

Maiden Holdings, Ltd.  
Form 10-K  
March 04, 2014

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34042

MAIDEN HOLDINGS, LTD.

(Exact Name of Registrant As Specified in Its Charter)

Bermuda

98-0570192

(State or Other Jurisdiction of Incorporation or  
Organization)

(I.R.S. Employer Identification No.)

131 Front Street

Hamilton HM 12, Bermuda

(Address of Principal Executive Offices and Zip Code)

(441) 298-4900

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Shares, par value \$0.01 per share

NASDAQ Global Select Market

Series A Preference Shares, par value \$0.01 per share

New York Stock Exchange, Inc.

Series B Mandatory Convertible Preference Shares, par value  
\$0.01 per share

NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
The aggregate market value of voting and non-voting common shares held by non-affiliates of the registrant as of June 30, 2013 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$583.4 million based on the closing sale price of the registrant's common shares on the NASDAQ Global Select Market on that date.

As of February 21, 2014, 72,633,561 common shares were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A with respect to the annual general meeting of the shareholders of the registrant scheduled to be held on May 6, 2014 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Table of Contents

PART I

Special Note About Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results and the assumptions upon which those statements are based are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include in general statements both with respect to us and the insurance industry and generally are identified with the words “anticipate”, “believe”, “expect”, “predict”, “estimate”, “intend”, “plan”, “project”, “seek”, “potential”, “possible”, “could”, “might”, “may”, “should”, “will”, “will be”, “will continue”, “will likely result” and similar expressions. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Annual Report on Form 10-K should not be considered as a representation by us or any other person that our objectives or plans or other matters described in any forward-looking statement will be achieved. These statements are based on current plans, estimates assumptions and expectations. Actual results may differ materially from those projected in such forward-looking statements and therefore you should not place undue reliance on them. Important factors that could cause actual results to differ materially from those in such forward-looking statements are set forth in Item 1A “Risk Factors” in this Annual Report on Form 10-K and include but are not limited to:

- our results will fluctuate from period to period and may not be indicative of our long-term prospects;
- the property and casualty reinsurance and insurance markets may be affected by cyclical trends;
- rating agencies may downgrade or withdraw our ratings;
- loss of key executives could adversely impact our ability to implement our business strategy;
- our use of reinsurance brokers in contract negotiations and production of business;
- our inability to achieve our investment objectives; and
- our controlling shareholders’ ability to determine the outcome of matters requiring shareholder approval.

We caution that the foregoing list of important factors is not intended to be and is not exhaustive. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law, and all subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. If one or more risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we projected. Any forward-looking statements in this Annual Report on Form 10-K reflect our current view with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth, strategy and liquidity. Readers are cautioned not to place undue reliance on the forward-looking statements which speak only as of the dates of the documents in which such statements were made.

References in this Annual Report on Form 10-K to the terms “we”, “us”, “our”, “the Company” or other similar terms mean the consolidated operations of Maiden Holdings, Ltd. and our consolidated subsidiaries, unless the context requires otherwise. References in this Annual Report on Form 10-K to the term “Maiden Holdings” or “Maiden” means Maiden

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Holdings, Ltd. only. References in this Annual Report on Form 10-K to \$ are to the lawful currency of the United States, unless otherwise indicated. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

1

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Table of Contents

Item 1. Business.

General Overview

We are a Bermuda-based holding company, primarily focused on serving the needs of regional and specialty insurers in the United States, Europe and select other global markets by providing innovative reinsurance solutions designed to support their capital needs. We specialize in reinsurance solutions that optimize financing and risk management by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper. Our principal operating subsidiaries are rated "A-" (Excellent) with a stable outlook by A.M. Best Company ("A.M. Best"), which rating is the fourth highest of sixteen rating levels, and "BBB+" (Good) with a negative outlook by Standard & Poor's ("S&P"), which is the eighth highest of twenty-two rating levels. Our common shares trade on the NASDAQ Global Market under the symbol "MHLD".

We provide reinsurance through our wholly owned subsidiaries, Maiden Insurance Company Ltd. ("Maiden Bermuda") and Maiden Reinsurance Company ("Maiden US") and have operations in Bermuda, the United States ("U.S."), Europe and select other global markets. Maiden Bermuda does not underwrite any primary insurance business. Internationally, we provide insurance sales and distribution services through Maiden Global Holdings, Ltd. ("Maiden Global") and its subsidiaries. Maiden Global primarily focuses on providing branded auto and credit life insurance products through its insurer partners to retail clients in the European Union ("EU") and other developing global markets, which also produce reinsurance programs which are underwritten by Maiden Bermuda. Certain international credit life business is also written directly by Maiden Life Försäkrings AB ("Maiden LF"), a wholly owned subsidiary of Maiden Holdings.

Since our founding in 2007, we have entered into a series of significant strategic transactions that have transformed the scope and scale of our business while keeping our low volatility, non-catastrophe oriented risk profile intact. These transactions have increased our gross premiums written to an amount in excess of \$2.2 billion while significantly enhancing our capital position to approximately \$1.6 billion as of December 31, 2013. These strategic transactions include the following:

- Entering into a quota share reinsurance agreement (the "Reinsurance Agreement" or "AmTrust Quota Share") with a Bermuda subsidiary of AmTrust Financial Services, Inc. ("AmTrust") in 2007 and a quota share reinsurance agreement (the "European Hospital Liability Quota Share") with AmTrust Europe Limited and AmTrust International Underwriters Limited in 2011, respectively;
- Acquisition of the reinsurance operations of GMAC Insurance (the "GMAC Acquisition") in 2008;
- Entering into a quota share reinsurance agreement with a subsidiary of National General Holdings Corporation ("NGHC") (previously known as American Capital Acquisition Corp ("ACAC")) in 2010 (the "NGHC Quota Share").
- The Company and NGHC mutually agreed, effective August 1, 2013, to terminate this agreement on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013, until those policies expire;
- Acquisition of GMAC International Insurance Services (the "IIS Acquisition") in November 2010; and
- On May 1, 2013, we substantially reduced our net exposure to natural hazard events by selling the primary insurance business written on a surplus lines basis by Maiden Specialty Insurance Company ("Maiden Specialty"), a wholly owned subsidiary of Maiden US, to Brit Insurance ("Brit"). Maiden Specialty provided non-catastrophe inland marine and property coverages. As of December 31, 2013, a limited number of policies in-force as of April 30, 2013 remain in run-off.

We have also entered into a series of significant capital transactions that have enabled us to significantly strengthen our balance sheet and strongly support our growing reinsurance operations. These capital transactions include:

Completing a private placement of Trust Preferred Securities (the "TRUPS Offering"), the proceeds from which were used to finance the issuance of subordinated debenture (the "Junior Subordinated Debt") resulting in gross proceeds of \$260.1 million in January 2009. The net proceeds of this transaction were used as working capital for Maiden US and Maiden Specialty in conjunction with the GMAC Acquisition;

Completing a public debt offering of \$107.5 million in June 2011 ("2011 Senior Notes") and repurchasing a like amount of our Junior Subordinated Debt in July 2011. The 2011 Senior Notes trade on the New York Stock Exchange under the symbol "MHNA";

Completing a public debt offering of \$100.0 million in March 2012 ("2012 Senior Notes"). The 2012 Senior Notes trade on the New York Stock Exchange under the symbol "MHNB". The net proceeds of \$96.6 million were used for working capital and general corporate purposes;

Completing a public offering of \$150.0 million Preference Shares - Series A (the "Preference Shares- Series A") in August 2012. The Company received net proceeds of \$145.0 million from the offering. The Preference Shares-Series A trade on the New York Stock Exchange under the symbol "MHPRA". The net proceeds from the offering were used for continued support and development of our reinsurance business and for other general corporate purposes;

## Table of Contents

Completing a public offering of \$165.0 million Mandatory Convertible Preference Shares - Series B (the "Preference Shares - Series B") in October 2013. The Preference Shares - Series B trade on the NASDAQ under the symbol "MHLDO". We received net proceeds of \$159.7 million from the offering. The net proceeds from the offering were used for general corporate purposes, primarily to support the continuing growth of our reinsurance operations (the Preference Shares - Series A and Preference Shares - Series B may collectively be referred to as the "Preference Shares"); and

Completing a public debt offering of \$152.5 million in November 2013 ("2013 Senior Notes"). The 2013 Senior Notes trade on the New York Stock Exchange under the symbol "MHNC". The net proceeds of \$147.4 million were used to repurchase all of the remaining portion of the Company's outstanding Junior Subordinated Debt on January 15, 2014.

The 2011 Senior Notes, 2012 Senior Notes and 2013 Senior Notes may also individually be referred to as the "2011 Senior Note Offering", the "2012 Senior Note Offering" or the "2013 Senior Note Offering", respectively, and may collectively be referred to as the "Senior Note Offerings".

These recent transactions, along with other unusual or non-recurring events, should be considered when evaluating year-to-year comparability or when comparing our performance with other companies considered our peers and with whom we compete on a regular basis.

Additional information on the AmTrust Quota Share and the NGHC Quota Share can be found in this section of the Annual Report on Form 10-K captioned "Our Operating Segments". Note 7. Long-Term Debt to our Consolidated Financial Statements, which contains information about the completion of the Senior Note Offerings and, along with Note 17. Subsequent Events, the repurchase of the Junior Subordinated Debt in 2011 and 2014, respectively. Note 13. Shareholders' Equity to our Consolidated Financial Statements contains information about the issuance of the Preference Shares.

## Business Strategy

Our goal is to leverage the competitive strengths of our organization and capital structure to generate stable long term returns on capital in excess of 15%. We seek to accomplish this by becoming a premier global preferred provider of customized reinsurance products and services to regional and specialty insurance companies. To achieve this goal, we have adopted the following strategies:

**Dedication to Predictable and Stable Operating Segments** — we execute this strategy in two ways: (1) focusing on traditional, lower volatility lines of business that are more predictable and thus, produce more stable long-term operating results and require less capital to achieve those results; and (2) placing emphasis on working layer and pro rata reinsurance participations where data is more abundant and predictable;

**Targeted Customer Focus** — we execute this strategy by developing significant and long term reinsurance relationships with targeted regional and specialty insurance companies for which reinsurance plays a critical element of their capital structure and supporting the long term needs of these companies by providing differentiated reinsurance products as well as an array of support services; and

**Efficient Operating Platform** — recognizing the mature nature of the reinsurance market, we are focused on maintaining operating expense ratios within the top quartile of the industry. Efficiency is a critical component of maintaining a disciplined underwriting approach.



To date, despite achieving returns on capital generally in excess of our industry peers, we have not yet attained our targeted returns. Principally impacting our ability to achieve our targeted returns in recent years has been a higher cost of capital as a result of the 14% Junior Subordinated Debt, lower investment yields brought about by difficult investment conditions and marginally higher than targeted combined ratios. On January 15, 2014, the Company repurchased the remainder of the outstanding Junior Subordinated Debt with the proceeds from the issuance of our 2013 Senior Notes, which has now substantially lowered our cost of capital. Based on these steps as well as the improved combined ratios experienced in 2013, we believe that we have measures within our control to make substantial progress towards the attainment of those long-term targets in the coming 12 to 24 months. However, our future results, and our ability to generate our targeted return on capital, may be additionally impacted by risks and trends set forth in Item 1A, "Risk Factors", and elsewhere in this Annual Report on Form 10-K.

#### Our Principal Operating Subsidiaries

Maiden Bermuda is a registered Class 3B Bermuda reinsurance company that began operations in June 2007. Senior management and all of the staff of Maiden Bermuda operate from and are based in our Bermuda headquarters.

Maiden Holdings North America, Ltd. ("Maiden NA") is our wholly owned U.S. holding company and is domiciled in the state of Delaware. Maiden NA issued the underlying securities associated with the TRUPS Offering and the Senior Note Offerings.

Maiden US, a wholly owned subsidiary of Maiden NA, is a licensed property and casualty insurance company domiciled in the state of Missouri.

## Table of Contents

Maiden Re Insurance Services, LLC (“Maiden Re”), a wholly owned subsidiary of Maiden NA, is a limited liability company organized in the state of Delaware in January 2008. Maiden Re operates as a managing general agent and underwriter for Maiden US.

Maiden Global, a wholly owned subsidiary, operates as a reinsurance services and holding company. Maiden Global is organized under the laws of England and Wales.

Opel Händler VersicherungsService GmbH (“OVS”), organized under the laws of Germany, operates as an insurance producer in Germany and is a 90%-owned indirect subsidiary of Maiden Global.

Maiden LF, a wholly owned subsidiary, is a life insurer organized under the laws of Sweden and writes credit life insurance on a primary basis in support of Maiden Global’s business development efforts.

## Our Operating Segments

We currently operate through three business segments: (i) Diversified Reinsurance; (ii) AmTrust Quota Share Reinsurance; and (iii) NGHC Quota Share, which is currently in run-off.

Our Diversified Reinsurance segment consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located, primarily in the U.S. and Europe. This segment includes the underwriting portfolio of assumed reinsurance business purchased in the GMAC Acquisition and the IIS Acquisition. The business associated with the GMAC Acquisition is primarily underwritten by Maiden US. The business associated with the IIS Acquisition is underwritten by Maiden Bermuda, which also underwrites a limited amount of business independent of the business associated with the IIS Acquisition, the AmTrust Quota Share and NGHC Quota Share.

Our AmTrust Quota Share Reinsurance segment consists of the business ceded to us pursuant to our Reinsurance Agreement with AmTrust and business ceded to us pursuant to our European Hospital Liability Quota Share with AmTrust subsidiaries, AmTrust Europe Limited and AmTrust International Underwriters Limited, respectively, to reinsure those entities' medical liability business in Europe, in particular in Italy and France.

On March 7, 2013, after receipt of approval from the Company’s and AmTrust’s Audit Committees, the Company and AmTrust executed an amendment to the Reinsurance Agreement, which provides for the extension of the term of the Reinsurance Agreement to July 1, 2016. The amendment further provides that, effective January 1, 2013, AII will receive a ceding commission of 31% of ceded written premiums with respect to all Covered Business (as defined in the Reinsurance Agreement) other than retail commercial package business, for which the ceding commission will remain 34.375%. Although this commission adjustment eliminates its variable feature, the Company anticipates operating for the foreseeable future at that commission rate. Lastly, with regards to the Specialty Program portion of Covered Business only, AmTrust will be responsible for ultimate net loss otherwise recoverable from Maiden Bermuda to the extent that the loss ratio to Maiden Bermuda, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95% (the “AmTrust Loss Corridor”). For the purposes of determining whether the loss ratio falls within the AmTrust Loss Corridor, workers' compensation business written in AmTrust's Specialty Program segment from July 1, 2007 through December 31, 2012 is excluded from the loss ratio calculation. Above and below the defined range, the Company will continue to reinsure losses at its proportional 40% share per the Reinsurance Agreement. The Company believes that these contract revisions will help to maintain the stability of the overall performance for the Reinsurance Agreement.

Our NGHC Quota Share segment consists of the business ceded to us pursuant to our agreement with NGHC which, through its affiliates, cedes approximately 25% of its business to us pursuant to a quota share reinsurance agreement.

On August 1, 2013, we received notice from NGHC of the termination of the NGHC Quota Share, effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013, until those policies expire.

Financial data relating to our three segments is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 3. Segment Information to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Table of Contents

The net premiums written and earned in each segment for the years ended December 31, 2013, 2012 and 2011 were as follows:

For the Year Ended December 31,	2013		2012		2011			
	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total		
Diversified Reinsurance	\$761.8	36.3	% \$765.3	40.3	% \$798.0	46.3	%	
AmTrust Quota Share Reinsurance	1,169.9	55.8	% 840.3	44.2	% 669.3	38.8	%	
NGHC Quota Share	164.6	7.9	% 295.7	15.5	% 256.2	14.9	%	
Total	\$2,096.3	100.0	% \$1,901.3	100.0	% \$1,723.5	100.0	%	

For the Year Ended December 31,	2013		2012		2011			
	Net Premiums Earned (\$ in Millions)	% of Total	Net Premiums Earned (\$ in Millions)	% of Total	Net Premiums Earned (\$ in Millions)	% of Total		
Diversified Reinsurance	\$762.1	38.1	% \$795.3	44.1	% \$748.4	48.3	%	
AmTrust Quota Share Reinsurance	988.9	49.4	% 727.8	40.3	% 558.2	35.9	%	
NGHC Quota Share	249.9	12.5	% 280.7	15.6	% 245.8	15.8	%	
Total	\$2,000.9	100.0	% \$1,803.8	100.0	% \$1,552.4	100.0	%	

A substantial majority of our premium written is generated by quota share reinsurance contracts. For the years ended December 31, 2013, 2012 and 2011, 83.1%, 82.0% and 80.7%, respectively, of our consolidated gross premiums written was derived from quota share reinsurance contracts. This significant concentration of quota share reinsurance, combined with our focus on lines of business which are inherently less volatile, results in a less capital intensive business which enables the Company to target higher returns on equity for its shareholders.

Financial data relating to geographic areas in which we operate and principal products may be found in Note 3. Segment Information to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

In a quota share reinsurance arrangement (also known as pro rata reinsurance, proportional reinsurance or participating reinsurance), the reinsurer shares a proportional part of the original premiums of the reinsured. In return, the reinsurer assumes a proportional share of the losses incurred by the cedant. The reinsurer pays the ceding company a commission, which is generally based on the ceding company's cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expenses) and may also include a profit sharing arrangement. Under proportional reinsurance contracts, ceding commission can be adjustable based upon loss experience which potentially reduces earnings volatility under such arrangements.

Excess of loss (or non-proportional) reinsurance indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a level, retention or attachment point. Excess of loss business is written in layers and a reinsurer or group of reinsurers accepts a band of coverage up to a specified amount. The total coverage purchased by the cedant is referred to as a program.

Facultative reinsurance (proportional or non-proportional) is the reinsurance of individual risks. The reinsurer separately rates and underwrites each risk rather than assuming all or a portion of a class of risks as in the case of treaty reinsurance.

## Diversified Reinsurance

### General

The Diversified Reinsurance segment of our reinsurance business consists of a varied portfolio of property and casualty and accident and health reinsurance business focusing on regional and specialty property and casualty insurance companies located in the U.S. and internationally. This business is primarily written by Maiden US. The business associated with the IIS Acquisition, which is primarily located in Europe and the Americas, and is underwritten by Maiden Bermuda, with the exception of certain credit life policies written by Maiden LF, which are not material to the overall results of the segment.

On April 22, 2013, we entered into a transaction with Brit whereby, effective May 1, 2013, the Company and Brit's subsidiary, Brit Global Specialty, entered into a temporary 100% quota share reinsurance of excess and surplus ("E&S") business written by

Table of Contents

Maiden Specialty. Brit subsequently assumed the renewal rights of our E&S business through Brit Global Specialty USA ("BGSU") and BGSU is now writing the renewals of the assumed business into Brit Syndicates 2987. Employees of Maiden Specialty were transitioned to BGSU effective May 1, 2013. The existing in force E&S business written by the Company as of April 30, 2013 is being run-off and is not material to the overall results of the segment.

The reinsurance written by Maiden US is primarily written through treaties with other insurers on a quota share and excess of loss basis and also on a facultative basis, all of which are marketed through third-party intermediaries and on a direct basis. Maiden Bermuda also provides quota share reinsurance support to Maiden US and Maiden LF through intercompany reinsurance arrangements.

The net premiums written of the Diversified segment by subsidiary of the Company, before the quota share reinsurance support provided by Maiden Bermuda to Maiden US and Maiden LF for the years ended December 31, 2013, 2012 and 2011 were as follows:

For the Year Ended December 31,	2013		2012		2011			
	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total		
Maiden US	\$650.2	85.4	% \$636.7	83.2	% \$655.0	82.1	%	
Maiden Bermuda	98.8	12.9	% 102.9	13.4	% 118.7	14.9	%	
Maiden LF	14.2	1.9	% 9.4	1.3	% 11.1	1.4	%	
Maiden Specialty	(1.4 )	(0.2 )	% 16.3	2.1	% 13.2	1.6	%	
Total	\$761.8	100.0	% \$765.3	100.0	% \$798.0	100.0	%	

A combination of general market and competitive conditions, along with their underlying financial performance and capital levels including those considered by rating agencies and regulators, often influence reinsurance purchasing decisions of individual ceding companies. Historically, Maiden US has written greater amounts of quota share business than excess of loss business reflecting the needs of its clients. During 2013, the increase in the Maiden US business was primarily due to the addition of new excess of loss accounts combined with organic growth from certain existing accounts. This was partially offset by: 1) the non-renewal of several large proportional U.S. reinsurance contracts that no longer met Maiden US profitability criteria in the second half of 2012; and 2) the decision by certain Maiden US clients to retain more business in 2013. As a result, the percentage of quota share business in total has declined in recent years. For the years ended December 31, 2013, 2012 and 2011, 50.9%, 52.4% and 53.6% of Maiden US's gross premiums written was written on a quota share basis, respectively.

Maiden US began operations in 1983 through Maiden Re (previously GMAC RE LLC or "GMAC RE"). Since its inception, the business has focused on developing a portfolio of assumed reinsurance with an emphasis on relatively predictable reinsurance with low limits of participation on both a treaty and facultative basis. By design, the underwriting portfolio was developed to mitigate volatility and generate stable operating performance. Our underwriting strategy has de-emphasized property catastrophe reinsurance and participations in more volatile casualty lines such as D&O and professional liability. Over its years in operation, the underwriting infrastructure and capabilities have been expanded to include an accident and health reinsurance portfolio, a specialty oriented facultative casualty reinsurance business, the now divested of property excess and surplus lines insurance business and, the most significant portfolio, a regional and specialty oriented property and casualty treaty reinsurance business.

We employ sophisticated risk management, disciplined actuarially-based pricing and strong technical underwriting in developing and maintaining these portfolios. We use both proprietary and vendor developed technology systems to

administer and manage the portfolio. The business has been carefully developed under the active management of multi-functional underwriting teams with performance accountability. The entire infrastructure of Maiden Re was acquired in the GMAC Acquisition and added to existing capabilities. We are using this infrastructure to continue to expand and develop our North American underwriting portfolio. Maiden US presently has 99 active treaty client relationships.

For certain clients, Maiden Re provides enhanced security in the form of an internally developed dedicated trust agreement for the reinsurance balances payable to that client. We believe this reinsurance security provides us with a sustainable competitive advantage that is both attractive to new clients and improves retention of existing ones. The trust accounts are funded on an individual client basis with cash and other fixed maturity securities. We can actively manage the cash and investments in the trust accounts and any interest earned is ours. The balances are adjusted quarterly to correspond to the liabilities owed to the client, including individually computed Incurred But Not Reported ("IBNR") reserves. The clients can withdraw assets from the trusts under contractually limited circumstances. As of December 31, 2013, we had cash and fixed maturity securities totaling \$855.7 million in these trusts, which is part of the \$2.2 billion restricted assets disclosed in Note 4. (e) Investments to our Consolidated Financial Statements.

The business associated with the IIS Acquisition ("IIS business") is written through treaties with other insurers on a quota share basis, which are underwritten by Maiden Bermuda, with the exception of business written through Maiden LF which is underwritten on a primary basis. All of this business is marketed primarily through Maiden Global's business development teams who partner

Table of Contents

with automobile manufacturers 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. Typically the primary insurer agrees to reinsure an agreed upon percentage of the underlying business to Maiden Bermuda as part of the overall arrangement. Maiden Bermuda is generally not obligated to underwrite the original equipment automobile manufacturers' (the "OEM's") programs that Maiden Global designs. As of December 31, 2013, Maiden Bermuda had 12 active treaties associated with the IIS business.

There were fifteen reinsurance programs that were originally part of the IIS business. During 2011, thirteen of these programs were novated from GMAC International Insurance Company, Ltd. ("GMAC IICL") to Maiden Bermuda and one program was commuted. The remaining program was novated to Maiden Bermuda in 2013.

The net premiums written associated with the IIS business were written in the following countries:

For the Year Ended December 31,	2013		2012		2011			
	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total		
Germany	\$47.0	43.2	% \$45.9	43.9	% \$53.4	50.5	%	
U.K.	15.0	13.7	% 11.9	11.4	% 4.2	3.9	%	
Mexico	8.0	7.4	% 7.4	7.1	% 5.5	5.2	%	
Australia	7.0	6.4	% 4.8	4.6	% 4.6	4.3	%	
Chile	6.5	6.0	% 7.0	6.7	% 6.4	6.0	%	
Canada	5.9	5.4	% 2.1	2.0	% 2.6	2.4	%	
All other	19.6	17.9	% 25.5	24.3	% 29.1	27.7	%	
Total	\$109.0	100.0	% \$104.6	100.0	% \$105.8	100.0	%	

The breakdown by line of business is as follows:

For the Year Ended December 31,	2013		2012		2011			
	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total		
Personal Auto	\$71.8	65.9	% \$72.8	69.6	% \$72.1	68.1	%	
Credit Life	37.2	34.1	% 31.8	30.4	% 33.7	31.9	%	
Total	\$109.0	100.0	% \$104.6	100.0	% \$105.8	100.0	%	

Geographically, Germany historically constitutes a greater proportion of the overall premiums written, typically over 40%. On a line of business basis, Personal Auto historically constitutes a greater proportion of the overall premiums written, typically greater than 60%. However, future distributions of premium by country and by line of business may vary from historical experience.

Maiden Global can also participate in transactions where it only collects a fee for designing and facilitating the sale of insurance programs. Our fee income is primarily generated by OVS (previously known as Maiden VS) in Germany and Austria through its point of sale producers in select OEM's dealerships, with other smaller fee income programs in place globally. We seek to expand these fee generating arrangements through the Maiden Global business development teams contacts with automobile manufacturers globally. For the years ended December 31, 2013, 2012 and 2011, we earned gross fee income of \$13.5 million, \$12.9 million and \$12.6 million, respectively. Please refer to



Note 3. Segment Information to our Consolidated Financial Statements for further information regarding the accounting treatment of these fees.

On September 1, 2011, in exchange for a 10% interest in OVS, we entered into cooperation agreements with the Opel Dealer Association in Germany and the German auto manufacturer Adam Opel AG ("Opel"). The cooperation agreements with both organizations are designed to increase the sales of OVS insurance products in Opel dealerships in Germany and increase fee and other revenues for Opel, the Opel Dealer Association, and OVS, respectively.

#### Strategy

Maiden Bermuda and Maiden US are specialty reinsurers with an efficient operating platform that target lines of business and types of contracts that are more predictable than the market as a whole, allowing stability of earnings over time. Most business is written as reinsurance, that is, insurance of other insurance companies. Our primary focus is regional and specialty clients who

## Table of Contents

rely on reinsurance for capital support and/or to reduce their risk. The majority of our clients are regional or super-regional insurance companies or specialty insurers. With these customers, we believe it is possible to develop long term relationships which not only survive the insurance market cycles, but provide benefits to both reinsurer and customer during turbulent times.

In our Diversified Reinsurance segment, we reinsure property and casualty lines of business, but de-emphasize lines of business such as professional liability, which we consider more volatile, and we do not offer traditional catastrophe reinsurance on a stand-alone basis. We occasionally provide limited catastrophe coverage to clients that purchase other reinsurance from us.

We are primarily a lead reinsurer, meaning that we develop our own terms rather than accepting a small share of another reinsurer's program in a subscription market. We try to be the primary, if not sole, reinsurer for our clients. On IIS business, Maiden Bermuda is the only reinsurer on these contracts. Our handling of this business considers the economics of the individual customer and therefore is less susceptible to large increases and decreases following market cycles. We are able to attract preferred clients because we offer a secure product and an emphasis on client service. By maintaining significant relationships with clients, we are able to develop strong economies of scale and maintain highly competitive operating efficiencies, a critical element of our business strategy.

We offer reinsurance on both a quota share basis and excess of loss basis. We believe that our policy of providing our clients security for our reinsurance obligations through collateral trusts gives us a competitive advantage. In the current economic climate, we also believe that reinsurance brokers and insurers, as well as rating agencies, are scrutinizing the credit-worthiness of reinsurers more closely than in the recent past and recognize that our collateral trust product offers a high level of security. We also utilize a partnership concept developed over Maiden Re's thirty year operating history to develop long-term customer relationships. This concept entails the offer to our clients of our expertise in underwriting, claims, actuarial, marketing and accounting, through tailored services which support their businesses and goals.

