVID-19 pandemic, capital and credit markets continue to experience volatility that could negatively impact our ability to raise additional capital through the debt or equity markets or through bank or other debt financing. If we are unable to obtain adequate capital on suitably attractive terms, or at all, we may be unable to implement our future operating plans and our business, financial condition, and results of operations could be materially adversely affected.

***Liquidity.*** Due to the change in fair value of our investments caused by the COVID-19 pandemic, we and our reinsurance subsidiaries may need additional capital to maintain compliance with regulatory capital requirements and/or be required to post additional collateral under existing reinsurance arrangements, which could reduce our liquidity. In addition, we may experience continued volatility in our results of operations which could negatively impact our financial condition and create a reduction in the amount of available distribution or dividend capacity from our regulated reinsurance subsidiaries, which would also reduce liquidity.

***Operational Disruptions.*** We rely on the continued productivity of our senior executive team, our employees, and agents, brokers, third party administrators, suppliers and outsourcing providers to carry out our operations. If any of these people are unable to continue to work productively, or at all, due to illness, government restrictions, remote working conditions, or other disruptions related to the COVID-19 pandemic, our ability to conduct our operations may be adversely affected. In addition, like many other companies, the vast majority of our employees are working remotely, and we are therefore more dependent on our information technology systems and the continued access by our employees and service providers to reliable internet and telecommunications systems. We will be adversely affected if these systems do not function effectively or are disrupted due to heightened demand, cybersecurity attacks and data security incidents, or for any other related reason. These types of operational disruptions that impact our people and/or systems and others we may not foresee, would negatively impact our ability to settle claims efficiently, complete acquisitions, integrate our acquired businesses, manage our investments, provide or submit timely filing requirements with the SEC and other regulators or otherwise conduct our business.

***Claims.*** As described herein, the Company is not engaged in active reinsurance underwriting currently and is running off the remaining unearned exposures it has reinsured. Our IIS unit does write limited primary insurance coverages that could be exposed to COVID-19 claims. While we assess our exposure to COVID-19 insurance and reinsurance claims on our existing insurance exposures and remaining reinsurance exposures as limited and immaterial, given the uncertainty surrounding the COVID-19 pandemic and its impact on the insurance industry, our preliminary estimates of losses and loss adjustment expenses and estimates of reinsurance recoverable arising from the COVID-19 pandemic may materially change. Unanticipated issues relating to claims and coverage may emerge, which could adversely affect our business by increasing the scope of coverage beyond our intent and/or increasing the frequency and severity of claims.

**Item 2. Unregistered Sales of Equity and Use of Proceeds**

Items 2. (a) and (b) are not applicable.

**2. (c) Share Repurchases**

On February 21, 2017, the Company's Board of Directors approved the repurchase of up to \$100.0 million of the Company's common shares from time to time at market prices. The Company has a remaining authorization of \$74,245 for share repurchases at September 30, 2020. There were no share repurchases during the three months ended September 30, 2020 under the share repurchase authorization.

<b>For the Three Months Ended September 30, 2020</b>	<b>Total number of shares repurchased</b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced plans or programs (a)</b>	<b>Dollar amount still available under trading plan</b>
				(\$ in thousands)
July 1, 2020 - July 31, 2020	—	\$ —	—	\$ 74,245
August 1, 2020 - August 31, 2020	—	—	—	74,245
September 1, 2020 - September 30, 2020	—	—	—	74,245
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>74,245</b>

Subsequent to the three months ended September 30, 2020 and through the period ended November 13, 2020, the Company did not repurchase any additional common shares which represent withholdings in respect of tax obligations on the vesting of performance based shares.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

## Item 5. Other Information

### Executive Ownership and Sales

From time to time, some of the Company's directors and executives may determine that it is advisable to diversify their investments for personal financial planning reasons, or may seek liquidity for other reasons, and may sell common shares of the Company in the open market, in private transactions or to the Company. To effect such sales, some of the Company's directors and executives have previously entered into, and may in the future enter into, trading plans designed to comply with the Company's Insider Trading and Outside Investments Policy and the provisions of Rule 10b5-1 under the Securities Exchange Act of 1934. The trading plans will not reduce any of the executives' ownership of the Company's shares below the applicable executive stock ownership guidelines. The Company does not undertake any obligation to report Rule 10b5-1 plans that may be adopted by any employee or director of the Company in the future, or to report any modifications or termination of any publicly announced plan.

## Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
31.1	<a href="#">Section 302 Certification of CEO</a>
31.2	<a href="#">Section 302 Certification of CFO</a>
32.1	<a href="#">Section 906 Certification of CEO</a>
32.2	<a href="#">Section 906 Certification of CFO</a>
101.1	The following materials from Maiden Holdings, Ltd. Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL (Inline eXtensive Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Income, (iii) the unaudited Condensed Consolidated Statements of Comprehensive Income, (iv) the unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) the unaudited Condensed Consolidated Statements of Cash Flows, and (vi) Notes to unaudited Condensed Consolidated Financial Statements.



**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 hereunto duly authorized.

November 13, 2020

MAIDEN HOLDINGS, LTD.

By:

/s/ Lawrence F. Metz

Lawrence F. Metz  
President and Co-Chief Executive Officer

/s/ Patrick J. Haveron

Patrick J. Haveron  
Co-Chief Executive Officer and Chief Financial Officer

## CERTIFICATION

I, Lawrence F. Metz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Maiden Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 13, 2020

/s/ Lawrence F. Metz

Lawrence F. Metz  
President and Co-Chief Executive Officer

## CERTIFICATION

I, Patrick J. Haveron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Maiden Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including any consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 13, 2020

/s/ Patrick J. Haveron

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Patrick J. Haveron  
Co-Chief Executive Officer and Chief Financial Officer

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Maiden Holdings, Ltd. (the "Company"), hereby certifies, to such officer's knowledge, that:

The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 13, 2020

By: /s/ Lawrence F. Metz

Lawrence F. Metz  
President and Co-Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report.

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Maiden Holdings, Ltd. (the “Company”), hereby certifies, to such officer's knowledge, that:

The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 13, 2020

By: /s/ Patrick J. Haveron  
Patrick J. Haveron  
Co-Chief Executive Officer and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report.