### AmTrust Quota Share Reinsurance

#### General

AmTrust is our largest client and is a multinational specialty property and casualty insurance holding company with operations in the U.S., Europe and Bermuda. AmTrust's principal operating subsidiaries are rated "A" (Excellent) with a stable outlook by A.M. Best, which rating is the third highest of 16 rating levels.

Our Founding Shareholders are Michael Karfunkel, George Karfunkel and Barry Zyskind. Michael Karfunkel is the non-executive chairman of the board of AmTrust, George Karfunkel is a director of AmTrust, and Barry Zyskind is the president, chief executive officer and director of AmTrust. The Founding Shareholders, including Leah Karfunkel (wife of Michael Karfunkel), own or control approximately 59% of the outstanding voting shares of AmTrust.

Through our reinsurance agreements with AmTrust, we reinsure specific lines of business within the following AmTrust business segments:

- Small commercial business insurance, which includes U.S. workers' compensation, commercial package and other property and casualty insurance products; and

- Specialty risk and extended warranty coverage for consumer and commercial goods and custom designed coverages, such as accidental damage plans and payment protection plans offered in connection with the sale of consumer and commercial goods, in the U.S., United Kingdom ("U.K.") and certain other European countries, European Hospital

Liability; and

Specialty program includes U.S. workers' compensation, package products, general liability, commercial auto liability, excess and surplus lines programs and other specialty commercial property and casualty insurance to a narrowly defined, homogeneous group of small and middle market companies.

#### Reinsurance Agreement

Under our Reinsurance Agreement with AmTrust's Bermuda reinsurance subsidiary, AmTrust International Insurance, Ltd. ("AII"), effective July 1, 2007, we reinsure 40% of AmTrust's written premium, net of commissions, in the case of AmTrust's U.K. subsidiary, and net of reinsurance with unaffiliated reinsurers, relating to certain lines of business that existed on the effective date. In addition, we also have the option to reinsure additional programs, in addition to the original lines of business entered into by AmTrust since the effective date of the Reinsurance Agreement. The Company has periodically exercised this option.

Effective April 1, 2011, the Company entered into a series of contract modifications with AmTrust regarding the reinsurance coverage it provides under the Reinsurance Agreement, including the ceding commission arrangements contained within that contract. These changes include: (1) extension of the Reinsurance Agreement for one additional year, to July 1, 2014, while continuing the automatic three-year renewal subject to the provisions of the contract; (2) a reduction of the ceding commission payable under the Reinsurance Agreement to 30.0% for the period April 1 to December 31, 2011; and (3) subsequent to December 31, 2011, a provision which potentially reduces the ceding commission payable based on the mix of business ceded under the Reinsurance Agreement, excluding business related to the Unitrin Business Insurance ("UBI") business to either 30.5% or 30.0%. In addition, either party is entitled to terminate on thirty days' notice or less upon the occurrence of certain early termination events,

## Table of Contents

which include a default in payment, insolvency, change in control of AII or Maiden Bermuda, run-off, or a reduction of 50% or more of the shareholders' equity of Maiden Bermuda or the combined shareholders' equity of AII and the AmTrust subsidiaries.

On March 7, 2013, after receipt of approval from the Company's and AmTrust's Audit Committees, the Company and AmTrust executed an amendment to the Reinsurance Agreement, which provides for the extension of the term of the Reinsurance Agreement to July 1, 2016. The amendment further provides that, effective January 1, 2013, AII will receive a ceding commission of 31% of ceded written premiums with respect to all Covered Business other than retail commercial package business, for which the ceding commission will remain 34.375%. Though this commission adjustment eliminates its variable feature, the Company anticipates operating for the foreseeable future at that commission rate. Lastly, with regards to the Specialty Program portion of Covered Business only, AmTrust will be responsible for ultimate net loss otherwise recoverable from Maiden Bermuda to the extent that the loss ratio to Maiden Bermuda, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95%. For the purposes of determining whether the loss ratio falls within the AmTrust Loss Corridor, workers' compensation business written in AmTrust's Specialty Program segment from July 1, 2007 through December 31, 2012 is excluded from the loss ratio calculation. Above and below the defined corridor, the Company will continue to reinsure losses at its proportional 40% share per the Reinsurance Agreement. The Company believes that these contract revisions will help to maintain the stability of the overall performance for the Reinsurance Agreement.

### European Hospital Liability Quota Share

On April 1, 2011, as amended on January 1, 2012, the Company entered into the European Hospital Liability Quota Share with AmTrust Europe Limited ("AEL") and AmTrust International Underwriters Limited ("AIUL"), respectively, to cover those entities' medical liability business in Europe, in particular in Italy and France. The European Hospital Liability Quota Share has a term of one year and automatically renews for further one year terms thereafter unless either party notifies the other of its election in writing not to renew not less than four months prior to the end of any such term. Effective January 1, 2012, the Company's maximum limit of liability is €10 million, previously €5 million per original claim for any one original policy, and consistent with the original agreement, pays a ceding commission of 5.0% plus a profit share as defined in the agreement. The profit sharing is based upon the reinsured exceeding defined underwriting performance of each contract year, commencing two years after the beginning of each contract year. To the extent that the underwriting performance is exceeded, the Company will share 50% of the excess amounts computed.

### NGHC Quota Share

### General

NGHC is an insurance holding company which, on March 1, 2010, acquired from GMAC Insurance Holdings, Inc. and Motors Insurance Corporation ("Motors") (collectively, "GMAC"), GMAC's personal lines automobile business. On June 6, 2013, NGHC issued 21,850,000 shares of common stock in a 144A offering, which resulted in AmTrust owning 15.4% of the issued and outstanding shares of NGHC common stock, Michael Karfunkel owns 15.8% of the outstanding shares of NGHC common stock and the Michael Karfunkel 2005 Grantor Retained Annuity Trust (which is controlled by Leah Karfunkel, wife of Michael Karfunkel) owns 41.4% of the outstanding shares of NGHC common stock ("Annuity Trust"). Michael Karfunkel is the chairman and chief executive officer of NGHC, and Barry Zyskind is a director of NGHC.

On March 1, 2010, Maiden Bermuda entered into the NGHC Quota Share. Effective on that date, we reinsure 25% of the net premiums of the GMAC automobile business acquired by NGHC. The NGHC Quota Share provides that the reinsurers, severally, in accordance with their participation percentages, shall receive 50% of the net premium of the GMAC personal lines insurance companies and assume 50% of the related net losses.

Effective October 1, 2012, the NGHC Quota Share was amended to decrease the provisional ceding commission from 32.5% to 32.0% of ceded earned premium, net of inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a minimum of 30.0% (changed from 30.5%), if the loss ratio is 64.5% or greater. The Company's Audit Committee approved this transaction and any amendment thereto.

On August 1, 2013, we received notice from NGHC of the termination of the NGHC Quota Share, effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013, until those policies expire.

## Risk Management

### General

Central to the reinsurance business is the assumption and management of risk. Our risk management discipline therefore focuses on both quantitative and qualitative elements as the means to achieve targeted shareholder returns through a balanced analysis and assessment of these elements. The quantitative aspect of our risk management practice focuses on understanding and controlling a broad array of risk parameters in order to achieve desired returns. Our business model further mitigates the risk inherent in our business by focusing on lines of business which are less volatile and thus require less capital to support the exposures generated by those lines of business. The qualitative aspect of our risk management practice focuses on identifying and assessing risks, and taking the necessary steps to reduce or mitigate risks, or those risks that could threaten the achievement of our business objectives.

## Table of Contents

We believe that we have developed a strong risk management culture within Maiden through the establishment of various processes and controls which focus on our risk exposures. We are continually reviewing and enhancing these processes and developing additional processes that may be necessary to achieve our business strategies and objectives within our risk management practice. Specific risk management practices that have been or are being developed to meet our risk management goals include:

- Tracking portfolio volatility over time;
- Identifying risk mitigation opportunities and implementing them as appropriate;
- Understanding the capital required to support the underwriting portfolio and individual contracts;
- Monitoring and managing exposure by line of business and geographic concentration;
- Monitoring and limiting catastrophe aggregates and concentrations;
- Monitoring and managing operational risks across the organization; and
- Identifying, monitoring and managing emerging risks as they develop.

Our Enterprise Risk Management (“ERM”) Committee, which consists of members of the Company’s executive management, focuses primarily on identifying correlations among our primary categories of risk, developing metrics to assess our overall risk appetite, establish appropriate risk parameters and tolerances, performing an annual risk assessment and continually reviewing factors that may impact our organizational risk. This risk governance structure is complemented by our internal audit department, which assesses the adequacy and effectiveness of our internal control systems and coordinates risk-based audits and compliance reviews and other specific initiatives to evaluate and address risk within targeted areas of our business. Our ERM is dynamic, with periodic updates being made to reflect organizational processes, as well as staying current with changes within our industry and the global economic environment.

Our management’s internal ERM efforts are overseen by the Company's Audit Committee. This Committee, comprised solely of independent directors, assesses whether management is addressing risk issues in a timely and appropriate manner. Internal controls and ERM can provide a reasonable but not absolute assurance that our control objectives will be met. The possibility of material financial loss remains in spite of our ERM efforts.

### Underwriting Risk Management

Internal underwriting controls are established by our underwriting executives who are the Chief Underwriting Officer of Maiden Bermuda and the President of Maiden US, working in close coordination with our Chief Executive Officer. Underwriting authority is delegated to the managers in each business segment and to underwriters in accordance with prudent practice and an understanding of each underwriter’s capabilities. Our policy is to grant each underwriting team a specified limit, consistent with our operating guidelines. Our targeted performance goals and guidelines are regularly reviewed by management to reflect changes in market conditions, interest rates, capital requirements and market-expected returns.

We have a disciplined approach to underwriting and risk management that relies heavily upon the collective underwriting expertise of our management and staff. This expertise is in turn guided by the following underwriting principles:

- we will underwrite and accept only those risks we know and understand;
- we will perform our own independent pricing or risk review on all risks we accept; and
- we will accept only those risks that are expected to earn a risk-adjusted return on capital commensurate with the risk they present.

Before we review any program proposal, we consider the appropriateness of the client, including the quality of its management, its financial stability and its risk management strategy. In addition, we require each program to include significant information on the nature of the perils to be included and detailed exposure and loss information, including rate changes and changes in underwriting and claims handling guidelines over time. We often conduct an on-site audit of the client's operations prior to quoting. If a program meets our underwriting criteria, we then develop a proposal which contemplates the prospective client's needs, that account's risk/reward profile, as well as our corporate risk objectives. We have fully integrated our internal claims, underwriting and pricing actuarial staff into the underwriting and decision making process. We use in-depth actuarial, claims and exposure analyses to evaluate contracts prior to quoting. We underwrite and accept property and casualty reinsurance business, accident and health reinsurance business and certain specialty property insurance business. In general, we seek to underwrite reinsurance business that historically is lower in volatility and more predictable than other classes of reinsurance business such as catastrophe reinsurance, which we generally seek to avoid. As part of our risk management process, we seek to identify those casualty and specialty exposures

Table of Contents

that are most likely to be simultaneously influenced by significant events. These exposures are then jointly tracked to ensure that we do not develop an excessive accumulation of exposure to that particular type of event.

In addition to the above technical and analytical practices, our underwriters use a variety of means, including specific contract terms, to manage our exposure to loss. These include occurrence limits, adjustable ceding commissions and premiums, aggregate limits, reinstatement provisions and loss sensitive features. Additionally, our underwriters use appropriate exclusions, terms and conditions to further eliminate particular risks or exposures that our underwriting team deems to be outside of the intent of the coverage we are willing to offer.

In limited cases, the risks assumed by us are partially reinsured with other third party reinsurers. Reinsurance ceded varies by segment and line of business based on a number of factors, including market conditions. The benefits of ceding risks include reducing exposure on individual risks and/or protecting against catastrophic risks. Reinsurance ceded does not legally discharge us from our liabilities to the original policyholder in respect of the risk being reinsured. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 7. Long-Term Debt of our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

#### Catastrophe Risk Management

While we generally avoid catastrophe exposed reinsurance risks, certain risks we reinsure are exposed to catastrophic loss events. As a general rule, we seek to limit our modeled one-in-250 year catastrophe exposure to any one event to not exceed our operating income. At December 31, 2013 and 2012, our one-in-250 year catastrophe exposure to a hurricane or an earthquake event was as follows:

At December 31, Catastrophe exposure	2013 (\$ in Millions)	2012	% Change	
Hurricane event	\$24.5	\$53.3	(54.1	)%
Earthquake event	25.4	36.1	(29.7	)%

In addition to our active catastrophe risk management, these reductions reflect the sale of our E&S business to Brit which took effect on May 1, 2013.

To achieve our catastrophe risk management objectives, we utilize commercially available tools to quantify and monitor the various risks we accept. We have licensed catastrophe modeling software from one of the principal modeling firms, Applied Insurance Research (“AIR”). These software tools use exposure data provided by our insured’s and ceding company clients to simulate catastrophic losses. We take an active role in the evaluation of these commercial catastrophe models, providing feedback to AIR to improve the efficiencies and accuracy of their models. We use modeling not just for the underwriting of individual transactions but also to optimize the total return and risk of our underwriting portfolio. We have high standards for the quality and levels of detailed exposure data provided by our clients and have an expressed preference for the most detailed location information available, including data at the zip code or postal code level or finer. Data provided at more summary levels, such as counties, is conservatively modeled. The primary business previously underwritten by Maiden Specialty, and now in run-off, used exposure information by location which was geo-coded. Data output from the software described above is incorporated in our proprietary pricing models. Our proprietary systems include those for modeling risks associated with property catastrophe, property and U.S. workers’ compensation business, various casualty and specialty pricing models, as well as our proprietary portfolio risk management model. These systems allow us to monitor our pricing and risk on a contract by contract basis in each of our segments and business lines.

#### Reinsurance Including Retrocessions



We use reinsurance and retrocessional agreements to a limited extent to mitigate volatility and to reduce our exposure on certain specialty reinsurance risks and to mitigate the effect of major catastrophic events. These agreements provide for reduction of property risk losses, casualty occurrence losses and catastrophe occurrence losses on specific treaties. We remain liable to our cedants to the extent that the retrocessionaires do not meet their obligations under retrocessional agreements, and these retrocessions are subject to credit risk in all cases and to aggregate loss limits in certain cases. We maintain a credit risk review process that identifies authorized acceptable reinsurers and retrocessionaires and have no impaired balances. At December 31, 2013, we had approximately \$84.0 million of reinsurance recoverable under such agreements, of which \$49.8 million or 59.2% relates to reinsurance claims from Superstorm Sandy.

#### Competition

The reinsurance industry is mature and highly competitive. Reinsurance companies compete on the basis of many factors, including premium rates, general reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments, reputation and experience in risks underwritten, capacity and coverages offered and various other factors. These factors operate at the individual market participant level and generally in the aggregate across the reinsurance industry. In addition, underlying economic conditions and variations in the reinsurance buying

## Table of Contents

practices of ceding companies, by participant and in the aggregate, contribute to cyclical movements in rates, terms and conditions and may impact industry aggregate results and subsequently the level of completion in the reinsurance industry.

We compete with major U.S. and non-U.S. reinsurers, including other Bermuda-based reinsurers, on an international and regional basis. In our Diversified Reinsurance segment, we compete with reinsurers that provide property and casualty-based lines of reinsurance such as: Swiss Reinsurance Company Ltd., Munich Reinsurance America, Inc., General Reinsurance Corporation, PartnerRe Ltd., Hannover Re Group, QBE Insurance Group, Transatlantic Holdings, Inc., Endurance Specialty Holdings, Ltd., Scor Reinsurance Company, Platinum Underwriters Holdings, Ltd., The TOA Reinsurance Company of America, Odyssey Re Holdings Corp., AXIS Capital Holdings Ltd., W.R. Berkley Corporation and Everest Re Group, Ltd.

Many of these entities have significantly larger amounts of capital, higher ratings from rating agencies and more employees than we do; in addition, these entities have established long-term and continuing business relationships throughout the industry, which can be significant competitive advantages. However, we believe the enhanced security that we offer our clients through collateral trusts, our niche specialist orientation, our operating efficiency and our careful relationship management capabilities help offset these advantages and allow us to effectively compete for profitable business.

In addition, in recent years, significant increases in the use of risk-linked securities and derivative and other non-traditional risk transfer mechanisms and vehicles are being developed and offered by other parties, including entities other than insurance and reinsurance companies. The availability of both these non-traditional products and sources of capital could reduce the demand for traditional insurance and reinsurance.

A number of new, proposed or potential industry or legislative developments could also further increase competition in our industry. New competition from these developments may result in fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention and less favorable policy terms and conditions, which could have a material adverse impact on our growth and profitability.

Natural and man-made catastrophes occur each year that affect reinsurance industry results. In each of the last three years the insurance and reinsurance industry has experienced an extensive series of significant natural and man-made catastrophes, both globally and in the U.S., that negatively impacted overall industry performance. Consistent with our business model, in 2013 our catastrophe losses were within our expected parameters. In 2012 however, we did experience significant losses from Superstorm Sandy, which totaled \$31.1 million.

During the year ended December 31, 2013, the reinsurance market has been characterized by significant competition in most lines of business. In addition to continuing product innovations, there also continues to be an influx of new capital from sources not considered traditional investors in the reinsurance industry, primarily in the property catastrophe segment of the reinsurance market, which is further enhancing overall industry competitive conditions.

Industry financial conditions and the continuing flows of new capital have limited the amount of enhanced pricing the industry would normally experience during periods of increased catastrophe losses. More recently, January 1, 2014 reinsurance renewals for the industry appeared to show competitive pricing conditions, particularly in property catastrophe contracts which are more acutely feeling the impact of capital inflows and product innovations. While the business we write as part of our business model is somewhat more insulated from these competitive conditions, we are experiencing some residual pricing pressures as a result of broader industry conditions.

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

well positioned to take advantage of market conditions should the pricing environment become more favorable.

#### Our Financial Strength Ratings

Ratings are an important factor in establishing the competitive position of insurance and reinsurance companies and are important to our ability to market and sell our products. We believe that the primary users of such ratings include brokers, ceding companies and investors. Insurance ratings are also used by insurance and reinsurance intermediaries as an important means of assessing the financial strength and quality of insurers and reinsurers. Periodically, rating agencies evaluate us to confirm that we continue to meet their criteria for the ratings assigned to us by them.

A.M. Best and S&P have each developed a rating system to provide an opinion of an insurer's or reinsurer's financial strength and ability to meet ongoing obligations to its policyholders and not an opinion on an insurer's or reinsurer's overall capacity and willingness to meet its financial commitments as they become due. Each rating reflects that rating agency's independent opinion of the capitalization, management and sponsorship of the entity to which it relates, and is neither an evaluation directed to investors in our common shares nor a recommendation to buy, sell or hold our common shares.

A.M. Best maintains a letter scale rating system ranging from "A++" (Superior) to "F" (In Liquidation). S&P maintains a letter scale rating system ranging from "AAA" (Extremely Strong) to "R" (Under Regulatory Supervision).

Our subsidiaries, Maiden Bermuda, Maiden US and Maiden Specialty, each currently has a financial strength rating of "A-" (Excellent, the fourth highest out of sixteen rating levels) with a stable outlook from A.M. Best, and "BBB+" (Good, the eighth highest out of twenty-two rating levels) with a negative outlook from S&P.

Table of Contents

We can offer no assurances that our ratings will remain at their current levels, or that our security will be accepted by brokers and our insureds and reinsureds. A ratings downgrade or the potential for such a downgrade, or failure to obtain a necessary rating, could adversely affect both our relationships with clients, brokers and other distributors of our existing products and services and new sales of our products and services. We believe the collateralization of reinsurance obligations provides additional financial protection for our clients and a significant point of differentiation from its competitors, allowing us to compete with higher rated reinsurers.

## Distribution of Our Reinsurance Products

We market our Diversified Reinsurance segment in Bermuda through third party intermediaries and in the U.S. primarily through third-party intermediaries, as well as directly through our own marketing efforts. Our direct marketing activities are generally focused on insurers with a demonstrated preference and propensity to utilize direct distribution reinsurers. We believe this combination affords us flexibility and efficiency. In the years ended December 31, 2013, 2012 and 2011, the sources of gross premiums written by our Diversified Reinsurance segment were as follows:

% of Gross Premiums Written for the Year Ended December 31,	2013	2012	2011	
Brokers	58.7	% 68.8	% 66.1	%
Direct	41.3	% 31.2	% 33.9	%
Total	100.0	% 100.0	% 100.0	%

In the years ended December 31, 2013, 2012 and 2011, our top three brokers represented approximately 29.2%, 34.1% and 39.4%, respectively, of gross premiums written by our Diversified Reinsurance segment. A further breakdown of the gross premiums written by our Diversified Reinsurance segment by broker for December 31, 2013, 2012 and 2011, respectively, are provided in the table below.

% of Gross Premiums Written for the Year Ended December 31,	2013	2012	2011	
Broker				
Marsh Inc. (including Guy Carpenter)	12.3	% 16.5	% 18.1	%
Aon Benfield Inc.	11.6	% 9.3	% 11.9	%
Beach & Associates Ltd.	5.3	% 8.3	% 9.4	%
All Other Brokers	29.5	% 34.7	% 26.7	%
Total Broker	58.7	% 68.8	% 66.1	%
Direct	41.3	% 31.2	% 33.9	%
Total Diversified	100.0	% 100.0	% 100.0	%

## Reserve for Loss and Loss Adjustment Expenses

## General

We are required by applicable insurance laws and regulations in Bermuda, the U.S., Sweden and accounting principles generally accepted in the United States ("U.S. GAAP") to establish loss reserves to cover our estimated liability for the payment of all loss and loss adjustment expenses incurred with respect to premiums earned on the policies and treaties that we write. These reserves are balance sheet liabilities representing estimates of loss and loss adjustment expenses which ultimately we are required to pay for insured or reinsured claims that have occurred as of or before the balance sheet date. It is our policy to establish these losses and loss expense reserves using prudent actuarial methods after reviewing all information known to us at the date they are recorded.

These amounts include case reserves, additional case reserves ("ACRs") and provisions for IBNR reserves. Case reserves are established for losses that have been reported to us, and not yet paid. ACRs are established for particular

circumstances where, on the basis of individual loss reports, we estimate that the particular loss or collection of losses covered by a treaty may be greater than those advised by the cedant. Our claims department evaluates all significant losses reported to us and if appropriate will include a provision for ACRs if we feel the ceding company's estimate of the claim is not adequate. IBNR reserves represent the estimated cost of losses that have occurred but have not been reported to us and include a provision for additional development on case reserves. We establish case reserves based on information from the ceding company, reinsurance intermediaries, and when appropriate, consultations with independent legal counsel. The IBNR reserves are established by management based on reported losses and loss expenses and actuarially determined estimates of ultimate loss and loss adjustment expenses.

We use a variety of standard actuarial methods to estimate ultimate expected loss and loss adjustment expenses applying appropriate actuarial judgment in the determination of ultimate losses.

Table of Contents

The majority of our business is reserved individually by cedant with the remainder reserved in homogeneous groupings. Ultimate losses across the reserve segments are converted to IBNR reserves by subtracting inception to date paid losses, case reserves and ACRs from those amounts. The accumulation of case and IBNR reserves across the reserve segments results in indicated reserves which are the basis for the carried reserves for financial statements. Ultimate losses are also used to estimate premium and commission accruals for accounts with adjustable features.

Property catastrophe reserves are estimated by event and are revisited monthly. Estimated ultimate catastrophe losses may be based on output from catastrophe models initially and then on ceding company estimates and the reserving methods above.

Loss reserves do not represent an exact calculation of liability; rather, loss reserves are estimates of what we expect the ultimate resolution and administration of claims will cost. These estimates are based on actuarial and statistical projections and on our assessment of currently available data, as well as estimates of future trends in claims severity and frequency, judicial theories of liability and other factors. Loss reserve estimates are refined as experience develops and as claims are reported and resolved. Establishing an appropriate level of loss reserves is an inherently uncertain process. The uncertainties may be greater for reinsurers like us than for reinsurers with an established operating and claims history and a larger number of insurance and reinsurance transactions. In addition, the relatively long reporting periods between when a loss occurs and when it may be reported to our claims department for our casualty lines of business also increase the uncertainties of our reserve estimates in such lines. To assist us in establishing appropriate reserves for loss and loss adjustment expenses, we analyze a significant amount of internal data and external insurance industry information with respect to the pricing environment and loss settlement patterns. In combination with our individual account pricing analyses and our internal loss settlement patterns, this industry information is used to guide our loss and loss expense estimates. These estimates are reviewed quarterly, at a high level of detail, and any adjustments are reflected in earnings in the periods in which they are determined.

There is a significant amount of estimation involved in determining ultimate losses and loss adjustment expenses. We believe that while our case reserves and IBNR reserves are sufficient to cover losses assumed by us, there can be no assurance that losses will not deviate from our reserves, possibly by material amounts. To the extent actual reported losses exceed estimated losses, the carried estimate of the ultimate losses will be increased, which represents unfavorable reserve development, and to the extent actual reported losses are less than our expectations, the carried estimate of ultimate losses will be reduced, which represents favorable reserve development.

#### Loss Portfolio Transfer of the GMAC RE Loss Reserves and Ongoing Novation of Certain Related Reserves and Liabilities

In connection with the GMAC Acquisition, Maiden Bermuda entered into a loss portfolio transfer agreement with Motors whereby it assumed the outstanding loss reserves, including a provision for IBNR reserves associated with the GMAC RE business acquired (\$755.6 million at October 31, 2008).

The loss reserves assumed by Maiden Bermuda from Motors represented the estimate of the unpaid losses to be paid on all of the reinsurance contracts produced by GMAC RE from 1983 until October 31, 2008. Because the entire related infrastructure of GMAC RE, including the actuarial and claims procedures and personnel were acquired by us, the methodology for establishing the estimates for losses and loss expense has been consistently applied. While we believe that we have made a reasonable estimate of loss and loss expense reserves, the ultimate loss experience may be higher or lower than the total reserves recorded by us. A breakdown of the case and IBNR reserves assumed under the loss portfolio transfer as of October 31, 2008 by underwriting year is provided in the table below.

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$27.3	\$20.7	\$48.0

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2001	10.4	10.8	21.2
2002	20.1	28.3	48.4
2003	15.0	28.3	43.3
2004	16.5	32.6	49.1
2005	27.8	51.5	79.3
2006	59.4	93.0	152.4
2007	60.2	112.0	172.2
January 1 to October 31, 2008	48.3	93.4	141.7
Total	\$285.0	\$470.6	\$755.6

\* Underwriting year comprises all policies written or renewed during the year and all losses relating to those same policies, whenever they may occur.

These loss reserves are treated as retroactive reinsurance under U.S. GAAP. Accordingly, any subsequent change in the estimate of the subject losses since the date of transfer are amortized into the Company's results of operations based upon the cumulative

Table of Contents

payment of actual claims in relation to the subject losses transferred. A breakdown of the remaining case and IBNR reserves assumed under the loss portfolio transfer as of December 31, 2013 was as follows:

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$23.0	\$10.0	\$33.0
2001	8.9	7.0	15.9
2002	14.2	8.7	22.9
2003	11.0	8.2	19.2
2004	8.6	5.9	14.5
2005	9.5	3.3	12.8
2006	12.7	10.0	22.7
2007	11.7	3.8	15.5
January 1 to October 31, 2008	8.0	0.7	8.7
Total	\$107.6	\$57.6	\$165.2

\* Underwriting year comprises all policies written or renewed during the year and all losses relating to those same policies, whenever they may occur.

Under the terms of the GMAC Acquisition, we had the right for a transition period of twenty-four months, which expired on October 31, 2010, to have Motors front certain reinsurance business in cases where we do not have the necessary regulatory licenses or approvals. In 2009, Maiden US received all of the necessary regulatory licenses and approvals. Therefore reinsurance premiums underwritten by Maiden Re in the U.S. have been recorded both in Maiden US and pursuant to the terms of the quota share reinsurance agreement between the companies, by Maiden Bermuda. This business is included in the Diversified Reinsurance segment and represents 86.6%, 86.2% and 84.8% of the gross premiums written for this segment for the years ended December 31, 2013, 2012 and 2011, respectively.

In June 2009, A.M. Best downgraded its rating of Motors to "B++", which is an insufficient rating for many of our reinsurance clients. The impact of this downgrade is minimal as most of our clients have their liabilities collateralized in trusts. Nevertheless, for current clients we have offered the opportunity to novate all of their policies with Motors underwritten by Maiden Re. As of December 31, 2013, approximately \$151.8 million of liabilities relating to the loss portfolio transfer have been novated to Maiden US.

#### Loss Portfolio Transfer of the IIS Acquisition Loss Reserves and Novation of Certain Related Reserves and Liabilities

In connection with the IIS Acquisition, Maiden Bermuda entered into a Loss Portfolio Transfer Agreement and Quota Share Reinsurance ("IIS Reinsurance Agreement") with GMAC IICL whereby it assumed the outstanding loss reserves, including a provision for IBNR reserves associated with the IIS business (\$98.8 million at November 30, 2010). This does not include the \$3.2 million of outstanding loss reserves, including a provision for IBNR reserves associated with the acquisition of Maiden LF.

The loss reserves retroceded by GMAC IICL to Maiden Bermuda represented the estimate of the unpaid losses to be paid on all of the reinsurance contracts produced by GMAC IICL through November 30, 2010. Because the entire related infrastructure of GMAC IICL, including the claims procedures and personnel were acquired by us, the methodology for establishing the estimates for losses and loss expense has been consistently applied. While we believe that we have made a reasonable estimate of loss and loss expense reserves, the ultimate loss experience may be higher or lower than the total reserves recorded by us. A breakdown of the case and IBNR reserves assumed under the IIS Reinsurance Agreement as of November 30, 2010, by underwriting year is provided in the table below.





Table of Contents

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$17.8	\$0.9	\$18.7
2001	2.0	—	2.0
2002	1.6	—	1.6
2003	2.8	0.2	3.0
2004	2.7	0.4	3.1
2005	3.4	0.5	3.9
2006	4.3	0.4	4.7
2007	5.3	1.4	6.7
2008	7.5	1.5	9.0
2009	9.1	2.6	11.7
January 1 to November 30, 2010	12.8	21.6	34.4
Total	\$69.3	\$29.5	\$98.8

\* Underwriting year comprises all policies written or renewed during the year and all losses relating to those same policies, whenever they may occur.

These losses are treated as retroactive reinsurance under U.S. GAAP. Accordingly, any subsequent change in the estimate of the subject losses since the date of transfer are amortized into our results of operations based upon the cumulative payment of actual claims in relation to the subject losses transferred. A breakdown of the remaining case and IBNR reserves assumed under the loss portfolio transfer as of December 31, 2013 was as follows:

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$15.5	\$0.4	\$15.9
2001	1.3	—	1.3
2002	0.9	0.1	1.0
2003	2.3	(0.3 )	2.0
2004	2.5	(0.4 )	2.1
2005	2.1	(0.2 )	1.9
2006	4.1	(0.2 )	3.9
2007	4.0	(1.6 )	2.4
2008	4.3	(0.9 )	3.4
2009	2.2	(0.8 )	1.4
January 1 to November 30, 2010	3.0	(0.5 )	2.5
Total	\$42.2	\$(4.4 )	\$37.8

\* Underwriting year comprises all policies written or renewed during the year and all losses relating to those same policies, whenever they may occur.

The reinsurance premiums related to the IIS business are included in the Diversified Reinsurance segment and represent 14.3%, 13.7% and 13.3% of the net premiums written for this segment for the years ended December 31, 2013, 2012 and 2011, respectively.

## Change in Reserves

The following tables (“Analysis of Consolidated Net Loss Reserves Development”) show the development of gross and net reserves for unpaid loss and loss adjustment expenses for our business for calendar years 2011 through 2013. The tables do not present accident or policy year development data. Each table begins by showing the initial reported

year-end gross and net reserves, including IBNR reserves, recorded at the balance sheet date for each of the three years presented. The next section of the table shows the re-estimated amount of the initial reported net reserves for up to six subsequent years, based on experience at the end of each subsequent year. The re-estimated net liabilities reflect additional information, received from cedants or obtained through reviews of industry trends, regarding claims incurred prior to the end of the preceding financial year. A (redundancy) or deficiency arises when the re-estimation of reserves is (lower) or greater than its estimation at the preceding year-end. The cumulative

Table of Contents

redundancies (or deficiencies) reflect cumulative differences between the initial reported net reserves and the currently re-estimated net reserves. Annual changes in the estimates are reflected in the income statement for each year as the liabilities are re-estimated.

The lower section of the table shows the portion of the initial year-end net reserves that was paid (claims paid) as of the end of subsequent years. This section of the table provides an indication of the portion of the re-estimated net liability that is settled and is unlikely to develop in the future.

## Analysis of Consolidated Net Loss Reserves Development

The following table presents additional information regarding the development of gross loss reserves. The table below is a reconciliation of the beginning and ending liability for unpaid loss and loss adjustment expenses ("LAE") for the years ended December 31, 2013, 2012 and 2011.

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
Gross unpaid loss and LAE reserves - January 1	\$1,740.3	\$1,398.4	\$1,226.8
Less: reinsurance recoverable - January 1	110.9	20.3	6.7
Net loss and LAE reserves - January 1	1,629.4	1,378.1	1,220.1
Net incurred losses related to:			
Current year	1,351.0	1,239.0	1,028.9
Prior years	(1.4	) 23.3	14.2
	1,349.6	1,262.3	1,043.1
Net paid losses related to:			
Current year	(517.6	) (485.0	) (456.1
Prior years	(598.5	) (530.3	) (423.9
	(1,116.1	) (1,015.3	) (880.0
Acquired loss and loss expense reserve	—	—	0.4
Effect of foreign exchange movement	10.9	4.3	(5.5
Net loss and LAE reserves - December 31	1,873.8	1,629.4	1,378.1
Reinsurance recoverable - December 31	84.0	110.9	20.3
Gross unpaid loss and LAE reserves - December 31	\$1,957.8	\$1,740.3	\$1,398.4

The Company amortized gains as a reduction of losses incurred of \$13.7 million, \$9.1 million and \$28.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

As of December 31, 2013, the total favorable development relating to the loss portfolio transfers since the closing of the GMAC Acquisition and IIS Acquisition has been \$89.4 million. Due to loss sensitive features of certain contracts, favorable (or unfavorable) loss reserve development does not necessarily result in a commensurate amount of additional (or reduced) underwriting income as ceding commission may be adjusted proportionally to the amount of loss development, pursuant to the terms of the individual contracts.

Table of Contents

## Analysis of Gross and Net Unpaid Losses and Loss Adjustment Expenses and Net Re-estimated Liability

Development of Reserve for Loss and Loss Adjustment Expenses Cumulative Deficiency (Redundancy) Gross Losses For the Year Ended December 31,	2007	2008 <sup>(1)</sup>	2009	2010 <sup>(2)</sup>	2011	2012	2013
	(\$ in Millions)						
Gross							
As Originally Estimated	\$38.5	\$897.7	\$1,002.7	\$1,226.8	\$1,398.4	\$1,740.3	\$1,957.8
Liability Re-estimated as of:							
One Year later	\$36.7	\$886.3	\$963.1	\$1,239.9	\$1,424.9	\$1,741.2	
Two Years later	37.3	869.8	972.1	1,246.3	1,419.1		
Three Years later	37.9	852.9	975.9	1,239.4			
Four Years later	39.5	842.6	975.1				
Five Years later	38.8	838.5					
Six Years later	38.7						
Cumulative deficiency (redundancy)	\$0.2	\$(59.2 )	\$(27.6 )	\$12.6	\$20.7	\$0.9	
Cumulative claims paid as of:							
One Year later	\$16.6	\$303.2	\$266.0	\$452.7	\$592.8	\$672.8	
Two Years later	33.7	402.4	457.8	746.1	914.7		
Three Years later	34.1	542.2	607.0	940.7			
Four Years later	37.6	665.0	703.4				
Five Years later	38.0	725.2					
Six Years later	41.1						
Liability Re-estimated as of:							
One Year later	95.4	% 98.7	% 96.0	% 101.1	% 101.9	% 100.1	%
Two Years later	96.8	% 96.9	% 96.9	% 101.6	% 101.5	%	
Three Years later	98.5	% 95.0	% 97.3	% 101.0	%		
Four Years later	102.5	% 93.9	% 97.2	%			
Five Years later	100.9	% 93.4	%				
Six Years later	100.5	%					
Cumulative deficiency (redundancy) on gross reserve	0.5	% (6.6 )	% (2.8 )	% 1.0	% 1.5	% 0.1	%
Gross Loss and Loss Expense Cumulative Paid as a Percentage of Originally Estimated Liability							
One Year later	43.1	% 33.8	% 26.5	% 36.9	% 42.4	% 38.7	%
Two Years later	87.6	% 44.8	% 45.7	% 60.8	% 65.4	%	
Three Years later	88.6	% 60.4	% 60.5	% 76.7	%		
Four Years later	97.7	% 74.1	% 70.2	%			
Five Years later	98.8	% 80.8	%				
Six Years later	106.8	%					

Table of Contents

For the Year Ended December 31,	2007	2008 <sup>(1)</sup>	2009	2010 <sup>(2)</sup>	2011	2012	2013
	(\$ in Millions)						
Losses Net of Reinsurance							
As Originally Estimated	\$38.5	\$897.7	\$994.3	\$1,220.1	\$1,378.1	\$1,629.4	\$1,873.8
Liability Re-estimated as of:							
One Year later	\$36.7	\$886.3	\$961.4	\$1,234.3	\$1,401.4	\$1,628.0	
Two Years later	37.3	869.8	969.5	1,229.6	1,391.9		
Three Years later	37.9	852.9	967.8	1,220.0			
Four Years later	39.5	842.6	965.3				
Five Years later	38.8	838.5					
Six Years later	38.7						
Cumulative deficiency (redundancy)	\$0.2	\$(59.2 )	\$(29.0 )	\$(0.1 )	\$13.8	\$(1.4 )	
Cumulative claims paid as of:							
One Year later	\$16.6	\$303.2	\$266.0	\$423.9	\$530.3	\$598.5	
Two Years later	33.7	402.4	444.3	682.9	827.1		
Three Years later	34.1	542.2	575.1	860.9			
Four Years later	37.6	665.0	662.5				
Five Years later	38.0	725.2					
Six Years later	41.1						
Liability Re-estimated as of:							
One Year later	95.4	% 98.7	% 96.7	% 101.2	% 101.7	% 99.9	%
Two Years later	96.8	% 96.9	% 97.5	% 100.8	% 101.0	%	
Three Years later	98.5	% 95.0	% 97.3	% 100.0	%		
Four Years later	102.5	% 93.9	% 97.1	%			
Five Years later	100.9	% 93.4	%				
Six Years later	100.5	%					
Cumulative deficiency (redundancy) on net reserve	0.5	% (6.6 )	% (2.9 )	% —	% 1.0	% (0.1 )	%
Net Loss and Loss Expense Cumulative Paid as a Percentage of Originally Estimated Liability							
One Year later	43.1	% 33.8	% 26.7	% 34.7	% 38.5	% 36.7	%
Two Years later	87.6	% 44.8	% 44.7	% 56.0	% 60.0	%	
Three Years later	88.6	% 60.4	% 57.8	% 70.6	%		
Four Years later	97.7	% 74.1	% 66.6	%			
Five Years later	98.8	% 80.8	%				
Six Years later	106.8	%					

(1) Reserve for loss and loss adjustment expenses include the reserves for loss and loss adjustment expenses of \$755.6 million, from the GMAC Acquisition, which we acquired in October 2008.

(2) Reserve for loss and loss adjustment expenses include the reserves for loss and loss adjustment expenses of \$98.8 million from the IIS Acquisition, which we acquired in November 2010.

For additional information concerning our reserves, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Reserve for Losses and Loss Adjustment Expenses”

for further information regarding the specific actuarial models we utilize and the uncertainties in establishing the reserve for loss and loss adjustment expenses.

## Table of Contents

### Our Employees

As of February 21, 2014, we had a total of 182 full-time employees who are located in Bermuda, the U.S., the U.K., Germany, Austria, Russia, Netherlands and Australia. We may increase our staff over time commensurate with the expansion of operations. We believe that our employee relations are good. None of our employees are subject to collective bargaining agreements.

### Regulatory Matters

#### General

The reinsurance and regulatory environment, in particular for offshore reinsurance companies, has become subject to increased scrutiny in many jurisdictions, including the U. S. and various states within the U.S. In the past, there have been Congressional and other initiatives in the U.S. regarding increased supervision and regulation of the insurance industry. For example, in response to the tightening of supply in some insurance and reinsurance markets resulting from, among other things, the World Trade Center tragedy, the United States Terrorism Risk Insurance Act of 2002 (“TRIA”), the Terrorism Risk Insurance Extension Act of 2005 (the “TRIA Extension of 2005”) and the Terrorism Risk Insurance Program Reauthorization Act of 2007 (the “TRIA Extension of 2007”) were enacted to ensure the availability of insurance coverage for terrorist acts in the U.S. This law establishes a federal assistance program through the end of 2014 to help the commercial property and casualty insurance industry cover claims related to future terrorism related losses and regulates the terms of insurance relating to terrorism coverage. TRIA, the TRIA Extensions of 2005 and 2007 have had little impact on our business because few of our reinsurance clients are purchasing this coverage. Recent US federal budget proposals have contained provisions dealing with both the taxation of premium cessions to foreign affiliates and a recommendation supporting the termination of TRIA. We do not believe that either of these initiatives will have a significant impact on Maiden. We are in compliance with the recommended reinsurance cession limitation in the tax proposal. Given our focus on a diverse portfolio of regional and specialty clients and occurrence limitations contained within specific reinsurance contracts, we believe that exposure to the termination of TRIA would be limited.

#### Bermuda Insurance Regulation

The Insurance Act 1978 of Bermuda, as amended, and related regulations (together, the “Insurance Act”), which regulates the insurance business of Bermuda registered insurers, provides that no person shall carry on any insurance business in or from within Bermuda unless that person has been registered under the Insurance Act by the Bermuda Monetary Authority (the “BMA”). The BMA is responsible for the day-to-day supervision of insurers and insurance groups in respect of which it is the group supervisor. Under the Insurance Act, insurance business includes reinsurance business. The registration of an applicant as an insurer is subject to its complying with the terms of its registration and such other conditions as the BMA may impose from time to time. Maiden Bermuda is regulated as a registered Class 3B insurer under the Insurance Act.

The Insurance Act imposes solvency and liquidity standards as well as auditing and reporting requirements on Bermuda insurance companies and grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. The Insurance Act also imposes certain regulatory requirements on insurance groups where the BMA has determined that it should act as group supervisor. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below.

**Cancellation of Insurer's Registration.** An insurer's registration may be canceled by the BMA on certain grounds specified in the Insurance Act, including failure of the insurer to comply with its obligations under the Insurance Act or if, in the opinion of the BMA, the insurer has not been carrying on business in accordance with sound insurance



principles. We believe that we are in compliance with applicable regulations under the Insurance Act.

**Principal Office and Principal Representative.** An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. It is the duty of the principal representative, upon reaching the view that there is a likelihood of the insurer for which the principal representative acts becoming insolvent, to the principal representative's knowledge, occurred or is believed to have occurred, to immediately notify the BMA and to make a report in writing to the BMA within 14 days of the prior notification setting out all the particulars of the case that are available to the principal representative.

**Approved Loss Reserve Specialist.** As a registered Class 3B insurer, Maiden Bermuda is required to appoint an individual approved by the BMA as a person qualified to assess the adequacy of insurance loss reserves as a loss reserve specialist. Maiden Bermuda is required to submit annually an opinion of its approved loss reserve specialist with its statutory financial return in respect of its loss and loss expense provisions.

**Annual Financial Statements, Annual Statutory Financial Return and Annual Capital and Solvency Return.** Maiden Bermuda must prepare annual statutory financial statements as prescribed in the Insurance Act with respect to its general business. The statutory financial statements are distinct from the annual U.S. GAAP financial statements referred to below. Maiden Bermuda is also required to prepare and file with the BMA statutory financial returns with respect to its general business. The statutory financial return for a Class 3B insurer includes, among other things, a report of the approved independent auditor on the statutory financial statement of such insurer, declaration of the statutory ratios, solvency certificates, the statutory financial statements for the general business, the opinion of the loss reserve specialist, a schedule of reinsurance ceded and a statutory declaration in the matter of the Insurance Code of Conduct (the "Code") as described below. Maiden Bermuda is also required to file audited U.S. GAAP annual financial statements, which must be available to the public.

## Table of Contents

In addition, Maiden Bermuda is required to file a capital and solvency return, which shall include the company's Bermuda Solvency Capital Requirement ("BSCR") model (described below), a commercial insurer's solvency self assessment ("CISSA"), a catastrophe risk return and a schedule of loss triangles or reconciliation of net loss reserves and a schedule of eligible capital.

**Independent Approved Auditor.** As a Class 3B insurer, Maiden Bermuda must appoint an approved independent auditor who will annually audit and report on the insurer's financial statements prepared under generally accepted accounting principles or international financial reporting standards ("U.S. GAAP financial statements") and statutory financial statements and the statutory financial return of the insurer, all of which, in the case of Maiden Bermuda, are required to be filed annually with the BMA.

**Minimum Liquidity Ratio.** The Insurance Act requires all general business insurers to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable and funds held by ceding reinsurers. There are certain categories of assets which, unless specifically permitted by the BMA, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined) and letters of credit and guarantees.

**Minimum Solvency Margin, Enhanced Capital Requirement and Restrictions on Dividends and Distributions.** Under the Insurance Act, Maiden Bermuda must ensure that the value of its general business assets exceeds the amount of its general business liabilities by an amount greater than its prescribed minimum solvency margin ("MSM"). Maiden Bermuda is also required to maintain available statutory capital and surplus at least equal to its enhanced capital requirement ("ECR").

While not specifically referred to in the Insurance Act, the BMA has also established a target capital level ("TCL") for each insurer subject to an enhanced capital requirement equal to 120% of its ECR. While such an insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight.

Maiden Bermuda is prohibited from declaring or paying dividends of more than 25% of its total statutory capital and surplus, as shown in its previous financial year statutory balance sheet, unless at least seven days before payment of the dividends it files with the BMA an affidavit that it will continue to meet its minimum capital requirements as described above. In addition, Maiden Bermuda must obtain the BMA's prior approval before reducing its total statutory capital, as shown in its previous financial year statutory balance sheet, by 15% or more.

**Fit and Proper Controllers.** The BMA maintains supervision over the controllers of all registered insurers in Bermuda. A controller includes (i) the managing director of the registered insurer or its parent company; (ii) the chief executive of the registered insurer or of its parent company; (iii) a shareholder controller; and (iv) any person in accordance with whose directions or instructions the directors of the registered insurer or of its parent company are accustomed to act.

**Notification by Registered Person of Change of Controllers and Officers.** All registered insurers are required to give written notice to the BMA of the fact that a person has become, or ceased to be, a controller or officer of the registered insurer within 45 days of becoming aware of such fact. An officer in relation to a registered insurer means a director, chief executive or senior executive performing duties of underwriting, actuarial, risk management, compliance, internal audit, finance or investment matters.

**Notification of Material Changes.** All registered insurers are required to give notice to the BMA of their intention to effect a material change within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following

changes are material: (i) the transfer or acquisition of insurance business being part of a scheme falling under section 25 of the Insurance Act or section 99 of the Companies Act 1981 of Bermuda (the "Companies Act"); (ii) the amalgamation or merger with or acquisition of another firm; (iii) engaging in unrelated business that is retail business, (iv) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer, (v) outsourcing all or substantially all of the company's actuarial, risk management and internal audit functions, (vi) outsourcing all or a material part of an insurer's underwriting activity, (vii) the transfer other than by way of reinsurance of all or substantially all of a line of business, and (viii) the expansion into a material new line of business. Maiden Bermuda, as the designated insurer, shall be required to notify the BMA within 30 days if any member of the Company effects any material change as defined in clauses (ii) through (vii) above.

Code of Conduct. Maiden Bermuda is subject to the Code which prescribes the duties and standards which must be complied with to ensure it implements sound corporate governance, risk management and internal controls. Every Bermuda insurer is now required to submit as part of its annual statutory return, a statutory declaration confirming that the company is in compliance with the Code. Failure to comply with the requirements under the Code will be a factor taken into account by the BMA in determining whether an insurer is conducting its business in a sound and prudent manner as prescribed by the Insurance Act. Such failure to comply with the requirements of the Code could result in the BMA exercising its powers of intervention (see BMA's Powers of Intervention, Obtaining Information, Reports and Documents and Providing Information to other Regulatory Authorities below) and will be a factor in calculating the operational risk charge applicable in accordance with that insurer's BSCR model or approved internal model. We believe that we are in compliance with the Code.

Group Supervision. The BMA acts as group supervisor of Maiden Holdings and its subsidiaries (the "Maiden Group") and has designated Maiden Bermuda to be the designated insurer.

Table of Contents

As group supervisor, the BMA will perform a number of supervisory functions including (i) coordinating the gathering and dissemination of information which is of importance for the supervisory task of other competent authorities; (ii) carrying out a supervisory review and assessment of the insurance group; (iii) carrying out an assessment of the insurance group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (iv) planning and coordinating, through regular meetings (to be held at least annually) with other competent authorities, supervisory activities in respect of the insurance group, both as a going concern and in emergency situations; (v) coordinating any enforcement action that may need to be taken against the insurance group or any of its members; and (vi) planning and coordinating meetings of colleges of supervisors in order to facilitate the carrying out of the functions described above.

In carrying out its group supervisory functions, the BMA may make rules for (i) assessing the financial situation and the solvency position of the insurance group and/or its members and (ii) regulating intra group transactions, risk concentration, governance procedures, risk management and regulatory reporting and disclosure.

Group Solvency and Group Supervision. The current insurance group supervision and insurance group solvency rules (together, "Group Rules") will apply to Maiden Bermuda and the Maiden Group so long as the BMA remains group supervisor. A summary of the Group Rules is set forth below.

Annual Group Financial Statements. Every insurance group is required to prepare and submit, on an annual basis, Group financial statements prepared in accordance with either the international financial reporting standards ("IFRS") or generally accepted accounting principles ("GAAP"), together with group statutory financial statements. The Group GAAP financial statements must be audited annually by the group's approved auditor who is required to prepare an audit report thereon in accordance with generally accepted auditing standards. In addition, every insurance group must prepare group statutory financial statements (which will include, in statutory form, a group balance sheet, a group income statement, a group statement of capital and surplus, and notes thereto). The Designated Insurer is required to file with the BMA the group statutory financial statements and the audited Group GAAP financial statements with the BMA within five months from the end of the relevant financial year (unless specifically extended).

Annual Group Statutory Financial Return and Annual Capital and Solvency Return. Every insurance group is required to prepare an annual group statutory financial return which shall include, among other things, a report of the approved group auditor, an insurance group business solvency certificate, the opinion of a group actuary, an insurance group capital and solvency certificate (and a declaration signed by two directors of the Designated Insurer and either the chief risk or chief financial officer of the parent company declaring that the return fairly represents the financial condition of the insurance group in all material respects). Both the annual group statutory financial return and the group capital and solvency return must be submitted to the BMA by the Designated Insurer within five months after its financial year end (unless specifically extended).

Quarterly Group Financial Statements. The Designated Insurer is required to prepare and file quarterly group financial returns with the BMA on or before the last day of the months May, August and November of each year.

Group MSM and Group ECR. The Designated Insurer must ensure that the value of the insurance group's assets exceeds the amount of the group's liabilities by the aggregate minimum margin of solvency of each qualifying member of the group ("Group MSM"). A member is a qualifying member of the insurance group if it is subject to solvency requirements in the jurisdiction in which it is registered.

Where the parent company exercises control in relation to any member of the group, the minimum margin of solvency of such member shall be its individual MSM. Where the parent company exercises significant influence on any member of the group, the minimum margin of solvency applicable to that member for purposes of calculating the

Group MSM shall be an amount equal to the parent company's percentage shareholding in the member multiplied by that member's minimum margin of solvency. "Control" and "significant influence" shall be determined in accordance with either the IFRS or GAAP used to prepare the insurance group's financial statements.

Effective December 31, 2013, the Maiden Group will be required to maintain available group capital and surplus at a level equal to or in excess of the Group Enhanced Capital Requirement ("Group ECR") which is established by reference to either the Group BSCR model or an approved group internal capital model. The Group ECR will be phased-in over 5 years; for the year ending December 31, 2013, it will be set at 50% of the amount calculated using the Group BSCR model and thereafter it will increase in increments of 10% per year through year-end 2018.

Group Eligible Capital. To enable the BMA to better assess the quality of the group's capital resources, the Designated Insurer is required to disclose the makeup of its group's capital in accordance with a "3-tiered capital system". Under this system, all of the insurance group's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of 3 tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified Tier 1 Capital, lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, not more than certain specified percentages of Tier 1, Tier 2 and Tier 3 Capital may be used to satisfy the Group's MSM and Group ECR requirements. Tier 1, Tier 2 and Tier 3 Capital may, until January 1 2024, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if redemption would cause a breach, of the Group ECR.

Table of Contents

Group Governance. Group Rules require the Parent Board to establish and effectively implement corporate governance policies and procedures, which it must be periodically review to ensure they continue to support the overall organizational strategy of the group. In particular, the Parent Board must:

- ensure that operational and oversight responsibilities of the group are clearly defined and documented and that the reporting of material deficiencies and fraudulent activities are transparent and devoid of conflicts of interest;
- establish systems for identifying on a risk sensitive basis those policies and procedures that must be reviewed annually and those policies and procedures that must be reviewed at other regular intervals;
- establish a risk management and internal controls framework and ensure that it is assessed regularly and such assessment is reported to the Parent Board and the chief and senior executives;
- establish and maintain sound accounting and financial reporting procedures and practices for the group; and
- establish and keep under review group functions relating to actuarial, compliance, internal audit and risk management functions which must address certain specific requirements as set out in the Group Rules.

Designated Insurer Notification Obligations. The Designated Insurer must notify the BMA upon reaching a view that there is a likelihood of the insurance group or any member of the group becoming insolvent or that a reportable “event” has, to the Designated Insurer's knowledge, occurred or is believed to have occurred. Examples of a reportable “event” include a failure by the insurance group or any member of the group to comply substantially with a requirement imposed upon it under the Group Rules relating to its solvency position, governance and risk management or supervisory reporting and disclosures; failure by the Designated Insurer to comply with a direction given to it under the Insurance Act in respect of the group or any of its members; a criminal conviction imposed upon any member of the group whether in Bermuda or abroad; material breaches of any statutory requirements by any member of the group located outside of Bermuda that could lead to supervisory or enforcement action by a competent authority; or a significant loss that is reasonably likely to cause the insurance group to be unable to comply with its Group ECR. Within 30 days of such notification to the BMA, the Designated Insurer must furnish the BMA with a written report setting out all the particulars of the case that are available to it and within 45 days it must furnish a group capital and solvency return that reflects the Group ECR that has been prepared using post-loss data and unaudited financial statements for such period as the BMA shall require together with a declaration of solvency in respect thereof.

In respect of the parent company of an insurance group, the Designated Insurer is required to give written notice to the BMA of the fact that a person has become, or ceased to be, a controller or officer of the parent company of an insurance group within 45 days of becoming aware of such fact. An officer in relation to the parent company of an insurance group means a director, chief executive or senior executive performing duties of underwriting, actuarial, risk management, compliance, internal audit, finance or investment matters.

BMA's Powers of Intervention, Obtaining Information, Reports and Documents and Providing Information to other Regulatory Authorities. The BMA has certain powers of investigation and intervention relating to insurers and their holding companies, subsidiaries and other affiliates, which it may exercise in the interest of such insurer's policyholders or if there is any risk of insolvency or of a breach of the Insurance Act or the insurer's license conditions.

Certain Bermuda Law Considerations

Maiden Holdings and Maiden Bermuda have been designated as non-resident for exchange control purposes by the BMA and are required to obtain the permission of the BMA for the issue and transfer of all of their shares. The BMA has given its consent for:

- the issue and transfer of Maiden Holdings' common shares, up to the amount of its authorized capital from time to time, to and among persons that are non-residents of Bermuda for exchange control purposes; and

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the issue and transfer of up to 20% of Maiden Holdings' common shares in issue from time to time to and among persons resident in Bermuda for exchange control purposes.

Transfers and issues of Maiden Holdings' common shares to any resident in Bermuda for exchange control purposes may require specific prior approval under the Exchange Control Act 1972. Maiden Bermuda's common shares cannot be issued or transferred without the consent of the BMA. Because we are designated as non-resident for Bermuda exchange control purposes, we are allowed to engage in transactions, and to pay dividends to Bermuda non-residents who are holders of our common shares, in currencies other than the Bermuda Dollar.

United States

Maiden US, our lead U.S. insurer domiciled in Missouri, is an accredited reinsurer in 6 states and an authorized insurer in 45 jurisdictions. Maiden Specialty is a licensed insurer in its state of domicile, North Carolina, and is an eligible excess and surplus lines carrier in 50 jurisdictions (Maiden Specialty primarily writes insurance on a surplus lines basis). Regulatory, supervisory and administrative authority is primarily delegated to the states with the exception of federal authority over boycott, coercion and

## Table of Contents

intimidation, federal antitrust laws and where federal law is enacted specifically to regulate the business of insurance. Among other things, state insurance departments regulate insurer solvency standards, insurer and agent licensing, authorized investments, premium rates, loss and expense reserves and provisions for unearned premiums, and deposits of securities for the benefit of policyholders. The states' regulatory schemes also extend to policy form approval and market conduct regulation. In addition, some states have enacted variations of competitive rate making laws, which allow insurers to set premium rates for certain classes of insurance without obtaining the prior approval of the state insurance department. Maiden US and Maiden Specialty are required to file detailed financial statements and other reports with the departments of insurance in all states in which they are licensed to transact business. These financial statements are subject to the supervision, regulation and periodic examination by the department of insurance ("DOI") in the state in which they are domiciled.

### State Insurance Department Examinations

Our U.S. insurance subsidiaries are subject to the supervision and regulation of the state in which they are domiciled. As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the financial reporting of insurance companies domiciled in their states, generally once every three to five years. Examinations are generally carried out in cooperation with the insurance departments of other states under guidelines promulgated by the National Association of Insurance Commissioners ("NAIC").

### Statutory Accounting Principles

Statutory accounting principles ("SAP") are a basis of accounting developed to assist insurance regulators in monitoring and regulating the solvency of insurance companies. SAP is primarily concerned with measuring an insurer's surplus to policyholders. Accordingly, statutory accounting focuses on valuing assets and liabilities of insurers at financial reporting dates in accordance with appropriate insurance law and regulatory provisions applicable in each insurer's domiciliary state.

U.S. GAAP is concerned with a company's solvency, but is also concerned with other financial measurements, principally income and cash flows. Accordingly, U.S. GAAP gives more consideration to appropriate matching of revenue and expenses and accounting for management's stewardship of assets than does SAP. As a direct result, different assets and liabilities and different amounts of assets and liabilities will be reflected in financial statements prepared in accordance with U.S. GAAP compared to SAP.

Statutory accounting practices established by the NAIC and adopted in part by Missouri will determine, among other things, the amount of statutory surplus and statutory net income of Maiden US, and thus determine, in part, the amount of funds that are available to pay dividends to Maiden NA.

### Holding Company Regulation

Maiden US and Maiden Specialty are subject to U.S. statutory holding company laws of their respective states of domicile. The insurance holding company laws and regulations apply directly to individual insurers, indirectly to non-insurance entities, and provide regulators the ability to look at any entity within an insurance holding company system. These laws vary from state to state, but generally require licensed insurers that are subsidiaries of insurance holding companies to register and file with state regulatory authorities certain reports including information concerning their capital structure, ownership, financial condition and general business operations. All transactions involving the insurers in a holding company system and their affiliates must be fair and reasonable and, if material, require prior notice and approval or non-disapproval by the state insurance department of their domicile.

Further, state insurance holding company laws typically place limitations on the amounts of dividends or other distributions payable by insurers. Payment of ordinary dividends by Maiden US requires prior approval of the Director of the Missouri DOI unless dividends will be paid out of "earned surplus". "Earned surplus" is an amount equal to the unassigned funds of an insurer as set forth in the most recent annual statement of the insurer including all or part of



the surplus arising from unrealized capital gains or revaluation of assets. Extraordinary dividends generally require 30 days prior notice to and non-disapproval of the Missouri DOI before being paid. An extraordinary dividend includes any dividend whose fair market value together with that of other dividends or distributions made within the preceding 12 months exceeds the greater of: (1) 10% of the insurer's surplus as regards policyholders as of December 31 of the prior year, or (2) the net income of the insurer, not including realized capital gains, for the 12 month period ending December 31 of the prior year, but does not include pro rata distributions of any class of the insurer's own securities.

State insurance holding company laws also require prior notice and state insurance department approval of changes in control of an insurer or its holding company. "Control" is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the company, whether through the ownership of voting securities, by contract (except a commercial contract for goods or non-management services) or otherwise. Maiden US is domiciled in Missouri where any beneficial owner of 10% or more of the outstanding voting securities of an insurance company or its holding company is presumed to have acquired control, unless this presumption is rebutted. Maiden Specialty is domiciled in North Carolina, which determines control in the same manner. Therefore, an investor who intends to acquire beneficial ownership of 10% or more of our outstanding voting securities may need to comply with these laws and would be required to file notices and reports with the Missouri DOI and receive approval from the Missouri DOI or rebut the presumption of control before such acquisition. An investor acquiring

## Table of Contents

beneficial ownership would need to obtain approval as to the change of control of Maiden Specialty from the North Carolina DOI or rebut the presumption of control.

### Risk-Based Capital

U.S. insurers are also subject to risk-based capital ("RBC") guidelines that provide a method to measure the total adjusted capital (statutory capital and surplus plus other adjustments) of insurance companies taking into account the risk characteristics of a company's investments and products. The RBC formulas establish capital requirements for four categories of risk: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to asset, premium and reserve items, with higher factors applied to items with greater underlying risk and lower factors for less risky items. Insurers that have less statutory capital than the RBC calculation required are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy. The RBC formulas have not been designed to differentiate among adequately capitalized companies that operate with higher levels of capital. Therefore, it is inappropriate and ineffective to use the formulas to rate or to rank such companies. Maiden US has satisfied the RBC formula and has exceeded all recognized industry solvency standards. As of December 31, 2013, Maiden US and Maiden Specialty each had adjusted capital in excess of amounts requiring company or regulatory action.

### Reinsurance

The ability of a primary insurer to take credit for the reinsurance purchased from reinsurance companies is a significant component of reinsurance regulation. Typically, a primary insurer will only enter into a reinsurance agreement if it can obtain credit to its reserves on its statutory financial statements for the reinsurance ceded to the reinsurer. With respect to U.S. domiciled reinsurers that reinsure U.S. insurers, credit is usually granted when the reinsurer is licensed or accredited in a state where the primary insurer is domiciled or, in some instances, in a state in which the primary insurer is licensed. States also generally permit primary insurers to take credit for reinsurance if the reinsurer is (i) domiciled in a state with a credit for reinsurance law that is substantially similar to the standards in the primary insurer's state of domicile, and (ii) meets certain financial requirements. Credit for reinsurance purchased from a reinsurer that does not meet the foregoing conditions is generally allowed to the extent that such reinsurer secures its obligations with qualified collateral.

### NAIC Ratios

The NAIC Insurance Regulatory Information System ("IRIS") was developed to help state regulators identify companies that may require special attention. IRIS is comprised of statistical and analytical phases consisting of key financial ratios whereby financial examiners review annual statutory basis statements and financial ratios. Each ratio has an established "usual range" of results and assists state insurance departments in executing their statutory mandate to oversee the financial condition of insurance companies. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial. Generally, an insurance company will become subject to regulatory scrutiny and may be subject to regulatory action if it falls outside the usual ranges of four or more of the ratios. As of December 31, 2013, Maiden US and Maiden Specialty did not have an IRIS ratio range warranting any regulatory action.

### State Legislative and Regulatory Changes

From time to time, various regulatory and legislative changes are proposed in the insurance industry. Among the proposals that have in the past been or are at present being considered are proposals in various state legislatures (some of which proposals have been enacted) to conform portions of their insurance laws and regulations to various model acts adopted by the NAIC.

The NAIC's Solvency Modernization Initiative ("SMI") began in 2008 and in 2013 significant SMI milestones were reached, such as the adoption of the Holding Company Act Amendments (effective January 1, 2016) and consideration of the Own Risk and Solvency Assessment Model Act as state accreditation standards. The primary focus of SMI is the review of insurer solvency regulations throughout the U.S. and the development of long-term solvency modernization objectives. Included within the NAIC's scope of review for SMI purposes is the U.S. insurer solvency framework, international developments regarding insurance supervision, banking supervision, and international accounting standards and their potential use in U.S. insurance regulation. While the U.S. insurance solvency regulation is updated on a continuous basis, the SMI will focus on five key solvency areas: capital requirements; international accounting; insurance valuation; reinsurance; and group regulatory issues. The SMI highlights the strengths of the state-based national system of insurance regulations, identifies improvements and continues to affect key components of solvency regulation.

The Non-admitted and Reinsurance Reform Act ("NRRA") allows a ceding insurer's credit for reinsurance to be determined only by the insurance regulator in its domiciliary state providing that state is accredited by the NAIC. Additional protections are provided against extraterritorial application of non-domiciliary state laws. In addition, in 2011, the NAIC adopted revisions to its credit for reinsurance model law and regulation under which the level of required collateral required by U.S. regulators for non-U.S. reinsurers that are certified for reduced collateral would depend upon the reinsurer's security rating and would range from 0% to 100% of gross assumed liabilities. A number of states are in the process of adopting and implementing the new models. Only Florida and New York have approved certified reinsurers for collateral reduction at this time. To the extent that these new

## Table of Contents

state laws lead to a reduction of the collateral requirements for non-U.S. insurers, such changes could be beneficial to Maiden Bermuda by permitting Maiden Bermuda to post less collateral to secure its reinsurance obligations to its U.S. ceding companies. At this time, we are unable to determine whether any additional changes in the U.S. reinsurance regulatory framework will be implemented and what effect any changes would have on our operations or financial condition.

Our insurance subsidiaries are required to comply with a wide variety of laws and regulations applicable to insurance or reinsurance companies, both in the jurisdictions in which they are organized and where they sell their insurance and reinsurance products. The insurance and regulatory environment, in particular for offshore insurance and reinsurance companies, has become subject to increased scrutiny in many jurisdictions, including the U.S., various states within the U.S. and the EU. In the past, there have been Congressional and other initiatives in the U.S. regarding increased supervision and regulation of the insurance industry. It is not possible to predict the future impact of changes in laws and regulations on our operations. The cost of complying with any new legal requirements affecting our subsidiaries could have a material adverse effect on our business.

In addition, our subsidiaries may not always be able to obtain or maintain necessary licenses, permits, authorizations or accreditations. They also may not be able to fully comply with, or to obtain appropriate exemptions from, the laws and regulations applicable to them. Any failure to comply with applicable law or to obtain appropriate exemptions could result in restrictions on either the ability of the company in question, as well as potentially its affiliates, to do business in one or more of the jurisdictions in which they operate or on brokers on which we rely to produce business for us. In addition, any such failure to comply with applicable laws or to obtain appropriate exemptions could result in the imposition of fines or other sanctions. Any of these sanctions could have a material adverse effect on our business. To date, no material fine, penalty or restriction has been imposed on us for failure to comply with any insurance law or regulation.

### International Standards

U.S. federal and state regulators have committed in principle to adopting international standards with respect to basic regulatory issues such as accounting, risk management, and corporate governance. International regulatory considerations are increasingly being deliberated by the NAIC and could increase regulatory burdens for Maiden US and Maiden Specialty and have the potential to negatively impact all U.S. insurers, regardless of size. Various trade associations and industry participants are aggressively working to impact the NAIC adoption of these standards. However, the final outcome of these deliberations is unknown at this time.

### Federal

Although the U.S. federal government typically does not directly regulate the business of insurance and reinsurance, federal initiatives often have an impact on the insurance industry. From time to time, various federal regulatory and legislative changes have been proposed in the insurance and reinsurance industry. Among the proposals that have in the past been or are at present being considered are the possible introduction of federal regulation in addition to, or in lieu of, the current system of state regulation of insurers. Turmoil in the financial markets has increased the likelihood of changes in the way the financial services industry is regulated. While we cannot predict the exact nature, timing or scope of possible governmental initiatives, there may be increased regulatory intervention in our industry in the future. The 2014 budget proposed by President Obama included a provision that would change the tax treatment for certain reinsurance premiums paid to affiliated foreign insurance companies. We are unable to predict what laws and regulations will be proposed or adopted, the form in which any such laws and regulations would be adopted, or the effect, if any, these developments would have on our operations and financial condition.

### Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank became law in July 2010. Dodd-Frank creates a new source of regulation and supervision of the insurance industry at the federal level. Dodd-Frank's requirements include streamlining the state-based regulation of

reinsurance and non-admitted insurance (property or casualty insurance placed from insurers that are eligible to accept insurance, but are not licensed to write insurance in a particular state). Dodd-Frank also establishes a new Federal Insurance Office ("FIO") within the U.S. Department of the Treasury with powers over all lines of insurance except health insurance, certain long-term care insurance and crop insurance, in order to, among other things, monitor aspects of the insurance industry, identify issues in the regulation of insurers that could contribute to a systemic crises in the insurance industry or the overall financial system, coordinate federal policy on international insurance matters and preempt state insurance measures under certain circumstances. Congress ultimately limited the scope of the FIO and recognized that it should not be a duplicate federal insurance regulator. The office is restricted primarily to monitoring the industry and advising Congress and federal agencies on insurance issues. However, federal regulators will have vast discretion over how this oversight is executed. The FIO December 2013 report "How to Modernize and Improve the System of Insurance Regulation in the United States" openly envisions a greater Federal role in insurance supervision. Of no less importance, FIO is also poised to impact policy through its participation in the reauthorization of the Terrorism Risk Insurance Act.

#### The Terrorism Risk Insurance Program Reauthorization Act of 2007

The Terrorism Risk Insurance Program Reauthorization Act of 2007 ("TRIA") was signed into law by President George W. Bush on December 26, 2007. This law renewed the prior federal terrorism risk insurance program and unless extended by Congress is set to expire December 31, 2014. The program includes protections for acts of domestic terrorism. The insurer deductible is fixed at 20% of an insurer's direct earned premium, and the federal share of compensation is fixed at 85% of insured losses that exceed insurer deductibles, subject to a \$100 billion cap. The U.S. Treasury Department is required to promulgate regulations to

## Table of Contents

determine the pro-rata share of insured losses if they exceed the \$100 billion cap. In addition, clear and conspicuous notice to policyholders of the \$100 billion cap is required. Under the program reauthorization, the trigger at which federal compensation becomes available remains fixed at \$100 million per year through 2014. Under the TRIA Extension of 2007, the definition of “acts of terrorism” has been expanded to include “domestic terrorism”, which could impact insurance coverage and have an adverse effect on our clients, the industry and us. There is also no assurance that TRIA will be extended beyond 2014 on either a temporary or permanent basis and its expiration (or renewal on a substantially modified basis) could have an adverse effect on our clients, the industry or us. TRIA does not apply to reinsurers directly but does apply directly to insurers and to excess and surplus lines insurers, like Maiden Specialty.

## Taxation of the Company and its Subsidiaries

The following summary of the taxation of Maiden Holdings, Maiden US, Maiden Specialty, Maiden Bermuda and the companies formed and/or acquired in the IIS Acquisition, including Maiden Global, OVS and Maiden LF, is based upon current law. Legislative, judicial or administrative changes may be forthcoming that could affect this summary. Certain subsidiaries of ours are subject to taxation related to operations in Australia, Germany, Russia, Sweden, the U.K. and the U.S. The discussion below covers the principal locations for which the Company or its subsidiaries are subject to taxation.

### Bermuda

Maiden Holdings and Maiden Bermuda have each received from the Minister of Finance an assurance under The Exempted Undertakings Tax Protection Act, 1966, as amended of Bermuda, to the effect that in the event that there is any legislation enacted in Bermuda imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to Maiden Holdings or Maiden Bermuda or to any of their operations or the shares, debentures or other obligations of Maiden Holdings or Maiden Bermuda until March 31, 2035. These assurances are subject to the proviso that they are not construed to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda (Maiden Holdings and Maiden Bermuda are not currently so designated) or to prevent the application of any tax payable in accordance with the provisions of The Land Tax Act, 1967 of Bermuda or otherwise payable in relation to the property leased to Maiden.

### Germany

Maiden Germany GmbH (“Maiden Germany”), which is a wholly owned subsidiary of Maiden Global, is the majority shareholder of OVS. Maiden Germany is subject to German corporate income tax at a rate of 15.0% plus a solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%). In addition, a German municipal trade tax at a rate of 14.70% resulting from the registered seat of the company in Russelsheim is paid.

Maiden Germany is not engaged in general commerce and Maiden Germany owns 90% of the shares in OVS. Maiden Germany and OVS implemented a tax unity by entering into a profit and loss pooling agreement with a retroactive effect from January 1, 2011, which results that all profits and losses generated at the level of OVS are attributed to Maiden Germany. The non-affiliated shareholder that holds the remaining 10% stake in OVS receives a fixed annual compensation of €45,000 from Maiden Germany, since all income is attributed to Maiden Germany as a result of the tax unity.

OVS, also with its registered seat in Russelsheim, is subject to the same German corporate income tax at a rate of 15% plus solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%) and German trade tax at a rate of 14.70%. OVS is engaged in general commerce as an insurance agency. The taxable income of a German corporate entity is in principle, absent a Treaty exemption, the total amount of worldwide income (current profits, capital gains)

after deduction of business expenses. In general, income from capital gains arising upon the sale of shares in corporate entities are, in principle, fully tax exempt. The same applies to income from dividend if the stake in the dividend paying corporation is at least 10% at the beginning of the respective calendar year. However, a lump sum of 5% of the dividend / capital gains is added back to the taxable income, representing non-deductible business expenses. Since there is a tax unity in place between Maiden Germany and OVS, the tax exemption for dividends received by OVS is (due to the tax unity) not granted to OVS, but rather to Maiden Germany, the 90% shareholder. Any income generated by OVS is directly attributable to Maiden Germany under the profit and loss pooling agreement and therefore taxed at the level of Maiden Germany. Thus, no dividend payment by OVS to Maiden Germany is required. However, 20/17 of the amount of the guaranteed dividend to the non-affiliated shareholder is taxed to OVS as its own taxable income.

Maiden Global has obtained a withholding tax exemption certificate from the Federal Central Tax Office such that any dividend from Maiden Germany to Maiden Global is exempt from German withholding tax. There is no German withholding tax on (non-profit related) interest payments to corporate shareholders. Other than Maiden Germany and OVS, we believe that the Company has operated and will continue to operate its business in a manner that will not cause its affiliates to be treated as engaged in a trade or business within Germany. A trade or business in Germany requires a permanent establishment either in the form of a fixed place of business or by having a permanent representative on German ground. A subsidiary may qualify as permanent representative if it carries out business activities of its shareholder or an affiliate in Germany.

Germany imposes an insurance tax (excise tax) on auto insurance premiums paid to insurers which reside in Germany. The tax rate generally applicable is 19% of the insurance premium. If the insurer resides in a member state of the European Community or in a third country, the insurance tax on insurance premiums will in principle only be levied if the policy-holder is a resident of Germany or if the insured car is registered in Germany. There is generally no excise tax on reinsurance premiums.

Table of Contents

Sweden

Maiden LF is subject to Swedish taxation on net profits irrespective of whether the profits are generated through business in general or capital. To the extent that net profits are generated, profits are taxed at a rate of 22%. Foreign entities are subject to tax in Sweden only to the extent they have a permanent establishment in Sweden or if the income is related to certain types of assets, typically real estate, or partnership income. Dividends paid to foreign shareholders may be subject to withholding tax with a maximum of 30% although in many cases tax is reduced as a result of a tax treaty or under domestic legislation. A foreign entity is deemed to have a permanent establishment in Sweden under the rules very similar to those applied by OECD. Other than Maiden LF, we believe that Maiden has operated and will continue to operate its business in a manner that will not cause it to be treated as having a permanent establishment in Sweden. There is no withholding tax on interest paid by a Swedish borrower to a foreign lender.

United Kingdom

Maiden Global is tax resident in the U.K. and is currently subject to corporation tax in the U.K. on its trading and other taxable profits. The full rate of U.K. corporation tax is currently 23%, falling to 21% from April 1, 2014. Non-U.K. resident corporations will only be within the charge to corporation tax in the U.K. if they carry on a trade in the U.K. through a permanent establishment in the U.K. Non-U.K. resident corporations which are not entitled to treaty relief may be subject to U.K. income tax on U.K. source trading profits at the rate of 20% if they carry on a trade in the U.K. otherwise than through a permanent establishment. Reinsurance business developed by Maiden Global is underwritten by Maiden Bermuda in Bermuda. Other than in respect of Maiden Global, we believe that the Company has operated and will continue to operate its business in a manner that will not cause it to be treated as carrying on a trade within the U.K. Dividends paid by Maiden Global will not be subject to deduction or withholding for or on account of U.K. tax. Interest paid by Maiden Global will be subject to deduction of U.K. income tax at the rate of 20%, subject to the availability of treaty relief or any other applicable exemptions.

United States

Maiden NA and its subsidiaries, including Maiden US and Maiden Specialty (collectively, the Maiden US Companies), transact business in and are subject to taxation in the U.S. Other than the Maiden US Companies, we believe that we have operated and will continue to operate our business in a manner that will not cause us to be treated as engaged in a trade or business within the U.S. On this basis, other than the Maiden US Companies, we do not expect to be required to pay US corporate income taxes (other than withholding and excise taxes as described below). However, because there is considerable uncertainty as to the activities that constitute a trade or business in the U.S., there can be no assurance that the Internal Revenue Service will not contend successfully that the Company or its non-U.S. subsidiaries are engaged in a trade or business in the U.S. The maximum federal tax rate is currently 35% for a corporation's income that is effectively connected with a trade or business in the U.S. In addition, U.S. branches of foreign corporations may be subject to the branch profits tax, which imposes a tax on U.S. branch after-tax earnings that are deemed repatriated out of the U.S., for a potential maximum effective federal tax rate of approximately 54% on the net income connected with a U.S. trade or business.

Foreign corporations not engaged in a trade or business in the U.S. are subject to U.S. income tax, effected through withholding by the payer, on certain fixed or determinable annual or periodic gains, profits and income derived from sources within the U.S. as enumerated in Section 881(a) of the Internal Revenue Code, such as dividends and interest on certain investments.

The U.S. also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the U.S. The rate of tax applicable to reinsurance premiums paid to Maiden Bermuda is 1% of gross premiums.



### Where You Can Find More Information

We maintain our principal website at [www.maiden.bm](http://www.maiden.bm). The information on our websites is not incorporated by reference in this Annual Report on Form 10-K.

We make available, free of charge through our principal website, our financial information, including the information contained in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We also make available, free of charge through our principal website, our Audit Committee Charter, Compensation Committee Charter, Nominating & Corporate Governance Committee Charter, and Code of Business Conduct and Ethics. Such information is also available in print for any shareholder who sends a request to Maiden Holdings, Ltd., Maiden House, 131 Front Street, Hamilton HM 12, Bermuda, Attention: Secretary. Reports and other information we file with the SEC may also be viewed at the SEC's website at [www.sec.gov](http://www.sec.gov) or viewed or obtained at the SEC Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the SEC Public Reference Room may be obtained by calling the SEC at 800-SEC-0330.

## Table of Contents

### Item 1A. Risk Factors

#### Introduction

Current and potential investors in the Company should be aware that, as with any publicly traded company, investing in our securities carries risk. Managing risk effectively is critical to our success, and our organization is built around intelligent risk assumptions and prudent risk management. We have identified what we believe reflect key significant risks to the organization, and in turn to our shareholders, which are outlined below. Any of the risks described below could result in a significant or material adverse effect on our results of operations or financial condition. In addition to these enumerated risks, we face numerous other strategic, operational and emerging risks that could in the aggregate lead to shortfalls to our long-term goals or add to short-term volatility in our earnings. The following review of important risk factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. The words or phrases believe, anticipate, estimate, project, plan, expect, intend, hope, forecast, evaluate, will likely result or will continue or words or phrases of similar import generally involve forward-looking statements. All of the risks that may affect our financial or operating performance may not be material at this time but may become material in the future. As used in these Risk Factors, the terms “we”, “our” or “us” may, depending upon the context, refer to the Company, to one or more of the Company’s consolidated subsidiaries or to all of them taken as a whole.

#### Business

Our business model is different than other Bermuda reinsurers.

We believe our underwriting and investment strategies differ from other participants in the property and casualty reinsurance markets, particularly those based in Bermuda. Many publicly traded Bermuda reinsurance companies write property catastrophe reinsurance as a fundamental portion of their underwriting strategy. Additionally, many of these same reinsurers have substantial primary insurance operations in the U.S. and globally. We do not write property catastrophe reinsurance nor do we maintain substantial primary insurance operations. We previously wrote a limited amount of excess property primary business through Maiden Specialty. In 2013, we entered into a transaction which began divesting us of this business commencing on May 1, 2013, which has substantially lowered our exposure to catastrophe events. As a result, you may not be able to compare our business’s performance or prospects to other Bermuda-domiciled publicly traded reinsurers, who often have more property catastrophe business than Maiden.

We have engaged in a series of significant transactions that may affect comparability and make it difficult for investors to evaluate our performance.

We began underwriting reinsurance transactions in July 2007. As a result, there is limited historical information available to help investors evaluate our performance. In addition, in light of a series of significant transactions during that time, including (but not limited to) the GMAC Acquisition in 2008, NGHC Quota Share in March 2010 (currently in run-off effective August 1, 2013), IIS Acquisition in November 2010, and more recently, selling the primary insurance business written on a surplus lines basis by Maiden Specialty, our historical financial statements are not necessarily meaningful for evaluating the potential of our future operations over a long term basis.

We may not be able to manage our growth effectively.

Since our inception, our business has grown at a compound annual growth rate of 30.5%. We expect our business to grow in the future as we continue our relationships with existing clients while seeking opportunities to reinsure other insurance companies operating in similar niches. We do not have specific targets or time frames for growth.

Expansion of our business in the U.S. and internationally could require additional capital, systems development and skilled personnel.

While we believe we have demonstrated our ability to effectively manage growth to date, and believe we have additional measures at our disposal to effectively manage growth, both anticipated and unanticipated, we cannot assure you that we will be able to meet our capital needs, expand our systems effectively, allocate our human resources optimally, identify and hire qualified employees or incorporate effectively the components of any businesses we may acquire. The failure to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Additional measures available to us include but are not limited to, additional capital offerings including debt, equity and hybrid-based, the use of retrocessional reinsurance and the application of other reinsurance mechanisms that reduce or limit the amount of exposure we assume. There can be no guarantee, however, that such measures can be implemented on terms and conditions that do not have an adverse effect on our financial condition and results of operations.

Ongoing economic uncertainty could materially and adversely affect our business, our liquidity and financial condition.

Global economies and financial markets have experienced significant weakness and volatility since 2008, although the most extreme of these circumstances have abated since that time. Despite robust financial market performance since 2009, near-term U.S. economic prospects have only very gradually improved, with unemployment continuing at historically elevated levels. In addition, U.S. federal and state governments continue to experience significant structural fiscal deficits, creating uncertainty as to levels of taxation, inflation, regulation and other economic fundamentals that may impact future growth prospects. Significantly greater economic, fiscal and monetary uncertainty remains in Europe, due to the combination of poor economic growth, high unemployment and significant sovereign deficits which have called into question the future of the common currency used across

Table of Contents

most of Europe. While immediate concerns regarding the prospects of the European common currency has subsided, these issues remain, particularly on a longer-term basis and they may have an indirect and potentially significant impact on the U.S. economy, although these prospects are not clearly defined at this time. Continuation of these conditions may potentially affect (among other aspects of our business) the demand for and claims made under our products, the ability of clients, counterparties and others to establish or maintain their relationships with us, our ability to access and efficiently use internal and external capital resources and our investment performance. In the event that these conditions persist and result in a prolonged period of economic uncertainty, our results of operations, our financial condition and/or liquidity, our prospects and competitor landscape could be materially and adversely affected.

If opportunities for writing reinsurance and insurance through Maiden US do not materialize as we expect, our financial condition and results of operations may be materially adversely affected.

We believe that there will be opportunities to renew and write new reinsurance and insurance through Maiden US. We cannot assure you, however, that Maiden US will retain its clients or write new business as we expect. However, market conditions have been competitive for an extended period of time and are expected to remain competitive for the foreseeable future, particularly as new market participants with business objectives different from Maiden's influence the competitive environment, both directly and indirectly. In addition, other companies may continue to offer reinsurance and insurance products on more competitive terms than we can provide. Under these circumstances, we might not be able to expand our specialty property/casualty reinsurance business and the failure to do so may have a material adverse effect on our ability to fully implement our business strategy, as well as on our financial condition, results of operations and prospects.

Our actual (re)insured losses may be greater than our reserve for loss and loss adjustment expenses, which would negatively impact our financial condition and results of operations.

We expect that our success will depend upon our ability to assess accurately the risks associated with the businesses that we will reinsure. Significant periods of time often elapse between the occurrence of an insured loss, the reporting of the loss to an insurer and the reporting of the loss by the insurer to its reinsurer. After we begin to write reinsurance business and to recognize liabilities for unpaid losses, we will establish loss and LAE reserves as balance sheet liabilities. These reserves will represent estimates of amounts needed to pay reported losses and unreported losses and the related loss adjustment expense. Loss reserves are only an estimate of what an insurer or reinsurer anticipates the ultimate costs of claims to be and do not represent an exact calculation of liability. Estimating loss reserves is a difficult and complex process involving many variables and subjective judgments. As part of our reserving process, we will review historical data as well as actuarial and statistical projections and consider the impact of various factors such as:

- trends in claim frequency and severity;
- changes in operations;
- emerging economic and social trends;
- inflation; and
- changes in the regulatory and litigation environments.

This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. There is no precise method, however, for evaluating the impact of

any specific factor on the adequacy of reserves, and actual results are likely to differ from original estimates. In addition, unforeseen losses, the type or magnitude of which we cannot predict, may emerge in the future. We will establish or adjust reserves for our insurance subsidiaries in part based upon loss data received from the ceding companies with which we do business, including AmTrust and NGHC. There is a time delay that elapses between the receipt and recording of claims results by the ceding insurance companies or by the managing general agents and the receipt and recording of those results by us. Accordingly, establishment and adjustment of reserves for our insurance subsidiaries is dependent upon timely and accurately estimate reporting from cedants and agents.

To the extent our reserve for loss and loss adjustment expenses is insufficient to cover actual loss and loss adjustment expenses, we will have to adjust our reserve and may incur charges to our earnings, which could have a material adverse effect on our business, financial condition and results of operations.

The inherent uncertainty of models and the use of such models as a tool to evaluate risk may have an adverse impact on our financial results.

We use both our own proprietary models and widely accepted and industry-recognized third party vendor analytic and modeling capabilities to provide us with pricing, capital modeling and objective risk assessment relating to risks in our reinsurance portfolio. In addition, we also use widely accepted and industry-recognized third party vendor analytic and modeling capabilities to provide us with objective risk assessment relating to catastrophe risks in our reinsurance portfolio. These models help us control risk accumulation, inform management and other stakeholders of capital requirements and to improve the risk/return profile or minimize the amount of capital required to cover the risks in each reinsurance contract in our overall portfolio of reinsurance contracts. However, given the inherent uncertainty of modeling techniques and the application of such techniques, these models and databases may not accurately address the emergence of a variety of matters which might be deemed to impact certain of our coverages. Accordingly, these models may understate the exposures we are assuming and our financial results may be adversely impacted, perhaps significantly.

Table of Contents

For our property and casualty reinsurance underwriting, we depend on the policies, procedures and expertise of ceding companies; these companies may fail to accurately assess and price the risks they underwrite, which may lead us to inaccurately assess and price the risks we assume.

Because we participate in property and casualty reinsurance markets, the success of our underwriting efforts depends, in part, upon the policies, procedures and expertise of the ceding companies making the original underwriting decisions. As is common among reinsurers, we do not separately evaluate each of the individual risks assumed under reinsurance treaties. We face the risk that these ceding companies may fail to accurately assess the risks that they assume initially, which, in turn, may lead us to inaccurately assess the risks we assume. If we fail to establish and receive appropriate premium rates or fail to contractually limit our exposure to such risks, we could face significant losses on these contracts, which could have a material adverse impact on our financial results.

Operational risks, including human or systems failures, are inherent in our business.

Operational risks and losses can result from many sources including fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements or information technology failures.

We believe our modeling, underwriting and information technology and application systems are critical to our business and reputation. Moreover, our technology and applications have been an important part of our underwriting process and our ability to compete successfully. Such technology is and will continue to be a very important part of our underwriting process. We have also licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable service providers, or that our technology or applications will continue to operate as intended. In addition, we cannot be certain that we would be able to replace these service providers or consultants without slowing our underwriting response time. A major defect or failure in our internal controls or information technology and application systems could result in management distraction, harm to our reputation, a loss or delay of revenues or increased expense.

The occurrence of severe catastrophic events may have a material adverse effect on our financial results and financial condition.

Although our business strategy generally precludes us from writing significant amounts of catastrophe exposed business in our reinsurance segment, most property reinsurance contains some exposure to catastrophic loss. Our Diversified Reinsurance segment includes only limited exposure to natural and man-made disasters, such as hurricane, typhoon, windstorm, flood, earthquake, acts of war, acts of terrorism and political instability. In 2013, we took additional steps to reduce our exposure to catastrophe losses by selling our excess property primary business written through Maiden Specialty, on May 1, 2013. The policies in effect on April 30, 2013 are still being run-off. At December 31, 2013, our one-in-250 year catastrophe exposure to a hurricane or an earthquake event was approximately \$24.5 million and \$25.4 million, respectively, compared to \$53.3 million and \$36.1 million, respectively at December 31, 2012. This represents a 54.1% and 29.7% reduction, respectively from our exposure to these events compared to December 31, 2012.

While we attempt to carefully manage our aggregate exposure to catastrophes, modeling errors and the incidence and severity of catastrophes, such as hurricanes, windstorms and large-scale terrorist attacks are inherently unpredictable, and our losses from catastrophes could be substantial. Further, many scientists believe that the earth's atmospheric and oceanic temperatures are increasing and that, in recent years, changing climate conditions have increased the unpredictability, severity and frequency of natural disasters in certain parts of the world. In addition, it is possible that we may experience an unusual frequency of smaller losses in a particular period, as we did in 2011. Conversely, in

2012, we incurred substantial losses from a single event, Superstorm Sandy which, while consistent with our stated risk tolerance, did result in an operating loss in the fourth quarter of 2012. Of the total \$31.1 million incurred losses from Superstorm Sandy, 72.7% of these losses were from the E&S business previously written by Maiden Specialty. This E&S business went into run-off as of April 30, 2013 following the renewal rights sale to Brit.

While we made an underwriting profit in both of those years, nonetheless the consequences could be substantial volatility in our financial condition or results of operations for any fiscal quarter or year, which could have a material adverse effect on our financial condition or results of operations and our ability to write new business. These losses could deplete our shareholders' equity. Increases in the values and geographic concentrations of insured property and the effects of inflation have resulted in increased severity of industry losses from catastrophic events in recent years and we expect that those factors will increase the severity of catastrophe losses in the future.

We may face substantial exposure to losses from terrorism, acts of war and political instability.

We have exposure to losses resulting from acts of terrorism, acts of war and political instability. U.S. insurers are required by state and federal law to offer coverage for terrorism in certain commercial lines. In response to the September 11, 2001 terrorist attacks, the Congress enacted legislation designed to ensure, among other things, the availability of insurance coverage for foreign terrorist acts, including the requirement that insurers offer such coverage in certain commercial lines. The TRIA requires commercial property and casualty insurance companies to offer coverage for certain acts of terrorism and established a federal assistance program through the end of 2005 to help such insurers cover claims related to future terrorism-related losses. The Terrorism Risk Insurance Extension Act ("TRIEA") extended the federal assistance program through 2007, but it also set a per-event threshold that had to be met before the federal program would become applicable and also increased insurers' statutory deductibles. The Terrorism Risk Insurance Program Revitalization Act ("TRIPRA") currently extends the federal assistance program through December 31, 2014.

Table of Contents

TRIPRA also expanded the definition of Act of Terrorism by removing the distinction between foreign and domestic acts of terrorism. The federal terrorism risk assistance provided by TRIA, TRIEA and TRIPRA will expire at the end of 2014. Any renewal may be on substantially less favorable terms and it is presently uncertain if TRIPRA will be renewed at all.

Pursuant to the quota share agreements with AmTrust and NGHC and the reinsurance agreements that we anticipate that our reinsurance subsidiaries that write in the Diversified Reinsurance segment will enter into with others, our subsidiaries will reinsure a portion of each ceding insurer's losses resulting from terrorism. With respect to those reinsurance agreements that we have entered into to date, either terrorism coverage is specifically excluded or we do not consider exposure to terrorist acts to be significant. Although we expect that Maiden Bermuda will seek to retrocede some or all of this terrorism risk to unaffiliated reinsurers, it may be unable to do so on terms that it considers favorable, or at all.

We may or may not use retrocessional and reinsurance coverage to limit our exposure to risks. Any retrocessional or reinsurance coverage that we obtain may be limited, and credit and other risks associated with our retrocessional and reinsurance arrangements may result in losses which could adversely affect our financial condition and results of operations.

We will provide reinsurance to our clients and in turn we may or may not retrocede reinsurance we assume to other insurers and reinsurers. If we do not use retrocessional coverage or reinsurance, our exposure to losses will be greater than if we did obtain such coverage. If we do obtain retrocessional or reinsurance coverage, some of the insurers or reinsurers to whom we may retrocede coverage or reinsure with may be domiciled in Bermuda or other non-U.S. locations. We would be subject to credit and other risks that depend upon the financial strength of these reinsurers. Further, we will be subject to credit risk with respect to any retrocessional or reinsurance arrangements because the ceding of risk to reinsurers and retrocessionaires would not relieve us of our liability to the clients or companies we insure or reinsure. Our failure to establish adequate reinsurance or retrocessional arrangements or the failure of any retrocessional arrangements to protect us from overly concentrated risk exposure could adversely affect our business, financial condition and results of operation. We will attempt to mitigate such risks by retaining collateral or trust accounts for premium and claims receivables, but nevertheless we cannot be assured that reinsurance will be fully collectable in the case of all potential claims outcomes.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance or reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our reinsurance contracts may not be known for many years after a contract is issued. Our exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation. A recent example of emerging claims and coverage issues is the growing trend of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claims-handling, insurance sales practices and other practices related to the conduct of business in our industry. The effects of this and other unforeseen emerging claim and coverage issues are extremely hard to predict and could have a material adverse effect on our business, financial condition and results of operations.

The integration of acquired companies may not be as successful as we anticipate.

While we have had limited acquisition activity since our inception, specifically the GMAC Acquisition and the IIS Acquisition, we may periodically evaluate and undertake acquisitions. Acquisitions involve numerous risks, including



operational, strategic, and financial risks such as potential liabilities associated with the acquired business. Difficulties in integrating an acquired company may result in the acquired company performing differently than we currently expect or in our failure to realize anticipated expense-related efficiencies. Our existing businesses could also be negatively impacted by acquisitions.

Technology breaches or failures, including, but not limited to, those resulting from cyber-attacks on us or our business partners and service providers, could disrupt or otherwise negatively impact our business.

While technology can streamline many business processes and ultimately reduce the cost of operations, technology initiatives present certain risks. Our business is dependent upon our employees' and outsourcers' ability to perform, in an efficient and uninterrupted fashion, necessary business functions. Like all companies, our information technology systems are vulnerable to data breaches, interruptions or failures due to events that may be beyond our control, including, but not limited to, natural disasters, theft, terrorist attacks, computer viruses, hackers and general technology failures.

A shutdown or inability to access one or more of our facilities, a power outage, or a failure of one or more of our information technology, telecommunications or other systems could significantly impair our ability to perform such functions on a timely basis. If sustained or repeated, such a business interruption, system failure or service denial could result in a deterioration of our ability to write and process business, provide customer service, pay claims in a timely manner or perform other necessary business functions. Furthermore, a significant portion of the communications between our employees and our business, banking and investment partners depends on information technology and electronic information exchange.

We believe that we have established and implemented appropriate security measures, controls and procedures to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed and/or stored in such systems, and we periodically employ third parties to evaluate and test the adequacy of such systems, controls and procedures. In addition, we have established a business continuity plan which is designed to ensure that we are able to maintain all aspects of our key business processes functioning in the midst of certain disruptive events, including any disruptions to or breaches of our

## Table of Contents

information technology systems. Our business continuity plans are tested and evaluated for adequacy. Despite these safeguards, disruptions to and breaches of our information technology systems are possible and may negatively impact our business.

It is possible that insurance policies we have in place with third-parties would not entirely protect us in the event that we experienced a breach, interruption or widespread failure of our information technology systems. Furthermore, we have not secured any insurance coverage designed to specifically protect us from the result of such events.

Although we have experienced no known material or threatened cases involving unauthorized access to our information technology systems and data or unauthorized appropriation of such data to date, we have no assurance that such technology breaches will not occur in the future.

### Insurance and Reinsurance Markets

The property and casualty insurance and reinsurance industry is cyclical in nature, which may affect our overall financial performance.

Historically, the financial performance of the property and casualty insurance and reinsurance industry has tended to fluctuate in cyclical periods of price competition and excess capacity (known as a soft market) followed by periods of high premium rates and shortages of underwriting capacity (known as a hard market). Although the financial performance of an individual insurance or reinsurance company is dependent on its own specific business characteristics, the profitability of most property and casualty insurance and reinsurance companies tends to follow this cyclical market pattern.

In recent years, the market has been in a competitive environment in which underwriting capacity has expanded, risk selection became less discrete and price competition increased sharply. During that period, despite the significant financial turmoil that occurred in 2008, market participant's capital levels have continued to improve due to positive earnings and improved values of risk assets over that time. In addition an influx of new market participants with different operating models than traditional reinsurers such as us, have entered the market place. While many of these new market participants specialize in property catastrophe oriented business and do not directly compete with us, they are influencing competitive conditions in the broader reinsurance market. This additional underwriting capacity resulted in increased competition from other insurance and reinsurance companies expanding the types or amounts of business they write, or from companies seeking to maintain or increase market share at the expense of underwriting discipline.

Because this cyclicity is due in large part to the actions of our competitors and general economic factors beyond our control, we cannot predict with certainty the timing or duration of changes in the market cycle. These cyclical patterns, the actions of our competitors, and general economic factors could cause our revenues and net income to fluctuate, which may cause the price of our common shares to be volatile. The ultimate outcome of these events and their market impact is not known at this time.

Negative developments in the U.S. workers' compensation insurance industry could adversely affect our financial condition and results of operations.

In 2013, reinsurance of U.S. workers' compensation insurance was 29.3% of total net premiums written, which is our largest exposure to a particular line of business, and reflects the ongoing growth, of our largest client, AmTrust. Nonetheless, negative developments in the economic, competitive or regulatory conditions affecting the U.S. workers' compensation insurance industry could have an adverse effect on our financial condition and results of operations. For example, if legislators in our larger markets were to enact legislation to increase the scope or amount of benefits for

employees under U.S. workers' compensation insurance policies without related premium increases or loss control measures, or if regulators made other changes to the regulatory system governing U.S. workers' compensation insurance, this could negatively affect the U.S. workers' compensation insurance industry in the affected markets. Currently, reductions in the number of people employed has affected the underlying payrolls which are generally the basis for insurance premiums charged and subsequently paid to reinsurers for the protection we offer.

In many states, including California, our largest state in terms of U.S. workers' compensation premium volume, there are active regulatory activities that oversee the level of rates that can be charged by individual insurers. As a result, there is a risk that our clients may not be able to implement needed rate increases to maintain sufficient levels of profitability on business we write.

We compete with a large number of companies in the reinsurance industry for underwriting revenues.

The reinsurance industry is mature and highly competitive. Reinsurance companies compete on the basis of many factors, including premium rates, general reputation and perceived financial strength, the terms and conditions of the products offered, ratings assigned by independent rating agencies, speed of claims payments, reputation and experience in risks underwritten, capacity and coverages offered and various other factors. These factors operate at the individual market participant level and generally in the aggregate across the reinsurance industry. In addition, underlying economic conditions and variations in the reinsurance buying practices of ceding companies, by participant and in the aggregate, contribute to cyclical movements in rates, terms and conditions and may impact industry aggregate results and subsequently the level of completion in the reinsurance industry.

We compete with major U.S. and non-U.S. reinsurers, including other Bermuda-based reinsurers, on an international and regional basis. In our Diversified Reinsurance segment, we compete with reinsurers that provide property and casualty-based lines of reinsurance such as: Swiss Reinsurance Company Ltd., Munich Reinsurance America, Inc., General Reinsurance Corporation, PartnerRe Ltd., Hannover Re Group, QBE Insurance Group, Transatlantic Holdings, Inc., Endurance Specialty Holdings, Ltd., Scor Reinsurance Company, Platinum Underwriters Holdings, Ltd., The TOA Reinsurance Company of America, Odyssey Re Holdings Corp., AXIS Capital Holdings Ltd., W.R. Berkley Corporation and Everest Re Group, Ltd.

## Table of Contents

Many of these entities have significantly larger amounts of capital, higher ratings from rating agencies and more employees than we do; in addition, these entities have established long-term and continuing business relationships throughout the industry, which can be significant competitive advantages. However, we believe the enhanced security that we offer our clients through collateral trusts, our niche specialist orientation, our operating efficiency and our careful relationship management capabilities help offset these advantages and allow us to effectively compete for profitable business.

In addition, in recent year's significant increases in the use of risk-linked securities and derivative and other non-traditional risk transfer mechanisms and vehicles are being developed and offered by other parties, including entities other than insurance and reinsurance companies. The availability of both these non-traditional products and sources of capital could reduce the demand for traditional insurance and reinsurance.

A number of new, proposed or potential industry or legislative developments could further increase competition in our industry. New competition from these developments may result in fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention and less favorable policy terms and conditions, which could have a material adverse impact on our growth and profitability.

Consolidation in the insurance and reinsurance industry and increased competition on premium rates could lead to lower margins for us and less demand for our products and services.

The insurance and reinsurance industry continues to undergo a process of consolidation as industry participants seek to enhance their product and geographic reach, client base, operating efficiency and general market power through merger and acquisition activities. We believe that the larger entities resulting from these mergers and acquisition activities may seek to use the benefits of consolidation, including improved efficiencies and economies of scale, to, among other things, implement price reductions for their products and services to increase their market shares. Consolidation among primary insurance companies may also lead to reduced use of reinsurance as the resulting larger companies may be able to retain more risk and may also have bargaining power in negotiations with reinsurers. If competitive pressures compel us to reduce our prices, our operating margins will decrease.

As the insurance and reinsurance industry consolidates, competition may become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, which could reduce our operating margins.

When the property-casualty insurance industry has exhibited a greater degree of competition, premium rates have come under downward pressure as a result. Greater competition could result in reduced volumes of reinsurance written and could reduce our profitability.

## Financial Strength and Debt Ratings

Ratings downgrades of either Maiden Bermuda, Maiden US and Maiden Specialty may adversely affect our competitive position and our ability to meet our financial goals and capital requirements.

Competition in the types of insurance business that we intend to reinsure is based on many factors, including the perceived financial strength of the insurer and ratings assigned by independent rating agencies. Maiden Bermuda, Maiden US and Maiden Specialty have each received a financial strength rating of "A-" (Excellent) with a stable outlook from A.M. Best, which is the fourth highest of sixteen rating levels. These subsidiaries have also received a financial strength rating of "BBB+" (Good) with a negative outlook from S&P, which is the eighth highest of twenty-two rating levels.

Ratings from these agencies are an opinion of our financial strength and ability to meet ongoing obligations to our future policyholders, and it is not an evaluation directed to our investors in our common shares, preference shares, senior notes or trust preferred securities, nor is it a recommendation to buy, sell or hold our common shares, preference shares, senior notes or trust preferred securities. Each rating should be evaluated independently of any other rating.

The ratings of Maiden Bermuda, Maiden US and Maiden Specialty are subject to periodic review by, and may be revised downward or revoked at any time at the sole discretion of A.M. Best and/or S&P. If A.M. Best were to downgrade Maiden Bermuda's rating below "A-", AII and other clients would have the right to terminate their respective reinsurance agreements. More generally, if A.M. Best or S&P were to downgrade Maiden Bermuda, Maiden US or Maiden Specialty, our competitive position would suffer, and our ability to market our products, to obtain clients and to compete in the reinsurance industry would be adversely affected. A subsequent downgrade, therefore, could result in a substantial loss of business because our insurance and reinsurance company clients may move to other reinsurers with higher claims paying and financial strength ratings.

#### Clients, Brokers and Financial Institutions

Our business is dependent upon reinsurance brokers and other producers, including third party administrators and financial institutions, and the failure to develop or maintain these relationships could materially adversely affect our ability to market our products and services.

We market our reinsurance products primarily through brokers and expect that we will derive a significant portion of our business from a limited number of brokers. Our failure to further develop or maintain relationships with brokers from whom we expect to receive our business could have a material adverse effect on our business, financial condition and results of operations.

## Table of Contents

Our reliance on brokers subjects us to their credit risk.

In accordance with industry practice, we anticipate that we will frequently pay amounts owed on claims under our reinsurance contracts to brokers, and these brokers in turn are required to pay and will pay these amounts over to the clients that have purchased reinsurance from us. If a broker fails to make such a payment, in a significant majority of business that we will write, it is highly likely that we will be liable to the client for the deficiency under local laws or contractual obligations, notwithstanding the broker's obligation to make such payment. Likewise, when the client pays premiums for these policies to brokers for payment over to us, these premiums are considered to have been paid and, in most cases, the client will no longer be liable to us for those amounts, whether or not we actually receive the premiums from the brokers. Consequently, we will assume a degree of credit risk associated with brokers with whom we work with respect to most of our reinsurance business.

We could incur substantial losses and reduced liquidity if one of the financial institutions we use in our operations fails.

We have exposure to counterparties in many different industries and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, and other investment funds and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the obligation. Current reinsurance recoverables are subject to the credit risk of the reinsurers.

We maintain cash balances, including restricted cash held in premium trust accounts, significantly in excess of the FDIC insurance limits at various depository institutions. We also maintain cash balances in foreign banks and institutions and rely upon funding commitments from several banks and financial institutions that participate in our credit facility. If one or more of these financial institutions were to fail, our ability to access cash balances or draw down on our credit facility may be temporarily or permanently limited, which could have a material adverse effect on our results of operations, financial condition or cash flows.

## Liquidity, Capital Resources and Investments

A significant amount of our invested assets are subject to changes in interest rates and market volatility. If we were unable to realize our investment objectives, our financial condition and results of operations may be adversely affected.

Investment income is an important component of our net income. We plan to invest approximately 90-95% of our investments in high grade marketable fixed income securities, cash and cash equivalents, and up to approximately 5-10% in other securities which may include high-yield securities and equity securities. As of December 31, 2013, the fixed income securities of \$3.2 billion in our investment portfolio represented 93.4% of our total cash and invested assets, of which \$5.1 million or 0.2% were in other investments, primarily investments in limited partnerships. As a result of market conditions prevailing at a particular time, the allocation of our portfolio to various asset types may vary from these targets at times. The fair market value of these assets and the investment income from these assets will fluctuate depending on general economic and market conditions. Because we intend to classify all of our fixed maturity investments as available-for-sale ("AFS"), we expect changes in the market value of our securities will be reflected in shareholders' equity.

Our board of directors has established our investment policies and our executive management is implementing our investment strategy with the assistance of AII Insurance Management Limited, our investment manager. Although these guidelines stress diversification and capital preservation, our investment results will be subject to a variety of

risks, including risks related to changes in the business, financial condition or results of operations of the entities in which we invest, as well as changes in general economic conditions and overall market conditions, interest rate fluctuations and market volatility.

Our investment portfolio consists almost completely of interest rate-sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions and other factors beyond our control. Because of the unpredictable nature of losses that may arise under reinsurance policies, our liquidity needs could be substantial and may increase at any time. Changes in interest rates could have an adverse effect on the value of our investment portfolio and future investment income. For example, changes in interest rates can expose us to prepayment risks on mortgage-backed securities included in our investment portfolio (all, excluding three "AAA" rated Commercial Mortgage-Backed Security, are currently U.S. government agency bonds and "AA+" rated). Increases in interest rates will decrease the value of our investments in fixed-income securities. If increases in interest rates occur during periods when we sell investments to satisfy liquidity needs, we may experience investment losses. If interest rates decline, reinvested funds will earn less than expected.

Certain categories of fixed income securities can experience significant price declines for reasons unrelated to interest rates. Since 2007, global financial markets and credit markets in particular have experienced unprecedented volatility due to the effects of global economic weakness and resulting fiscal and monetary crises. Both the U.S. and other sovereign governments, particularly in Europe, have enacted and continue to enact significant fiscal and monetary measures which have elevated levels of liquidity in the credit market place in order to ensure economic stability and sustain recent limited economic growth. These measures have reduced interest rates to historically low levels and could continue to affect many types of fixed income securities, continuing the current period of higher than average price volatility. Based on the statements of the U.S. Federal Reserve and other central banks globally, this period of low interest rates is widely expected to continue for at least the next two years. In addition, these measures could increase the likelihood of inflation which would likely reduce the value of our fixed income securities and reduce our shareholders' equity.

In order 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 investment portfolio within a reasonable range of

Table of Contents

the duration of our loss reserves. As of December 31, 2013 and 2012, the duration of our fixed maturity investments and loss reserves were as follows:

For the Year Ended December 31,	2013	2012
Fixed maturities, available-for-sale	4.6	3.5
Reserve for loss and loss adjustment expenses	4.2	3.6

The differential in duration between these assets and liabilities may fluctuate over time and in the case of fixed maturities, is affected by factors such as market conditions, asset allocations and prepayment speeds in the case of MBS.

We may invest a portion of our portfolio in below investment-grade securities. Borrowers that issue below investment-grade securities are more sensitive to adverse economic conditions, including a recession. The risk of default by these borrowers and the risk that we may not be able to recover our investment are significantly greater than for other borrowers. We also may invest a portion of our portfolio in equity securities, including other investment funds, which are more speculative and more volatile than debt securities.

While we believe we have substantially mitigated our exposure to liquidity risk through prudent duration management and strong operating cash flow, if we do not structure our investment portfolio so that it is appropriately matched with our reinsurance liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. For this or any of the other reasons discussed above, investment losses could significantly decrease our asset base, which would adversely affect our ability to conduct business. Any significant decline in our investment income would adversely affect our business, financial condition and results of operations.

The further downgrade of U.S. government securities by credit rating agencies could adversely impact the value of the U.S. government and other securities in our investment portfolio and create uncertainty in the market generally.

The further downgrade of the U.S. government securities by credit rating agencies has the potential to adversely impact the value of the U.S. government and other securities in our investment portfolio. A further downgrade in the rating of U.S. government securities may cause our investment portfolio's average credit rating to fall and may result in the Company no longer being in compliance with its current investment policy at its current level of U.S. government security holdings. In addition to the foregoing, a further downgrade in the rating of U.S. government securities may have an adverse impact on fixed income markets, which in turn could cause our net investment income to decline or have a material adverse effect on our financial condition.

We may require additional capital in the future, which may not be available on favorable terms or at all.

Our future capital requirements will depend on many factors, including our growth and our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover our losses. While we have been successful to date in raising the capital necessary to prudently manage our business, our business has grown rapidly and we may need to raise additional funds to further capitalize Maiden Bermuda, Maiden US and Maiden Specialty, or expand our IIS business. We anticipate that any such additional funds would be raised through equity, debt or hybrid financings. While we currently have no commitment from any lender with respect to a credit facility or a loan facility, we may enter into an unsecured revolving credit facility or a term loan facility with one or more syndicates of lenders. Any equity, debt or hybrid financing, if available at all, may be on terms that are not favorable to us. If we are able to raise capital through equity financings, the interest of shareholders in our Company would be diluted, and the securities we issue may have rights, preferences and privileges that are senior to those of our common shares. Our principal operating subsidiaries are rated "A-" (Excellent) with a stable outlook by A.M. Best Company, which rating is the fourth highest of sixteen rating levels, and "BBB+" (Good) with a negative outlook by S&P, which



is the eighth highest of twenty-two rating levels. Our Senior Note Offerings are all rated "BBB-" by S&P, and the Preference Shares are both rated "BB" by S&P.

To the extent that any of these securities experience a ratings downgrade or if our holding company experiences a downgrade of its Counterparty Credit rating by S&P, this could impact our ability to execute those financings or at reasonable terms. Similarly, our access to funds may be impaired if regulatory authorities take negative actions against us. Our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all. Finally, the possibility that clients or lenders could develop a negative perception of our long or short-term financial prospects if we incur large investment losses or if the level of our business activity decreases due to a market downturn could affect our ability to obtain financing.

In addition to company-specific factors, the availability of additional financing will depend on a variety of other factors such as market conditions, the general availability of capital, the volume of trading activities and the overall availability of capital to the financial services industry. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As such, we may be forced to delay raising capital, issue shorter tenor securities than we prefer, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. If we cannot obtain adequate capital, our business prospects, results of operations and financial condition could be adversely affected.

Table of Contents

We have debt and preference shares outstanding that could adversely affect our financial flexibility.

In connection with the Senior Note Offerings, Maiden NA has issued senior notes in the principal amount of \$360.0 million, which is subject to a guarantee by Maiden Holdings. We have also issued \$315.0 million in Preference Shares since 2012 which are required to be paid before common shareholders are eligible for dividend payments. We may also incur additional indebtedness in the future. The level of debt outstanding could adversely affect our financial flexibility.

Our indebtedness could have adverse consequences, including:

• limiting our ability to pay dividends to our common shareholders;

• increasing our vulnerability to changing economic, regulatory and industry conditions;

• limiting our ability to compete and our flexibility in planning for, or reacting to, changes in our business and the industry;

• limiting our ability to borrow additional funds;

• requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for working capital, capital expenditures, acquisitions and other purposes; and impacting rating agencies and regulators assessment of our capital position, adequacy and flexibility and therefore, the financial strength ratings of rating agencies and regulators assessment of our solvency.

Our failure to comply with restrictive covenants contained in the indentures governing our Senior Notes or any future credit facility could trigger prepayment obligations, which could adversely affect our business, financial condition and results of operations.

The indentures governing our Senior Notes contain covenants that impose restrictions on us and certain of our subsidiaries with respect to, among other things, the incurrence of liens and the disposition of capital stock of these subsidiaries. In addition, any future credit facility may require us and/or certain of our subsidiaries to comply with certain covenants, which may include the maintenance of a minimum consolidated net tangible worth and restrictions on the payment of dividends. Our failure to comply with these covenants could result in an event of default under the indentures or any future credit facility, which, if not cured or waived, could result in us being required to repay the notes or any amounts outstanding under such credit facility prior to maturity. As a result, our business, financial condition and results of operations could be adversely affected. For more details on our indebtedness, see Note 7. Long-Term Debt to our Consolidated Financial Statements.

The Preference Shares are equity and are subordinate to our existing and future indebtedness and other liabilities.

The Preference Shares are equity interests and do not constitute indebtedness. As such, the Preference Shares will rank junior to all of our indebtedness and other non-equity claims of our creditors with respect to assets available to satisfy our claims, including in our liquidation. As of December 31, 2013, our total consolidated debt was \$486.4 million and our total consolidated liabilities were \$3.6 billion. We may incur additional debt and liabilities in the future. Our existing and future indebtedness may restrict payments of dividends on the Preference Shares. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of preference shares, dividends are payable only if declared by our Board of Directors (or a duly authorized committee of the Board).

The availability and cost of security arrangements for reinsurance transactions may materially impact our ability to provide reinsurance from Bermuda to insurers domiciled in the U. S.

Maiden Bermuda is not licensed, approved or accredited as a reinsurer anywhere in the U.S. and, therefore, under the terms of most of its contracts with U.S. ceding companies, it is required to provide collateral to its ceding companies for unpaid ceded liabilities, including when our obligations to these ceding companies exceed negotiated amounts, in a form acceptable to state insurance commissioners. Typically, this type of collateral takes the form of letters of credit issued by a bank, the establishment of a trust, or funds withheld. The amount of collateral we are required to provide typically represents a portion of the obligations we may owe the ceding company, often including estimates of unpaid losses made by the ceding company. Since we may be required to provide collateral based on the ceding company's estimate, we may be obligated to provide collateral that exceeds our estimates of the ultimate liability to the ceding company. It is also unclear what, if any, the impact would be in the event of the liquidation of a ceding company with which we have a collateral arrangement. If these facilities are unavailable, not sufficient or if we are unable to arrange for other types of security on commercially acceptable terms, Maiden Bermuda's ability to provide reinsurance to U.S. based clients may be severely limited.

#### International Operations

Our offices that operate in jurisdictions outside the Bermuda and U.S. are subject to certain limitations and risks that are unique to foreign operations.

Our international operations are regulated in various jurisdictions with respect to licensing requirements, currency, security deposits, reserves, employees and other matters. International operations may be harmed by political developments in foreign

Table of Contents

countries, which may be hard to predict in advance. Regulations governing technical reserves and remittance balances in some countries may hinder remittance of profits and repatriation of assets.

Through our IIS business, we operate in a variety of global insurance and reinsurance markets that we have limited experience with and results may differ from our expectations, which could adversely affect our results of operations and financial condition.

The business associated with the IIS Acquisition and underwritten by Maiden Bermuda is primarily written in Germany, U.K., Latin America, Australia and other global markets that we have limited experience with. We retained the entire management team and staff to improve the likelihood that the IIS business will achieve its expected results. We expect the transaction to generally perform within its overall stated targets. We have entered into cooperation agreements with the dealer association and manufacturer in our largest market to increase sales penetration through these arrangements. Despite these measures, there can be no guarantee that the IIS business will achieve the targets anticipated, or that the transaction could result in losses that would adversely affect our results of operations and financial condition.

Foreign currency fluctuations may reduce our net income and our capital levels adversely affecting our financial condition.

We conduct business in a variety of non-U.S. currencies, the principal exposures being the Euro, the British pound, the Canadian dollar, the Swedish krona and the Russian ruble. 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, 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. While the Company may be able to match its foreign currency denominated assets against its net reinsurance liabilities both by currency and duration to protect the Company against foreign exchange and interest rate risks, a natural offset does not exist for all currencies.

As of December 31, 2013, foreign currency denominated assets exceed foreign currency denominated liabilities for each of the individual non-U.S. currencies in which the Company transacts business. 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 or equity may be reduced by fluctuations in foreign currency exchange rates that could materially adversely affect our financial condition and results of operations. At December 31, 2013, no such hedges or hedging strategies were in force or had been entered into.

If the European common currency, the Euro, were to be devalued, undergo structural changes or in an extreme scenario collapse, in its participating countries or the basis on which they participate, we could be impacted, potentially significantly by the subsequent effects of such a circumstance. Further, we have exposure to the European sovereign debt crisis which could have a negative impact on our financial condition and results of operations. We conduct a wide variety of business in countries in which the Euro is the local currency. We report our financial results in U.S. dollars and use widely reported exchange rates to convert this currency into U.S. dollars. Countries whose currency is the Euro have experienced significant economic uncertainty in recent years, which continues through the present time. These circumstances are the cumulative result of the effect of excessive sovereign debt, deficits by numerous participating countries in the Euro, uncertainty regarding the monetary policies of the EU and their underlying funding mechanisms and poor economic growth and prospects for the EU as a whole. While economic policy measures and commitments have stabilized the currency's volatility, the EU's fiscal outlook remains negative, and permanent solutions to resolve these issues by participating countries and other institutions to stabilize the EU and improve its economic outlook have not been resolved.

While not likely at this time, without satisfactory and timely resolution of these issues, the devaluation, modification or in an extreme scenario collapse of the Euro cannot be ruled out at this time, with further uncertainty as to what forms of currency would take its place. As a result, we could be exposed to significantly greater foreign currency exposure than we estimate at this time. If the currency were impaired or disrupted to any significant degree, it could also impact our ability to conduct normal business operations in those participating countries.

Irrespective of the ultimate future of the currency, the impact of these efforts may cause a further deterioration in the value of the Euro and consequently exacerbate instability in global credit markets, and increase credit concerns resulting in the widening of bond yield spreads. In addition, recent rating agency downgrades on European sovereign debt and a growing concern of the potential default of government issuers has contributed to this uncertainty. The impact of these developments, while potentially severe, remains extremely difficult to predict. However, should European governments default on their obligations, there will be a negative impact on government and non-government issued bonds, government guaranteed corporate bonds and bonds and equities issued by financial institutions and held within the country of default which in turn could adversely impact Euro-denominated assets held in our investment portfolio.

For the year ended December 31, 2013, 13.4% of our net premiums written and 12.6% of our reserve for loss and loss adjustment expenses is Euro denominated. As of December 31, 2013 our fixed income portfolio contains: (1) \$41.6 million of Euro-denominated non-U.S. government bonds, which constitutes 1.3% of the fixed income portfolio; and (2) \$207.5 million of Euro-denominated non-U.S. corporate bonds, which constitutes 6.6% of the fixed income portfolio. Of the Euro-denominated non-U.S. government bonds, 51.5% were from Germany and the Netherlands. We hold no sovereign bonds of Greece, Ireland, Italy, Portugal or Spain.

## Table of Contents

### Regulation

Compliance by our insurance subsidiaries with the legal and regulatory requirements to which they are subject is expensive. Any failure to comply could have a material adverse effect on our business.

Our insurance subsidiaries are required to comply with a wide variety of laws and regulations applicable to insurance or reinsurance companies, both in the jurisdictions in which they are organized and where they sell their insurance and reinsurance products. The insurance and regulatory environment, in particular for offshore insurance and reinsurance companies, has become subject to increased scrutiny in many jurisdictions, including the U.S., various states within the U.S. and the EU. In the past, there have been Congressional and other initiatives in the U.S. regarding increased supervision and regulation of the insurance industry. It is not possible to predict the future impact of changes in laws and regulations on our operations. The cost of complying with any new legal requirements affecting our subsidiaries could have a material adverse effect on our business.

In addition, our subsidiaries may not always be able to obtain or maintain necessary licenses, permits, authorizations or accreditations. They also may not be able to fully comply with, or to obtain appropriate exemptions from, the laws and regulations applicable to them. Any failure to comply with applicable law or to obtain appropriate exemptions could result in restrictions on either the ability of the company in question, as well as potentially its affiliates, to do business in one or more of the jurisdictions in which they operate or on brokers on which we rely to produce business for us. In addition, any such failure to comply with applicable laws or to obtain appropriate exemptions could result in the imposition of fines or other sanctions. Any of these sanctions could have a material adverse effect on our business.

Insurance statutes and regulations in jurisdictions outside and inside the U.S. could affect our profitability and restrict our ability to operate.

Maiden Bermuda is licensed as a Bermuda insurance company and is subject to regulation and supervision in Bermuda. The applicable Bermuda statutes and regulations generally are designed to protect insureds and ceding insurance companies, not our shareholders. We do not intend Maiden Bermuda to be registered or licensed as an insurance company in any jurisdiction outside Bermuda or to conduct any insurance or reinsurance activities in the U.S. or elsewhere outside of Bermuda. Nevertheless, we expect that a large portion of the gross premiums written by Maiden Bermuda will be derived from (1) the Reinsurance Agreement with AII, and (2) from reinsurance contracts entered into with entities mostly domiciled in the U.S. and Europe. Inquiries into or challenges to the insurance activities of Maiden Bermuda may still be raised by U.S. or European insurance regulators in the future.

In addition, even if Maiden Bermuda, as a reinsurer, is not directly regulated by applicable laws and regulations governing insurance in the jurisdictions where its ceding companies operate, these laws and regulations, and changes in them, can affect the profitability of the business that is ceded to Maiden Bermuda, and thereby affect our results of operations. The laws and regulations applicable to direct insurers could indirectly affect us in other ways as well, such as collateral requirements in various U.S. states to enable such insurers to receive credit for reinsurance ceded to us.

In the past, there have been Congressional and other proposals in the U.S. regarding increased supervision and regulation of the insurance industry, including proposals to supervise and regulate reinsurers domiciled outside the U.S. Our exposure to potential regulatory initiatives could be heightened by the fact that Maiden Bermuda is intended to be domiciled in, and operate exclusively from, Bermuda. Bermuda is a small jurisdiction and may be disadvantaged when participating in global or cross-border regulatory matters compared with larger jurisdictions such as the U.S. or the leading EU countries. This disadvantage could be amplified by the fact that Bermuda, which is currently an overseas territory of the U.K., may consider changes to its relationship with the U.K. in the future, including potentially seeking independence.

If Maiden Bermuda were to become subject to any insurance laws and regulations of the U.S. or any U.S. state, which are generally more restrictive than Bermuda laws and regulations, at any time in the future, it might be required to post deposits or maintain minimum surplus levels and might be prohibited from engaging in lines of business or from writing specified types of policies or contracts. Complying with those laws could have a material adverse effect on our ability to conduct business and on our financial condition and results of operations.

In recent years, the state insurance regulatory framework in the U.S. has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance and reinsurance companies and insurance holding companies. Further, the NAIC and state insurance regulators are re-examining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws. Any proposed or future legislation or NAIC initiatives may be more restrictive than current regulatory requirements or may result in higher costs.

In 2008, the BMA introduced new risk-based capital standards for insurance companies as a tool to assist the BMA both in measuring risk and in determining appropriate levels of capitalization. The amended Bermuda insurance statutes and regulations pursuant to the new risk-based supervisory approach required additional filings by insurers to be made to the BMA. The required statutory capital and surplus of our Bermuda-based operating subsidiary increased under the BSCR. While our Bermuda-based operating subsidiary currently has excess capital and surplus under these new requirements, there can be no assurance that such requirement or similar regulations, in their current form or as may be amended in the future, will not have a material adverse effect on our business, financial condition or results of operations.

## Table of Contents

### Europe

Within the EU, the EU Reinsurance Directive of November 2005 (the "Directive") was adopted. Member States of the EU and the European Economic Area ("EEA") were required to implement this by December 2007, however several Member States were late in the implementation of the Directive and, in a few cases, further legislation is still necessary. The Directive requires member countries to lift barriers to trade within the EU for companies that are domiciled in an EU country, therefore, allowing reinsurers established in the EU to provide services to all EEA states. As a result, Maiden LF, being established in Sweden and regulated by the Swedish Finansinspektionen ("Swedish FSA"), is able, subject to regulatory notifications and there being no objection from the Swedish FSA and the Member States concerned, to provide insurance and reinsurance services in all EEA Member States.

The Directive also does not prohibit EEA insurers from obtaining reinsurance from reinsurers licensed outside the EEA. As such, and subject to the specific rules in particular Member States, Maiden Bermuda may do business from Bermuda with insurers in EEA Member States, but it may not directly operate its reinsurance business within the EEA. Currently, each individual EEA Member State may impose conditions on reinsurance provided by Bermuda based reinsurers which could restrict their future provision of reinsurance to the EEA Member State concerned. A number of EEA Member States currently restrict the extent to which Bermudian reinsurers may promote their services in those Member States, and a few have certain prohibitions on the purchase of insurance from reinsurers not authorized in the EEA.

In addition to the Directive, the EU is introducing a new regulatory regime for the regulation of the insurance and reinsurance sector known as "Solvency II". Solvency II is a principles-based regulatory regime which seeks to promote financial stability, enhance transparency and facilitate harmonization among insurance and reinsurance companies within the EC. Solvency II employs a risk-based approach to setting capital requirements for insurers and reinsurers. One aspect of Solvency II (the details of which are currently being developed) concerns the treatment of reinsurance ceded by EC insurers to reinsurers headquartered in a state outside the EC. For example, consideration is being given as to whether reinsurance ceded to a non-EC reinsurer should be treated in the same way as reinsurance ceded to an EC reinsurer, and whether EC cedants should require their non-EC reinsurers to provide collateral to cover unearned premium and outstanding claims provisions. The Solvency II directive proposes that EC and non-EC reinsurers shall be treated in the same way provided that the non-EC jurisdiction is found to have a regulatory regime "equivalent" to that of Solvency II. Our reinsurance subsidiaries are headquartered in non-EC countries. If the regulatory regimes of such countries are found not to be equivalent to that of Solvency II and if our reinsurance subsidiaries fall below a certain minimum credit rating, then cedants in the EC may be prevented from recognizing the reinsurance provided to them by our reinsurance subsidiaries for the purpose of meeting their capital requirements or we may be required to provide collateral for our obligations to EC insurers. This could have a material adverse impact on our ability to conduct our business. The implementation of Solvency II has been delayed until January 1, 2016 although some aspects, including governance guidelines, own-risk assessments and regulatory reporting, will be phased in before the full implementation date.

### United States

In the U.S., licensed reinsurers are highly regulated and must comply with financial supervision standards comparable to those governing primary insurers. For additional discussion of the regulatory requirements to which Maiden Holdings, as a holding company, and its subsidiaries are subject, see Item 1 "Business — Regulatory Matters" in this Form 10-K. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could materially adversely affect our financial condition and results of operations. In addition, these statutes and regulations may, in effect,



restrict the ability of our subsidiaries to write new business or, as indicated below, distribute funds to Maiden Holdings. In recent years, some U.S. state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Moreover, the NAIC and state insurance regulators regularly re-examine existing laws and regulations and interpretations of existing laws and develop new laws. The new interpretations or laws may be more restrictive or may result in higher costs to us than current statutory requirements.

In addition, the federal government has undertaken initiatives, including Dodd-Frank, in several areas that may impact the reinsurance industry, including tort reform, corporate governance and the taxation of reinsurance companies. The Dodd-Frank Act became effective on July 21, 2011. In addition to introducing sweeping reform of the U.S. financial services industry, the Dodd-Frank Act has changed the regulation of reinsurance in the U.S. The Dodd-Frank Act prohibits a state from denying credit for reinsurance if the state of domicile of the insurer purchasing the reinsurance recognizes credit for reinsurance. At present, it appears the changes specific to reinsurance in the Dodd-Frank Act will not have a material adverse effect for non-U.S. reinsurers such as us, however, there is still significant uncertainty as to how these and other provisions of the Dodd-Frank Act will be implemented in practice.

Applicable insurance laws regarding the change of control of insurance companies may limit the acquisition of our shares.

Under Bermuda law, for so long as Maiden Holdings has an insurance subsidiary registered under the Insurance Act, the BMA may at any time, by written notice, object to a person holding 10% or more of its common shares if it appears to the BMA that the person is not or is no longer fit and proper to be such a holder. In such a case, the BMA may require the shareholder to reduce its holding of common shares in Maiden Holdings and direct, among other things, that such shareholder's voting rights attaching to the common shares shall not be exercisable. A person who does not comply with such a notice or direction from the BMA will be guilty of an offense. This may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

## Table of Contents

In addition to the foregoing, we are subject to U.S. state statutes governing insurance holding companies, which generally require that any person or entity desiring to acquire direct or indirect control of any of our U.S. insurance company subsidiaries obtain prior regulatory approval. "Control" is generally defined as the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the company, whether through the ownership of voting securities, by contract (except a commercial contract for goods or non-management services) or otherwise. Under the laws of most U.S. states, any beneficial owner of 10% or more of the outstanding voting securities of an insurance company or its holding company is presumed to have acquired control, unless this presumption is rebutted. These laws may also discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

Any person having a shareholding of 10% or more of the issued share capital in Maiden Holdings would be considered to have an indirect holding in our U.S. insurance subsidiaries at or over the 10% limit. Any change that resulted in the indirect acquisition or disposal of a shareholding of greater than or equal to 10% in the share capital of Maiden Holdings may require approval of the relevant U.S. state insurance regulators prior to the transaction.

Changes in accounting principles and financial reporting requirements could result in material changes to our reported results and financial condition.

U.S. GAAP and related financial reporting requirements are complex, continually evolving and may be subject to varied interpretation by the relevant authoritative bodies. Such varied interpretations could result from differing views related to specific facts and circumstances. Changes in U.S. GAAP and financial reporting requirements, or in the interpretation of U.S. GAAP or those requirements, could result in material changes to our reported results and financial condition. Moreover, the SEC is currently evaluating IFRS to determine whether IFRS should be incorporated into the financial reporting system for U.S. issuers. Certain of these standards could result in material changes to our reported results of operation.

### Employee Issues

We are dependent on our key executives. We may not be able to attract and retain key employees or successfully integrate our new management team to fully implement our newly formulated business strategy.

Our success depends largely on our senior management, which includes, among others, Art Raschbaum, our President and Chief Executive Officer, John Marshaleck, our Chief Financial Officer, Karen Schmitt, our President of Maiden US and Maiden Specialty, Patrick J. Haveron, our Executive Vice President and President of Maiden Bermuda, and Lawrence F. Metz, our Senior Vice President, General Counsel and Secretary. We have entered into employment agreements with each of these executive officers, as well as with additional former key employees of GMAC RE and GMAC IIS. These employees were instrumental in developing the book of business with the former GMAC RE and GMAC IIS and have been managing the retention of that business as it has transferred to Maiden US, Maiden Specialty or Maiden Bermuda. Our inability to attract and retain additional personnel or the loss of the services of any of our senior executives or key employees could delay or prevent us from fully implementing our business strategy and could significantly and negatively affect our business.

Our business in Bermuda could be adversely affected by Bermuda employment restrictions.

Currently, we employ twelve non-Bermudians in our Bermuda office including our President and Chief Executive Officer, our Chief Financial Officer and Maiden Bermuda's Chief Underwriting Officer. We may hire additional non-Bermudians as our business grows. Under Bermuda law, non-Bermudians (other than spouses of Bermudians,

holders of permanent residents' certificates and holders of working residents' certificates) may not engage in any gainful occupation in Bermuda without a valid government work permit. A work permit may be granted or renewed upon showing that, after proper public advertisement, no Bermudian, spouse of a Bermudian, or holder of a permanent resident's or working resident's certificate who meets the minimum standards reasonably required by the employer has applied for the job. Previously, work permit terms that were available for request ranged from one, three, five, six or, in certain circumstances for key executives, ten years however, in January 2013, the Bermuda government abolished these term limits. This removed the immigration policy put in place in 2001, which limited the duration of work permits. We may not be able to use the services of one or more of our non-Bermudian employees if we are not able to obtain work permits for them, which could have a material adverse effect on our business, financial condition and results of operations.

#### Corporate Governance

Our holding company structure and certain regulatory and other constraints affect our ability to pay dividends and make other payments.

Maiden Holdings is a holding company. As a result, we do not have, and will not have, any significant operations or assets other than our ownership of the shares of our subsidiaries.

We expect that dividends and other permitted distributions from Maiden Bermuda, Maiden Global (and its subsidiaries), Maiden LF and Maiden NA (and its subsidiaries) will be our sole source of funds to pay dividends to common and preference shareholders and meet ongoing cash requirements, including debt service payments, if any, and other expenses. Bermuda law and regulations, including, but not limited to, Bermuda insurance regulations, will restrict the declaration and payment of dividends and the making of distributions by Maiden Bermuda, unless specific regulatory requirements are met. In addition, Maiden Bermuda might enter into contractual arrangements in the future that could impose restrictions on any such payments. If we cannot receive dividends or other permitted distributions from Maiden Bermuda as a result of such restrictions, we will be unable to pay dividends on our

## Table of Contents

common shares and preference shares as currently contemplated by our board of directors. It is anticipated Maiden Bermuda can pay us dividends of approximately \$218.2 million. The inability of Maiden Bermuda to pay dividends in an amount sufficient to enable us to meet our cash requirements at the holding company level could have a material adverse effect on our business, financial condition and results of operations.

We are subject to Bermuda regulatory constraints that will affect our ability to pay dividends on our shares and make other payments. Under the Companies Act, we may declare or pay a dividend out of distributable reserves only if we have reasonable grounds for believing that we are, or would after the payment be, able to pay our liabilities as they become due and if the realizable value of our assets would thereby not be less than our liabilities.

The ability of Maiden US and Maiden Specialty to pay dividends is regulated, and under certain circumstances, restricted, pursuant to applicable law. If Maiden US cannot pay dividends to Maiden NA, Maiden NA may not, in turn, be able to pay dividends to Maiden Holdings, which may not, in turn, be able to pay dividends to shareholders. As of December 31, 2013, Maiden US could pay dividends to Maiden NA of approximately \$0 and Maiden Specialty could pay dividends to Maiden US of \$4.9 million without prior regulatory approval. Any dividends paid by Maiden US and Maiden Specialty would reduce their surplus.

Under the Insurance Act, Maiden Bermuda is required to prepare Statutory Financial Statements and to file a Statutory Financial Return in Bermuda. The Insurance Act also requires Maiden Bermuda to maintain a minimum share capital of \$120,000. To satisfy these requirements, the statutory capital and surplus of Maiden Bermuda at December 31, 2013 was approximately \$1,106.1 million (2012 – \$943.4 million) and the amount required to be maintained under Bermuda law, the Minimum Solvency Margin, was \$255.3 million at December 31, 2013 (2012 – \$230.2 million). Maiden Bermuda was also required to maintain a minimum liquidity ratio. All requirements were met by Maiden Bermuda throughout the period. In addition, Maiden Bermuda is subject to statutory and regulatory restrictions under the Insurance Act that limit the maximum amount of annual dividends or distributions to be paid by Maiden Bermuda to Maiden Holdings without notification to the BMA of such payment (and in certain cases prior approval of the BMA). Maiden Bermuda is allowed to pay dividends provided the payment of the dividends does not result in Maiden Bermuda failing to comply with the ECR as calculated by the BSCR. Maiden Bermuda is currently completing its 2013 BSCR and as of December 31, 2013, it is anticipated Maiden Bermuda can pay dividends or distributions not exceeding \$218.2 million.

Maiden Bermuda is registered as a Class 3B reinsurer under the Insurance Act and therefore must maintain capital at a level equal to its ECR which is established by reference to the BSCR model. The BSCR employs a standard mathematical model that correlates the risk underwritten to the capital that is dedicated to the business. The regulatory requirements are designed to have insurers operate at or above a threshold capital level, which exceeds the BSCR. While not specifically referred to in the Insurance Act, the BMA has established a TCL for each Class 3B insurer equal to 120% of its ECR. While a Class 3B insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased BMA regulatory oversight. Maiden Bermuda is currently completing its 2013 BSCR and believes that it will meet the ECR as of December 31, 2013.

A few significant shareholders may influence or control the direction of our business. If the ownership of our common shares continues to be highly concentrated, it may limit your ability and the ability of other shareholders to influence significant corporate decisions.

The interests of our Founding Shareholders may not be fully aligned with our interests, and this may lead to a strategy that is not in our best interest. As of February 21, 2014, our Founding Shareholders beneficially control approximately 28.4% of our outstanding common shares. Although they do not have any voting agreements or arrangements, our Founding Shareholders exercise significant influence over matters requiring shareholder approval, and their

concentrated holdings may delay or deter possible changes in control of Maiden Holdings, which may reduce the market price of our common shares.

We currently intend to pay a quarterly cash dividend of \$0.11 per common share; however, any determination to pay dividends will be at the discretion of our board of directors.

Our board of directors currently intends to authorize the payment of a cash dividend of \$0.11 per common share each quarter. Any determination to pay dividends will be at the discretion of our board of directors and will be dependent upon our results of operations and cash flows, our financial position and capital requirements, general business conditions, legal, tax, regulatory, rating agency and any contractual restrictions on the payment of dividends and any other factors our board of directors deems relevant, including Bermuda legal and regulatory constraints. Payment of dividends to common shareholders is also predicated on the payment of dividends to holders of Preference Shares before any such common dividend can be paid. If required dividend payments on the Preference Shares are not made, dividends to common shareholders may not be made until such time that Preference Share dividend payments resume.

Dividends on the Series A Preference Shares are non-cumulative.

Dividends on the Series A Preference Shares are non-cumulative and payable only out of lawfully available funds of Maiden Holdings under Bermuda law. Consequently, if our Board of Directors (or a duly authorized committee of the Board) does not authorize and declare a dividend for any dividend period with respect to the Series A Preference Shares, holders of the Series A Preference Shares would not be entitled to receive any such dividend, and such unpaid dividend will not accumulate and will never be payable. We will have no obligation to pay dividends for a dividend period on or after the dividend payment date for such period if its Board of Directors (or a duly authorized committee of the Board) has not declared such dividend before the related dividend payment date. If dividends on the Series A Preference Shares are authorized and declared with respect to any subsequent dividend period, we will be free to pay dividends on any other series of preference shares and/or our common shares.

Table of Contents

Dividends on the Preference Shares - Series B are cumulative.

Dividends on the Preference Shares - Series B are cumulative and payable only out of lawfully available funds of Maiden Holdings under Bermuda law. We will pay cumulative dividends on each of the Preference Shares - Series B at a rate of 7.25% per annum on the initial liquidation preference of \$50 per share (equivalent to \$3.625 per annum per Preference Share - Series B or \$0.90625 per quarter except on the initial payment date which was \$0.745139). Dividends will accrue and accumulate from the date of issuance and, to the extent that we have lawfully available funds to pay dividends and the Board of Directors declares a dividend payable, it will pay dividends quarterly each year commencing on December 15, 2013, up to, and including, September 15, 2016 in cash and on September 15, 2016 or any earlier conversion date in cash, common shares, or a combination thereof, at our election and subject to the share cap, which is an amount per share equal to the product of (i) 2 and (ii) the maximum conversion rate of 4.0322, subject to conversion rate adjustments. No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the mandatory convertible preference shares with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid or declared and a sufficient sum has been set apart for the payment of such dividends, upon all outstanding mandatory convertible preference shares.

The conversion rate will be adjusted from time to time if we issue common shares as a dividend, increases the cash dividend from \$0.09 per share or in some other cases as described under "Description of the Mandatory Convertible Preference Shares - Conversion Rate Adjustments" of the Form 424B2 Prospectus Supplement filed with the SEC on September 27, 2013. During the fourth quarter of 2013, the Board of Directors authorized an increase in common share dividend from \$0.09 to \$0.11 per share, thus resulting to a conversion rate adjustment effective January 2, 2014, which is the record date for such dividend. Using the adjusted conversion rate, the Company would issue approximately 19,840 more common shares upon conversion of the Preference Shares - Series B.

Our revenues and results of operations may fluctuate as a result of factors beyond our control, which may cause the price of our shares to be volatile.

The revenues and results of operations of reinsurance companies historically have been subject to significant fluctuations and uncertainties. Our profitability can be affected significantly by:

- fluctuations in interest rates, inflationary pressures and other changes in the investment environment that affect returns on invested assets;
- changes in the frequency or severity of claims;
- volatile and unpredictable developments, including man-made, weather-related and other natural catastrophes or terrorist attacks;
- price competition;
- inadequate loss and LAE reserves;
- cyclical nature of the property and casualty insurance market;
- negative developments in the specialty property and casualty reinsurance sectors in which we operate; and
- reduction in the business activities of AmTrust or any of our ceding insurers.

If our revenues and results of operations fluctuate as a result of one or more of these factors, the price of our shares may be volatile.

Future sales of shares may adversely affect their price.

Future sales of our common shares by our shareholders or us, or the perception that such sales may occur, could adversely affect the market price of our common shares. As of February 21, 2014, 72,633,561 common shares were outstanding. In addition, we have reserved 10,000,000 common shares for issuance under our Amended and Restated 2007 Share Incentive Plan. As of February 21, 2014, the total options outstanding was 2,439,413. Sales of substantial amounts of our shares, or the perception that such sales could occur, could adversely affect the prevailing price of the shares and may make it more difficult for us to sell our equity securities in the future, or for shareholders to sell their shares, at a time and price that they deem appropriate.

We are subject to additional financial and other reporting and corporate governance requirements that may be difficult for us to satisfy.

We are subject to financial and other reporting and corporate governance requirements, including the requirements of the NASDAQ Global Market, the New York Stock Exchange and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder, which impose significant compliance obligations upon us.

Table of Contents

In particular, we are, or will be, required to:

- enhance the roles and duties of our board of directors, our board committees and management;
- supplement our internal accounting function, including hiring staff with expertise in accounting and financial reporting for a public company, as well as implement appropriate and sufficient accounting and reporting systems, and enhance and formalize closing procedures at the end of our accounting periods;
- prepare and distribute periodic public reports in compliance with our obligations under the U.S. federal securities laws;
- involve and retain to a greater degree outside counsel and accountants in the activities listed above;
- establish or outsource an internal audit function;
- enhance our investor relations function; and
- establish new control policies, such as those relating to disclosure controls and procedures, segregation of duties and procedures and insider trading.

These obligations require a significant commitment of additional resources. We may not be successful in implementing these requirements, and implementing or maintaining them could adversely affect our business or operating results. In addition, if we fail to implement or maintain the requirements with respect to our internal accounting and audit functions, our ability to report our operating results on a timely and accurate basis would be impaired.

Provisions in our bye-laws may reduce or increase the voting rights of our shares.

In general, and except as provided under our bye-laws and as provided below, the common shareholders have one vote for each common share held by them and are entitled to vote, on a non-cumulative basis, at all meetings of shareholders. However, if, and so long as, the shares of a shareholder are treated as “controlled shares” (as determined pursuant to Sections 957 and 958 of the Internal Revenue Code of 1986, as amended (the “IRS Code”)) of any U.S. Person (as that term is defined in the risk factors under the section captioned “Taxation” within this Item on page 48 (that owns shares directly or indirectly through non-U.S. entities) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares owned by such U.S. Person will be limited, in the aggregate, to a voting power of less than 9.5%, under a formula specified in our bye-laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our board may limit a shareholder’s voting rights when it deems it appropriate to do so to (i) avoid the existence of any 9.5% U.S. Shareholder; and (ii) avoid certain material adverse tax, legal or regulatory consequences to us, any of our subsidiaries or any direct or indirect shareholder or its affiliates. “Controlled shares” include, among other things, all shares that a U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the IRS Code). The amount of any reduction of votes that occurs by operation of the above limitations will generally be reallocated proportionately among our other shareholders whose shares were not “controlled shares” of the 9.5% U.S. Shareholder so long as such reallocation does not cause any person to become a 9.5% U.S. Shareholder.

Under these provisions, certain shareholders may have their voting rights limited, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share



ownership.

We are authorized under our bye-laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the bye-laws. If any holder fails to respond to this request or submits incomplete or inaccurate information, we may, in our sole discretion, eliminate the shareholder's voting rights.

Anti-takeover provisions in our bye-laws could impede an attempt to replace or remove our directors, which could diminish the value of our common shares.

Our bye-laws contain provisions that may entrench directors and make it more difficult for shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions could delay or prevent a change of control that a shareholder might consider favorable. For example, these provisions may prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging changes in management and takeover attempts in the future.

Examples of provisions in our bye-laws that could have such an effect include the following:

• our board of directors may reduce the total voting power of any shareholder in order to avoid adverse tax, legal or regulatory consequences to us or any direct or indirect holder of our shares or its affiliates; and

• our directors may, in their discretion, decline to record the transfer of any common shares on our share register, if they are not satisfied that all required regulatory approvals for such transfer have been obtained or if they determine such transfer may result in a non-de minimis adverse tax, legal or regulatory consequence to us or any direct or indirect holder of shares or its affiliates.

Table of Contents

It may be difficult for a third party to acquire us.

Provisions of our organizational documents may discourage, delay or prevent a merger, amalgamation, tender offer or other change of control that holders of our shares may consider favorable. These provisions impose various procedural and other requirements that could make it more difficult for shareholders to effect various corporate actions. These provisions could:

- have the effect of delaying, deferring or preventing a change in control of us;
- discourage bids for our securities at a premium over the market price;
- adversely affect the price of, and the voting and other rights of the holders of our securities; or
- impede the ability of the holders of our securities to change our management.

In addition, AII and are entitled to terminate their quota share agreements if we undergo a change in control. Because we expect the business we reinsure from AmTrust to constitute a substantial portion of our business, this termination right may deter parties who are interested in acquiring us, may prevent shareholders from receiving a premium over the market price of our common shares and may depress the price of our common shares below levels that might otherwise prevail.

U.S. persons who own our shares may have more difficulty in protecting their interests than U.S. persons who are shareholders of a U.S. corporation.

The Companies Act, which applies to us, differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. As a result of these differences, U.S. persons who own our shares may have more difficulty protecting their interests than U.S. persons who own shares of a U.S. corporation. Set forth below is a summary of certain significant provisions of the Companies Act, including modifications adopted pursuant to our bye-laws, applicable to us which differ in certain respects from provisions of Delaware corporate law. Because the following statements are summaries, they do not discuss all aspects of Bermuda law that may be relevant to us and our shareholders.

**Interested Directors.** Bermuda law provides that if a director has a personal interest in a transaction to which the company is also a party and if the director discloses the nature of this personal interest at the first opportunity, either at a meeting of directors or in writing to the directors, then the company will not be able to declare the transaction void solely due to the existence of that personal interest and the director will not be liable to the company for any profit realized from the transaction. In addition, Bermuda law and our bye-laws provide that, after a director has made the declaration of interest referred to above, he is allowed to be counted for purposes of determining whether a quorum is present and to vote on a transaction in which he has an interest, unless disqualified from doing so by the chairman of the relevant board meeting. Under Delaware law such transaction would not be voidable if:

the material facts as to such interested director's relationship or interests are disclosed or are known to the board of directors and the board in good faith authorizes the transaction by the affirmative vote of a majority of the disinterested directors;

such material facts are disclosed or are known to the shareholders entitled;

- to vote on such transaction and the transaction is specifically approved in good faith by vote of the majority of shares entitled to vote thereon; or

the transaction is fair as to the corporation as of the time it is authorized, approved or ratified.

Under Delaware law, such interested director could be held liable for a transaction in which such director derived an improper personal benefit.

**Mergers and Similar Arrangements.** The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Under our bye-laws, we may, with the approval of a majority of votes cast at a general meeting of our shareholders at which a quorum is present, amalgamate or merge with another Bermuda company or with a body incorporated outside Bermuda. In the case of an amalgamation or merger, a shareholder may apply to a Bermuda court for a proper valuation of such shareholder's shares if such shareholder is not satisfied that fair value has been paid for such shares. Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Under Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under certain circumstances, be entitled to appraisal rights pursuant to which such shareholder may receive cash in the amount of the fair value of the shares held by such shareholder (as determined by a court) in lieu of the consideration such shareholder would otherwise receive in the transaction.

**Shareholders' Suit.** The rights of shareholders under Bermuda law are not as extensive as the rights of shareholders under legislation or judicial precedent in many U.S. jurisdictions. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company, is illegal or would result in the violation of our memorandum of association or bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of

Table of Contents

our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with such action. Our bye-laws provide that shareholders waive all claims or rights of action that they might have, individually or in the right of the company, against any director or officer for any act or failure to act in the performance of such director's or officer's duties, except with respect to any fraud or dishonesty of such director or officer. Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

**Indemnification of Directors.** We may indemnify our directors or officers in their capacity as directors or officers of any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to the company other than in respect of his own fraud or dishonesty. Under Delaware law, a corporation may indemnify a director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in defense of an action, suit or proceeding by reason of such position if such director or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, such director or officer had no reasonable cause to believe his or her conduct was unlawful. In addition, we have entered into indemnification agreements with our directors and officers.

We are a Bermuda company and it may be difficult for you to enforce judgments against us or our directors and executive officers.

We are incorporated under the laws of Bermuda and our business is based in Bermuda. In addition, most of our directors and officers reside outside Bermuda and a substantial portion of our assets will be and the assets of these persons are, and will continue to be, located in jurisdictions outside Bermuda. As such, it may be difficult or impossible to effect service of process within the U.S. upon us or those persons or to recover against us or them on judgments of U.S. courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws. Further, no claim may be brought in Bermuda against us or our directors and officers in the first instance for violation of U.S. federal securities laws because these laws have no extraterritorial jurisdiction under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability, including the possibility of monetary damages, on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

We have been previously advised by Conyers Dill & Pearman Limited, our Bermuda counsel, that there is doubt as to whether the courts of Bermuda would enforce judgments of U.S. courts obtained in actions against us or our directors and officers, as well as the experts named in this Report, predicated upon the civil liability provisions of the U.S. federal securities laws or original actions brought in Bermuda against us or these persons predicated solely upon U.S. federal securities laws. Further, we have been advised by Conyers Dill & Pearman Limited that there is no treaty in effect between the U.S. and Bermuda providing for the enforcement of judgments of U.S. courts, and there are grounds upon which Bermuda courts may not enforce judgments of U.S. courts. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, may not be allowed in Bermuda courts as contrary to that jurisdiction's public policy. Because judgments of U.S. courts are not automatically enforceable in Bermuda, it may be difficult for you to recover against us based upon such judgments.

Our internal control and reporting systems might not be effective in the future, which could increase the risk that we would become subject to restatements of our financial results or to regulatory action or litigation or other developments that could adversely affect our business.

Our ability to produce accurate financial statements and comply with applicable laws, rules and regulations is largely dependent on our maintenance of internal control and reporting systems, as well as on our ability to attract and retain qualified management and accounting and actuarial personnel to further develop our internal accounting function and control policies. If we fail to effectively establish and maintain such reporting and accounting systems or fail to attract and retain personnel who are capable of designing and operating such systems, these failures will increase the likelihood that we may be required to restate our financial results to correct errors or that we will become subject to legal and regulatory infractions, which may entail civil litigation and investigations by regulatory agencies including the SEC. In addition, if our management or our independent registered public accounting firm were to conclude that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information, and our financial flexibility and the value of our common shares could be adversely impacted.

#### Relationship with AmTrust and NGHC

We are dependent on AmTrust and its subsidiaries for a substantial portion of our business.

AmTrust is Maiden's largest client relationship and we will continue to derive a substantial portion of our business from AmTrust in the near term. We commenced our reinsurance business by providing traditional quota share reinsurance to AmTrust through the Reinsurance Agreement with AmTrust's Bermuda reinsurance subsidiary AII, assuming initially a 40% quota share portion of the net liabilities less recoveries of certain lines of business that existed on the effective date. In 2011, we provided additional quota share reinsurance through the European Hospital Liability Quota Share which is a separate one-year 40% quota share agreement with AEL and AIUL. The European Hospital Liability Quota Share covers those entities medical liability business in Europe, all of which is in Italy and France at the present time.

We are still dependent, however, on AmTrust and its subsidiaries for a substantial portion of our business and underwriting income. Our Reinsurance Agreement with AII has been renewed for an additional three years (until July 1, 2016), subject to certain early termination provisions (including if the A.M. Best rating of Maiden Bermuda is reduced below "A-"). The Reinsurance

Table of Contents

Agreement will be extended for additional terms of three years unless either party elects not to renew. There is no assurance that this agreement will not terminate. The termination of the Reinsurance Agreement would significantly reduce our revenues and could have a material adverse effect on us.

At the same time, there are risks related to the business of AmTrust and its insurance subsidiaries that may adversely impact our ability to continue doing business with them. In addition, we are not able to control the types or amounts of reinsurance AmTrust purchases from unaffiliated reinsurers, and any changes AmTrust makes to such reinsurance may affect our profitability and ability to write additional business.

Our initial arrangements with AmTrust were negotiated while we were its affiliate. The arrangements could be challenged as not reflecting terms that we would agree to in arm's-length negotiations with an independent third party; moreover, our business relationship with AmTrust and its subsidiaries may present, and may make us vulnerable to, possible adverse tax consequences, difficult conflicts of interest, and legal claims that we have not acted in the best interest of our shareholders.

We entered into a quota share agreement with AII, which reinsures AmTrust's insurance company subsidiaries, and a Master Agreement with AmTrust, pursuant to which Maiden Bermuda entered into the quota share agreement. The asset management agreement with an AmTrust subsidiary, the reinsurance brokerage agreement with an AmTrust subsidiary, the warrants previously issued to our Founding Shareholders (which were exchanged for restricted common shares in September 2010) and the expired provisional employment agreement with our former Chief Executive Officer, Max G. Caviat, were negotiated while we were an affiliate of AmTrust. These circumstances could increase the likelihood that the IRS would claim that the agreements between us and AmTrust were not executed on an arm's-length basis and any such assertion, if not disproved by us, could result in adverse tax consequences to us.

Because (i) our Founding Shareholders collectively own or control approximately 59% of the outstanding shares of AmTrust's common stock, (ii) our Founding Shareholders sponsored our formation, and (iii) our Founding Shareholders' common shares represent approximately 28.4% of our outstanding common shares; we therefore may be deemed an affiliate of AmTrust. Due to our close business relationship with AmTrust, we may be presented with situations involving conflicts of interest with respect to the agreements and other arrangements we will enter into with AmTrust and its subsidiaries, exposing us to possible claims that we have not acted in the best interest of our shareholders. The arrangements between us and AmTrust were modified somewhat after they were originally entered into and there could be future modifications.

Our non-executive Chairman of the Board currently holds the positions of President, Chief Executive Officer and director of AmTrust, and our former Chief Executive Officer and director is currently employed by AmTrust as an executive officer. These dual positions may present, and make us vulnerable to, difficult conflicts of interest and related legal challenges.

Barry D. Zyskind, our non-executive Chairman of the Board, is the President, Chief Executive Officer and director of AmTrust and, as such, he does not serve our Company on a full-time basis. Mr. Zyskind is expected to continue in both of his positions for the foreseeable future. In addition, Max G. Caviat, our former Chief Executive Officer and director, is currently employed by AmTrust as an executive officer. Conflicts of interest could arise with respect to business opportunities that could be advantageous to AmTrust or its subsidiaries, on the one hand, and us or our subsidiary, on the other hand. In addition, potential conflicts of interest may arise should the interests of Maiden Holdings and AmTrust diverge. As AmTrust is currently our largest customer, after being our only significant customer until November 2008, and is also expected to remain our largest customer for at least the next several years, AmTrust could have the ability to significantly influence such situations. However, the Audit Committee of our Board of Directors, which consists entirely of independent directors, does review and approve all related party transactions, except those related to compensation, which our independent Compensation Committee reviews.

One of our Founding Shareholders owns the majority of the common stock of NGHC, and AmTrust has an investment in NGHC. This may present, and make us vulnerable to, difficult conflicts of interest and related legal challenges.

In November 2009, we announced an agreement in principal with NGHC regarding a multi-year 25% quota share agreement expected to generate over \$200 million in annual revenue. The contract commenced on March 1, 2010 after final regulatory approval and the closing of NGHC's acquisition of GMACI's U.S. consumer property and casualty insurance business, as well as a small amount of commercial auto business.

On June 6, 2013, NGHC issued 21,850,000 shares of common stock in a 144A offering, which resulted in AmTrust owning 15.4% of the issued and outstanding shares of NGHC common stock, Michael Karfunkel owning 15.8% of the outstanding shares of NGHC common stock and the Michael Karfunkel 2005 Grantor Retained Annuity Trust (which is controlled by Leah Karfunkel, wife of Michael Karfunkel) owning 41.4% of the outstanding shares of NGHC common stock ("Annuity Trust"). Michael Karfunkel is the chairman and chief executive officer of NGHC, and Barry Zyskind is a director of NGHC.

Conflicts of interest could arise with respect to business opportunities that could be advantageous to NGHC or its subsidiaries, on the one hand, and disadvantageous to us or our subsidiary, on the other hand. In addition, potential conflicts of interest may arise should the interests of Maiden Holdings and NGHC diverge. The Audit Committee of the Company's Board of Directors, which consists entirely of independent directors, reviews and approves all related party transactions, except those related to compensation, which our independent Compensation Committee reviews.

On August 1, 2013, we received notice from NGHC of the termination of the NGHC Quota Share, effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013, until those policies expire.

Table of Contents

Our funds have been loaned to AII to be placed in trusts for the benefit of AmTrust's insurance companies or will be placed in trusts for the benefit of other ceding companies.

Maiden Bermuda has agreed to collateralize its obligations under the Reinsurance Agreement by one or more of the following methods at the election of Maiden Bermuda:

by lending funds (which may include cash or investments) on an unsecured basis to AII pursuant to a loan agreement between Maiden Bermuda and AII with such funds being deposited by AII into the trust accounts established or to be established by AII for the sole benefit of AmTrust's U.S. insurance subsidiaries pursuant to the reinsurance agreements between AII and those AmTrust subsidiaries;

by transferring to AII assets for deposit into those trust accounts;

by delivering letters of credit to the applicable U.S. AmTrust insurance subsidiaries on behalf of AII; or

by requesting that AII cause such AmTrust insurance subsidiary to withhold premiums in lieu of remitting such premiums to AII.

As a result of our use of Regulation 114 trusts accounts or letters of credit and our election to lend funds to AII, a substantial portion of our assets will not be available to us for other uses, which could reduce our financial flexibility.

If collateral is required to be provided to any other AmTrust insurance company subsidiaries under applicable law or regulatory requirements, Maiden Bermuda will provide collateral to the extent required, although Maiden Bermuda does not expect that such collateral will be required unless an AmTrust insurance company subsidiary is domiciled in the U.S. Maiden Bermuda currently is satisfying its collateral requirements under the Master Agreement by lending funds (which may include cash or investments) on an unsecured basis to AII pursuant to a loan agreement. As of December 31, 2013, \$168.0 million was on loan to AII.

Maiden Bermuda is not a party to the reinsurance agreements between AII and AmTrust's U.S. insurance subsidiaries or the related reinsurance trust agreements and has no rights there under. If one or more of these AmTrust subsidiaries withdraws Maiden Bermuda's assets from their trust account, draws down on its letter of credit or misapplies withheld funds that are due to Maiden and that subsidiary is or becomes insolvent, we believe it may be more difficult for Maiden Bermuda to recover any such amounts to which we are entitled than it would be if Maiden Bermuda had entered into reinsurance and trust agreements with these AmTrust subsidiaries directly. AII has agreed to immediately return to Maiden Bermuda any collateral provided by Maiden Bermuda that one of those subsidiaries improperly utilizes or retains, and AmTrust has agreed to guarantee AII's repayment obligation and AII's payment obligations under its loan agreement with Maiden Bermuda. We are subject to the risk that AII and/or AmTrust may be unable or unwilling to discharge these obligations. In addition, if AII experiences a change in control and Maiden Bermuda chooses not to terminate the Reinsurance Agreement, AmTrust's guarantee obligations will terminate immediately and automatically.

We will not be able to control AmTrust's decisions relating to its other reinsurance, and AmTrust may change its reinsurance in ways that could adversely affect us.

The reinsurance ceded by AmTrust is net of any reinsurance that AmTrust obtains from unaffiliated reinsurers. For example, Maiden Bermuda will receive 40% of AmTrust's premiums, net of commissions, in the case of AmTrust's U.K. subsidiary and net of reinsurance with unaffiliated reinsurers, relating to certain lines of business that existed on the effective date and will be liable for 40% of losses and loss adjustment expenses on these certain lines of ceded



business net of any reinsurance recoverable (whether collectible or not) from unaffiliated reinsurers. We are not able to control the types or amounts of reinsurance that AmTrust purchases from unaffiliated reinsurers. If AmTrust chose to purchase additional reinsurance from unaffiliated reinsurers, AmTrust would reduce the premium revenue ceded to us. The purchase of such additional reinsurance would however, in general inure to our benefit.

#### Taxation

We may become subject to taxes in Bermuda after 2035, which may have a material adverse effect on our financial condition and operating results and on an investment in our shares.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966, as amended, of Bermuda, has given each of Maiden Holdings and Maiden Bermuda an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to Maiden Holdings, Maiden Bermuda or any of their respective operations or their respective shares, debentures or other obligations (except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by them in respect of real property or leasehold interests in Bermuda held by them) until March 31, 2035. Given the limited duration of the Minister of Finance's expected assurance, we cannot be certain that we will not be subject to any Bermuda tax after March 31, 2035. Since Maiden Holdings and Maiden Bermuda are incorporated in Bermuda, we will be subject to changes of law or regulation in Bermuda that may have an adverse impact on our operations, including imposition of tax liability.

Table of Contents

The impact of the Organization for Economic Cooperation and Development's directive to eliminate harmful tax practices is uncertain and could adversely affect our tax status in Bermuda.

The Organization for Economic Cooperation and Development (the "OECD") has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. In the OECD's report dated April 18, 2002 and as periodically updated, Bermuda was not listed as an uncooperative tax haven jurisdiction because it had previously committed to eliminate harmful tax practices and to embrace international tax standards for transparency, exchange of information and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activity. We are not able to predict what changes will arise from the commitment or whether such changes will subject us to additional taxes.

The financial results of our operations may be affected by measures taken in response to the OECD BEPS project.

On July 19, 2013, the Organisation for Economic Co-operation and Development published its Action Plan on Base Erosion and Profit Shifting (the "BEPS Action Plan"), in an attempt to coordinate multilateral action on international tax rules. The recommended actions include an examination of the definition of a "permanent establishment" and the rules for attributing profit to a permanent establishment. Other recommended actions relate to the goal of ensuring that transfer pricing outcomes are in line with value creation, noting that the current rules may facilitate the transfer of risks or capital away from countries where the economic activity takes place. Any changes in Australian, German, Russian, Swedish, U.K. or U.S. tax law in response to the BEPS Action Plan could adversely affect the Company's liability to tax.

Our operations may be affected by the introduction of a EU financial transaction tax ("FTT").

On February 14, 2013, the EU Commission published a proposal for a Directive for a common FTT in those EU Member States which choose to participate ("the FTT Zone") and the proposal was included in the Commission's work programme for 2014 published on October 22, 2013.

The proposed FTT has broad scope and would apply to financial transactions where at least one party to the transaction is established in the FTT Zone and either that party or another party is a financial institution established in the FTT Zone. "Financial institution" covers a wide range of entities, including insurance and reinsurance undertakings. "Financial transaction" includes the sale and purchase of a financial instrument, a transfer of risk associated with a financial instrument and the conclusion or modification of a derivative. The proposed minimum rate of tax is 0.1% of the consideration, or 0.01% of the notional amount in relation to a derivative. A financial institution may be deemed to be "established" in the FTT Zone even if it has no business presence there, if the underlying financial instrument is issued in the FTT Zone.

The FTT proposal remains subject to negotiation between the participating EU Member States and is currently the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. The introduction of FTT in this or similar form could have an adverse affect on the Company's economic performance.

We may be subject to U.S. federal income tax, which would have an adverse effect on our financial condition and results of operations and on an investment in our shares.

If either Maiden Holdings or Maiden Bermuda were considered to be engaged in a trade or business in the U.S., it could be subject to U.S. federal income and additional branch profits taxes on the portion of its earnings that are

effectively connected to such U.S. business or in the case of Maiden Bermuda, if it is entitled to benefits under the U.S. income tax treaty with Bermuda and if Maiden Bermuda were considered engaged in a trade or business in the U.S. through a permanent establishment, Maiden Bermuda could be subject to U.S. federal income tax on the portion of its earnings that are attributable to its permanent establishment in the U.S., in which case its results of operations could be materially adversely affected. Maiden Holdings and Maiden Bermuda are Bermuda companies. We intend to manage our business so that each of these companies should operate in such a manner that neither of these companies should be treated as engaged in a U.S. trade or business and, thus, should not be subject to U.S. federal taxation (other than the U.S. federal excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. federal withholding tax on certain U.S. source investment income). However, because (i) there is considerable uncertainty as to activities which constitute being engaged in a trade or business within the U.S.; (ii) a significant portion of Maiden Bermuda's business is reinsurance of AmTrust's insurance subsidiaries and NGHC's insurance subsidiaries; (iii) Maiden Bermuda has entered into a brokerage services agreement with IGI Intermediaries, Inc. ("IGI Inc.") (an AmTrust subsidiary that provides brokerage services in the U.S.); (iv) our non-executive Chairman of the Board is AmTrust's President and Chief Executive Officer, and certain of our executive officers or directors and former executive officers are also either executive officers of AmTrust or related to directors of AmTrust, including (a) our former interim Chief Financial Officer for part of 2007 was at the time and is AmTrust's Chief Financial Officer, (b) our former Chief Executive Officer is currently an executive officer of AmTrust, and (c) one of our directors is related to a significant shareholder of AmTrust; (v) one of our Founding Shareholders, Michael Karfunkel, controls NGHC; (vi) we have an asset management agreement with a subsidiary of AmTrust and may also have additional contractual relationships with AmTrust and its subsidiaries in the future, and (vii) the activities conducted outside the U.S. related to Maiden Bermuda's start-up were limited, we cannot be certain that the IRS will not contend successfully that we are engaged in a trade or business in the U.S.

Table of Contents

Potential Additional Application of the Federal Insurance Excise Tax.

The IRS, in Revenue Ruling 2008-15, has formally announced its position that the U.S. federal insurance excise tax (the “FET”) is applicable (at a 1% rate on premiums) to all reinsurance cessions or retrocessions of risks by non-U.S. insurers or reinsurers to non-U.S. reinsurers where the underlying risks are either (i) risks of a U.S. entity or individual located wholly or partly within the U.S. or (ii) risks of a non-U.S. entity or individual engaged in a trade or business in the U.S. which are located within the U.S. (“U.S. Situs Risks”), even if the FET has been paid on prior cessions of the same risks. The legal and jurisdictional basis for, and the method of enforcement of, the IRS’s position is unclear, and the District Court for the District of Columbia recently held that the FET does not apply to retro-cession contracts. Maiden Bermuda has not determined if the FET should be applicable with respect to risks ceded to it by, or by it to, a non-U.S. insurance company. If the FET is applicable, it should apply at a 1% rate on premium for all U.S. Situs Risks ceded to Maiden Bermuda by a non-U.S. insurance company, or by Maiden Bermuda to a non-U.S. insurance company, even though the FET also applies at a 1% rate on premium ceded to Maiden Bermuda with respect to such risks.

Holders of 10% or more of our shares may be subject to U.S. income taxation under the controlled foreign corporation rules.

If you are a “10% U.S. Shareholder” of a non-U.S. corporation (defined as a U.S. Person who owns (directly, indirectly through non-U.S. entities or constructively (as defined below)) at least 10% of the total combined voting power of all classes of shares entitled to vote) that is a controlled foreign corporation, which we refer to as a CFC, for an uninterrupted period of 30 days or more during a taxable year, and you own shares in the CFC directly or indirectly through non-U.S. entities on the last day of the CFC’s taxable year, you must include in your gross income for U.S. federal income tax purposes your pro rata share of the CFC’s “subpart F income”, even if the subpart F income is not distributed. “Subpart F income” of a non-U.S. insurance corporation typically includes foreign personal holding company income (such as interest, dividends and other types of passive income), as well as insurance and reinsurance income (including underwriting and investment income). A non-U.S. corporation is considered a CFC if 10% U.S. Shareholders own (directly, indirectly through non-U.S. entities or by attribution by application of the constructive ownership rules of section 958(b) of the Code (that is, “constructively”)) more than 50% of the total combined voting power of all classes of voting shares of that non-U.S. corporation or the total value of all stock of that corporation.

For purposes of taking into account insurance income, a CFC also includes a non-U.S. insurance company in which more than 25% of the total combined voting power of all classes of shares (or more than 25% of the total value of the shares) is owned (directly, indirectly through non-U.S. entities or constructively) by 10% U.S. shareholders on any day during the taxable year of such corporation (subject to an exception not applicable here).

For purposes of this discussion, the term “U.S. Person” means: (i) an individual citizen or resident of the U.S., (ii) a partnership or corporation created or organized in or under the laws of the U.S., or under the laws of any State thereof (including the District of Columbia), (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if either (1) a court within the U.S. is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust or (2) the trust has a valid election in effect to be treated as a U.S. Person for U.S. federal income tax purposes or (v) any other person or entity that is treated for U.S. federal income tax purposes as if it were one of the foregoing.

Because our Founding Shareholders owned all of the shares of Maiden Holdings prior to July 3, 2007, Maiden Holdings was a CFC during the period of 2007 prior to July 3, 2007. Following the 2007 private offering, Barry Zyskind may be treated as a 10% U.S. Shareholder of Maiden Holdings and Maiden Bermuda as a result of his seat on

the board of Maiden Holdings, George Karfunkel and/or Michael Karfunkel may be treated as a 10% U.S. Shareholder of Maiden Holdings and Maiden Bermuda as a result of Yehuda Neuberger's seat on the board of Maiden Holdings, because of Mr. Neuberger's significant familial connections to the Karfunkels and, through them, to AmTrust. We believe, subject to the discussion below, that because of provisions in our organizational documents that limit voting power and other factors, no U.S. Person who acquired our shares directly or indirectly through one or more non-U.S. entities should be treated as owning (directly, indirectly through non-U.S. entities or constructively) 10% or more of the total voting power of all classes of Maiden Holdings' or Maiden Bermuda's shares. However, the IRS could challenge the effectiveness of the provisions in our organizational documents and a court could sustain such a challenge. Accordingly, no assurance can be given that a U.S. Person (other than the Founding Shareholders) who owns our shares will not be characterized as a 10% U.S. Shareholder.

U.S. Persons who hold our shares may be subject to U.S. federal income taxation at ordinary income rates on their proportionate share of Maiden Bermuda's related person insurance income.

If U.S. persons are treated as owning 25% or more of Maiden Bermuda's shares (by vote or by value) (as is expected to be the case) and the related person insurance income ("RPII") of Maiden Bermuda (determined on a gross basis) were to equal or exceed 20% of Maiden Bermuda's gross insurance income in any taxable year and direct or indirect insureds (and persons related to those insureds) own directly or indirectly through entities 20% or more of the voting power or value of our shares, then a U.S. Person who owns any shares of Maiden Bermuda (directly or indirectly through non-U.S. entities) on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes such person's pro rata share of Maiden Bermuda's RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. Persons at that date, regardless of whether such income is distributed. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization generally will be treated as unrelated business taxable income. The amount of RPII earned by Maiden Bermuda (generally, premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of shares or any person related to such holder) will depend on a number of factors, including the identity of persons directly or indirectly insured or reinsured by Maiden Bermuda. As of December 31, 2013, we believe that either (i) the direct or

Table of Contents

indirect insureds of Maiden Bermuda (and related persons) should not directly or indirectly own 20% or more of either the voting power or value of our shares or (ii) the RPII (determined on a gross basis) of Maiden Bermuda should not equal or exceed 20% of Maiden Bermuda's gross insurance income for the taxable year ended December 31, 2013 and we do not expect both of these thresholds to be exceeded in the foreseeable future. However, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

U.S. Persons who dispose of our shares may be subject to U.S. federal income taxation at the rates applicable to dividends on a portion of their gains if any.

The RPII rules provide that if a U.S. Person disposes of shares in a non-U.S. insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as a dividend to the extent of the holder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a holder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the holder. These RPII rules should not apply to dispositions of our shares because Maiden Holdings will not be directly engaged in the insurance business. The RPII provisions, however, have never been interpreted by the courts or the U.S. Treasury Department in final regulations, and regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made thereto or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts, or otherwise, might have retroactive effect. The U.S. Treasury Department has authority to impose, among other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and the application thereof to Maiden Holdings and Maiden Bermuda is uncertain.

U.S. Persons who hold our shares will be subject to adverse U.S. federal income tax consequences if Maiden Holdings is considered to be a passive foreign investment company.

If Maiden Holdings is considered a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes, a U.S. Person who owns directly or, in some cases, indirectly (e.g. through a non-U.S. partnership) any of our shares will be subject to adverse U.S. federal income tax consequences, including subjecting the investor to a greater tax liability than might otherwise apply and subjecting the investor to a tax on amounts in advance of when such tax would otherwise be imposed, in which case your investment could be materially adversely affected. In addition, if Maiden Holdings were considered a PFIC, upon the death of any U.S. individual owning our shares, such individual's heirs or estate would not be entitled to a "step-up" in the basis of the shares which might otherwise be available under U.S. federal income tax laws. We believe that we are not, and we currently do not expect to become, a PFIC for U.S. federal income tax purposes; however, there can be no assurance that we will not be deemed a PFIC by the IRS. There are currently no regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on a shareholder that is subject to U.S. federal income taxation.

U.S. tax exempt organizations that own our shares may recognize unrelated business taxable income.

U.S. tax-exempt entities will generally be required to treat certain subpart F insurance income, including RPII, that is includible in income by the tax-exempt entity as unrelated business taxable income. Although we do not believe that any U.S. tax exempt entities should be allocated such insurance income, we cannot be certain that this will be the case because of factual and legal uncertainties. U.S. tax-exempt investors are advised to consult their own tax advisors.

The Quota Share Agreements between Maiden Bermuda and AmTrust and NGHC, respectively, may be subject to recharacterization or other adjustment for U.S. federal income tax purposes, which may have a material adverse effect on our financial condition and operating results.

Under section 845 of the Code, the IRS may allocate income, deductions, assets, reserves, credits and any other items related to a reinsurance agreement among certain related parties to the reinsurance agreement, or in circumstances where one party is an agent of the other, recharacterize such items, or make any other adjustment, in order to reflect the proper source, character or amount of the items for each party. In addition, if a reinsurance contract has a significant tax avoidance effect on any party to the contract, the IRS may make adjustments with respect to such party to eliminate the tax avoidance effect. No regulations have been issued under section 845 of the Code. Accordingly, the application of such provisions is uncertain and we cannot predict what impact, if any, such provisions may have on us.

Changes in U.S. federal income tax law could materially adversely affect an investment in our shares.

In the past, legislation has been introduced in the U.S. Congress (but not enacted) intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the U.S. but have certain U.S. connections. It is possible that legislation could be introduced and enacted by the current Congress or future Congresses that could have an adverse effect on us, or our shareholders. For example, President Obama's budget proposal would reduce or eliminate the tax deduction for reinsurance premiums paid by a U.S. insurer or reinsurer to non-U.S. affiliate and legislative proposals. Another legislative proposal would treat foreign corporations as U.S. corporations for tax purposes if management and control occur primarily in the U.S. Any such change in U.S. tax law could have a material adverse effect on the Company.

Additionally, the U.S. federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the U.S., or is a PFIC or whether U.S. Persons would be required to include in their gross income the "subpart F income"

Table of Contents

or the RPII of a CFC are subject to change, possibly on a retroactive basis. There are currently no regulations regarding the application of the PFIC rules to insurance companies and the regulations regarding RPII are still in proposed form. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when or in what form such regulations or pronouncements may be provided and whether such guidance will have a retroactive effect.

We may be subject to United Kingdom taxes, which would have an adverse effect on our financial condition and results of operations and on an investment in our shares.

A company which is resident in the U.K. for U.K. corporation tax purposes is subject to U.K. corporation tax in respect of its worldwide income and gains. While Maiden Global is a U.K. company, neither Maiden Holdings nor Maiden Bermuda are incorporated in the U.K. Nevertheless, Maiden Holdings or Maiden Bermuda would be treated as being resident in the U.K. for U.K. corporation tax purposes if its central management and control were exercised in the U.K. The concept of central management and control is indicative of the highest level of control of a company's affairs, which is wholly a question of fact. The directors and officers of both Maiden Holdings and Maiden Bermuda intend to manage their affairs so that both companies are resident in Bermuda, and not resident in the U.K., for U.K. tax purposes. However, HM Revenue & Customs could challenge our tax residence status.

A company which is not resident in the U.K. for U.K. corporation tax purposes can nevertheless be subject to U.K. corporation tax at the rate of 23%, falling to 21% from April 1, 2014 if it carries on a trade in the U.K. through a permanent establishment in the U.K., but the charge to U.K. corporation tax is limited to profits (both income profits and chargeable gains) attributable directly or indirectly to such permanent establishment.

The directors and officers of Maiden Bermuda intend to operate the business of Maiden Bermuda in such a manner that it does not carry on a trade in the U.K. through a permanent establishment in the U.K. Nevertheless, HM Revenue & Customs might contend successfully that Maiden Bermuda is trading in the U.K. through a permanent establishment in the U.K. because there is considerable uncertainty as to the activities which constitute carrying on a trade in the U.K. through a permanent establishment in the U.K.

The U.K. has no income tax treaty with Bermuda. Companies that are neither resident in the U.K. nor entitled to the protection afforded by a double tax treaty between the U.K. and the jurisdiction in which they are resident are liable to income tax in the U.K., at the basic rate of 20%, on the profits of a trade carried on in the U.K., where that trade is not carried on through a permanent establishment in the U.K. The directors and officers of Maiden Bermuda intend to operate the business in such a manner that Maiden Bermuda will not fall within the charge to income tax in the U.K. (other than by way of deduction or withholding) in this respect.

If either Maiden Holdings or Maiden Bermuda were treated as being resident in the U.K. for U.K. corporation tax purposes, or if Maiden Bermuda were treated as carrying on a trade in the U.K., whether through a permanent establishment or otherwise, the results of our operations would be materially adversely affected.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We currently lease office space in Bermuda (our corporate headquarters), the U.S., the U.K., Germany, Austria and Russia for the operation of our business. We also lease a property for employee use in Bermuda. Our office leases have remaining terms ranging approximately from 1 month to 4 years in length. We renew and enter into new leases



in the ordinary course of business as needed. While we believe that the office space from these leased properties is sufficient for us to conduct our operations for the foreseeable future, we may need to expand into additional facilities to accommodate future growth. For more information on our leasing arrangements, please see Note 11. Commitments and Contingencies of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Our office space lease in Hamilton, Bermuda for Maiden Holdings and Maiden Bermuda expires on November 30, 2017 with an option to renew for another five years. We have an office space lease in Mount Laurel, New Jersey expiring on April 30, 2015, for use by Maiden Re and Maiden US. We have also executed a lease in Beaconsfield, Buckinghamshire, U.K. commencing on September 30, 2010, for Maiden Global; the initial term of this agreement expires on September 30, 2020, with an option to cancel after five years. We also have one office space lease in each of Germany, Austria and Russia, respectively, with various expiry dates.

### Item 3. Legal Proceedings.

We may become involved in various claims and legal proceedings that arise in the normal course of our business, which are not likely to have a material adverse effect on our financial position, results of operations or liquidity.

In April 2009, the Company learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Bermuda, sent a letter to the U.S. Department of Labor claiming that his employment with the Company was terminated in retaliation for corporate whistle blowing in violation of the whistle blower protection provisions of the Sarbanes-Oxley Act of 2002. Mr. Turin alleged concerns regarding corporate governance with respect to negotiation of the terms of the TRUPS Offering and seeks reinstatement as Chief Operating Officer, General Counsel and Secretary of Maiden

Table of Contents

Holdings and Maiden Bermuda, 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. The Company filed its brief in opposition to the petition for review on October 19, 2011. 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. A hearing is presently scheduled to begin in May 2014. The Company believes that it had ample reason for terminating such employment for good and sufficient legal cause, and the Company believes that the claim is without merit and is vigorously defending this claim.

## Item 4. Mine Safety Disclosures.

Not applicable.

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common shares began publicly trading on the NASDAQ Global Select Market under the symbol "MHLD" on May 6, 2008. The following table sets out the high and low prices for our common shares for the periods indicated as reported by the NASDAQ Global Select Market. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and do not necessarily represent actual transactions.

	High	Low
2012		
First quarter	\$9.73	\$8.25
Second quarter	\$8.79	\$7.84
Third quarter	\$9.52	\$8.16
Fourth quarter	\$9.21	\$8.10
2013		
First quarter	\$10.80	\$9.33
Second quarter	\$11.31	\$9.90
Third quarter	\$13.46	\$11.22
Fourth quarter	\$12.90	\$10.36

At February 21, 2014, the last reported sale price of our common share was \$11.10 per share and there were 32 holders of record of our common shares. This figure does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by securities dealers and others for the benefit of beneficial owners who may vote the shares.

During the years ended December 31, 2013 and 2012, we declared regular quarterly dividends totaling \$0.38 and \$0.33 per common share, respectively. The continued declaration and payment of dividends to holders of common shares is expected but will be at the discretion of our board of directors and subject to specified legal, regulatory, financial and other restrictions.

On December 24, 2012, the Company adopted a written trading plan to facilitate the repurchase of its common shares in accordance with the Company's existing share purchase reauthorization whereby in August 2012, the Board of Directors approved the repurchase of up to \$75 million common shares. During the years ended December 31, 2013

and 2012, there were no common shares repurchased by the Company.

As a holding company, our principal source of income is dividends or other statutorily permissible payments from our subsidiaries. The ability of our subsidiaries to pay dividends is limited by the applicable laws and regulations of the various countries in which we operate, including Bermuda and the U.S. See Item 1 "Business — Regulatory Matters", Item 7 "Management's Discussion and Analysis of Financial Condition", and "Results of Operations, Liquidity and Capital Resources — Restrictions, Collateral and Specific Requirements", and Note 17. Subsequent Events of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

#### Performance Graph

The following information is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act or the Exchange Act.

The following graph shows the cumulative total return, including reinvestment of dividends, on the common shares compared to such return for S&P 500 Composite Stock Price Index ("S&P 500"), and NASDAQ Insurance Index for the five year period beginning December 31, 2008 and ending on December 31, 2013, assuming \$100 was invested on December 31, 2008.

Table of Contents

The measurement point on the graph represents the cumulative shareholder return as measured by the last reported sale price on such date during the relevant period.

Total Return To Shareholders  
(Includes Reinvestment of Dividends)  
Comparison of Cumulative Total Return

Table of Contents

## Item 6. Selected Financial Data.

The following tables set forth our summary historical statement of income data and summary balance sheet data as of and for the years ended December 31, 2013, 2012 and 2011. Statement of income data and balance sheet data are derived from our audited Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. These historical results are not necessarily indicative of results to be expected from any future period. For further discussion of this risk see Item 1A. "Risk Factors" in this Annual Report on Form 10-K. You should read the following selected financial data in conjunction with the other information contained in this Annual Report on Form 10-K, including Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 "Financial Statements and Supplementary Data".

For the Year Ended December 31,	2013	2012	2011	
	(\$ in Millions, Except per Share Amounts and Ratios)			
Summary Consolidated Statement of Income Data:				
Gross premiums written	\$2,204.2	\$2,001.0	\$1,812.6	
Net premiums written	\$2,096.3	\$1,901.3	\$1,723.5	
Net premiums earned	\$2,000.9	\$1,803.8	\$1,552.4	
Other insurance revenue	14.2	12.9	12.6	
Net investment income	91.4	81.2	74.9	
Net realized and unrealized gains on investments	3.6	1.9	0.5	
Total revenues	2,110.1	1,899.8	1,640.4	
Net loss and loss adjustment expenses	1,349.6	1,262.3	1,043.1	
Commissions and other acquisition expenses	556.6	492.1	438.8	
General and administrative expenses	58.7	53.8	53.9	
Interest and amortization expenses	39.5	36.4	34.1	
Accelerated amortization of junior subordinated debt discount and issuance cost	—	—	20.3	
Junior subordinated debt repurchase expense	—	—	15.1	
Amortization of intangible assets	3.8	4.4	5.0	
Foreign exchange and other gains	(2.8	) (1.6	) (0.3	)
Income tax expense	1.9	2.2	1.9	
Income attributable to noncontrolling interests	0.1	0.1	—	
Total expenses	2,007.4	1,849.7	1,611.9	
Dividends on preference shares	(14.8	) (3.6	) —	)
Net income attributable to Maiden common shareholders	\$87.9	\$46.5	\$28.5	
Per Common Share Data:				
Earnings per common share <sup>(1)</sup> :				
Basic	\$1.21	\$0.64	\$0.40	
Diluted	\$1.18	\$0.64	\$0.39	
Weighted average number of common shares outstanding:				
Basic	72,510,361	72,263,022	72,155,503	
Diluted	76,417,839	73,105,531	72,903,688	
Dividends declared per common share	\$0.38	\$0.33	\$0.30	

Table of Contents

For the Year Ended December 31,	2013	2012	2011	
Selected Consolidated Ratios:				
Loss and loss adjustment expense ratio <sup>(2)</sup>	67.0	% 69.5	% 66.6	%
Commission and other acquisition expense ratio <sup>(3)</sup>	27.6	% 27.1	% 28.0	%
General and administrative expense ratio <sup>(4)</sup>	2.9	% 2.9	% 3.5	%
Expense ratio <sup>(5)</sup>	30.5	% 30.0	% 31.5	%
Combined ratio <sup>(6)</sup>	97.5	% 99.5	% 98.1	%
December 31,	2013	2012	2011	
(\$ in Millions, Except per Share Amounts)				
Summary Consolidated Balance Sheet Data:				
Cash and cash equivalents	\$139.8	\$81.5	\$188.1	
Restricted cash and cash equivalents	77.4	132.3	114.9	
Investments at fair market value	3,167.2	2,621.6	2,022.9	
Reinsurance balances receivable, net	560.1	522.6	423.4	
Loan to related party	168.0	168.0	168.0	
Deferred commission and other acquisition expenses	304.9	270.7	248.4	
Total assets	4,713.4	4,138.2	3,395.1	
Reserve for loss and loss adjustment expenses	1,957.8	1,740.3	1,398.4	
Unearned premiums	1,034.8	936.5	832.0	
Senior notes	360.0	207.5	107.5	
Junior subordinated debt <sup>(7)</sup>	126.4	126.3	126.3	
Total Maiden shareholders' equity	1,123.8	1,015.2	768.6	
Book Value:				
Book value per common share <sup>(8)</sup>	\$11.14	\$11.96	\$10.64	
Accumulated dividends per common share	1.76	1.38	1.05	
Book value per common share plus accumulated dividends	\$12.90	\$13.34	\$11.69	
Change in book value per common share plus accumulated dividends	(3.3	)% 14.1	% 4.8	%
Diluted book value per common share <sup>(9)</sup>	\$10.92	\$11.95	\$10.48	

(1) Please refer to Note 12. Earnings per Common Share of the Notes to Consolidated Financial Statements for the calculation of basic and diluted earnings per common share.

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

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

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

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

(6) Calculated by adding together the net loss and loss adjustment expense ratio, commission and other acquisition expense ratio and general and administrative expense ratio.

(7) On January 15, 2014, we redeemed all of the outstanding 14% Junior Subordinated Debt with a face value of \$152.5 million using the net proceeds from the issuance of the 2013 Senior Notes and available cash on hand.

(8) Book value per common share is defined as total shareholders' equity available to common shareholders divided by the number of common shares issued and outstanding as of the end of the period, giving no effect to dilutive securities.

(9) 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 share units (assuming exercise of all dilutive stock based awards). The Mandatory Convertible Preference Shares - Series B are excluded as they are anti-dilutive as of December 31, 2013.

Table of Contents

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K. Amounts in tables may not reconcile due to rounding differences. Some of the information contained in this discussion and analysis or set forth elsewhere in this Report, including information with respect to the Company's plans and strategy for its business, includes forward-looking statements that involve risk and uncertainties. Please see the "Special Note About Forward-Looking Statements" in this Annual Report on Form 10-K for more information on factors that could cause actual results to differ materially from the results described in or implied by any forward-looking statements contained in this discussion and analysis. You should review the "Risk Factors" set forth in this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained herein.

Since our founding in 2007, we have entered into a series of significant strategic and capital transactions that have transformed the scope and scale of our business while keeping our low volatility, non-catastrophe risk profile intact. These transactions have increased our gross premiums written to in excess of \$2.2 billion in 2013 while significantly enhancing our capital position to approximately \$1.6 billion as of December 31, 2013, in each case, strongly positioning our capital to extend our business platform both in the U.S. and internationally.

The following are the significant strategic transactions that have increased our gross premiums written:

Entering into the AmTrust Quota Share in 2007 and the European Hospital Liability Quota Share with AmTrust Europe Limited and AmTrust International Underwriters Limited in 2011, respectively;

Completion of the GMAC Acquisition in 2008;

Entering into the NGHC Quota Share in 2010. Effective August 1, 2013, however, this agreement was mutually terminated and is presently in run-off basis;

Completion of the IIS Acquisition in November 2010;

Reducing our net exposure to natural hazard events by selling the primary insurance business written on a surplus lines basis by Maiden Specialty, a wholly owned subsidiary of Maiden US, to Brit Insurance in May 2013. Maiden Specialty provided non-catastrophe inland marine and property coverages. As of December 31, 2013, a limited number of policies in-force as of April 30, 2013 remain in run-off;

The following are the transactions that have strengthened our capital position:

Completing the TRUPS Offering in January 2009. The net proceeds of this transaction were used as working capital for Maiden US and Maiden Specialty following acquisition in 2008;

Completing a public offering of the 2011 Senior Notes and repurchasing a like amount of our outstanding Junior Subordinated Debt in July 2011;

Completing a public offering of the 2012 Senior Notes in March 2012. The net proceeds were used for working capital and general corporate purposes;

Completing a public offering of the Preference Shares - Series A in August 2012. The Company received net proceeds of \$145.0 million from the offering. The net proceeds from the offering were used for continued support and development of our reinsurance business and for other general corporate purposes;

Completing a public offering of the Preference Shares - Series B in October 2013. We received net proceeds of \$159.7 million from the offering, after deducting issuance costs. The net proceeds from the offering were used for



general corporate purposes, primarily to support the continuing growth of our reinsurance operations; and

Completing a public debt offering of the 2013 Senior Notes in November 2013. The net proceeds of \$147.4 million and existing cash were used to repurchase all of the remaining portion of the Company's outstanding Junior Subordinated Debt on January 15, 2014.

These significant transactions along with other unusual or non-recurring events should be considered when evaluating year-to-year comparability or when comparing our performance with other companies considered our peers and with whom we compete on a regular basis.

## Table of Contents

### Overview

We are a Bermuda-based holding company formed in June 2007 primarily focused on serving the needs of regional and specialty insurers in the U.S. and Europe by providing innovative reinsurance solutions designed to support their capital needs. We specialize in reinsurance solutions that optimize financing by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper.

We provide reinsurance through our wholly owned subsidiaries, Maiden US and Maiden Bermuda and have operations in the U.S. and Bermuda. Maiden Specialty, a wholly owned subsidiary of Maiden US, previously provided primary insurance on a surplus lines basis focusing on non-catastrophe inland marine and property coverages. On April 22, 2013, we entered into a transaction which began divesting us of this business commencing on May 1, 2013. Please see "Recent Developments - Divestiture of Maiden's E&S Property Business" on page 59. Maiden Bermuda does not underwrite any direct insurance business. Maiden LF is a life insurer organized in Sweden and writes credit life insurance on a primary basis in support of Maiden Global business development efforts.

We currently operate our business through three segments: Diversified Reinsurance, AmTrust Quota Share Reinsurance and NGHC Quota Share, which is in run-off (please see "Recent Developments - NGHC Quota Share" for additional information on this segment).

The market conditions in which we operate have historically been cyclical, experiencing periods of price erosion followed by rate strengthening as a result of catastrophes or other significant losses that affect the overall capacity of the industry to provide coverage. During the year ended December 31, 2013, the reinsurance market has been characterized by significant competition in most lines of business. There continues to be an influx of new capital from sources not considered traditional investors in the reinsurance industry, primarily in the property catastrophe segment of the reinsurance market, which is further enhancing overall industry competitive conditions.

Natural and man-made catastrophes occur each year that affect reinsurance industry results. In recent years the insurance and reinsurance industry has experienced an extensive series of significant natural and man-made catastrophes, both globally and in the U.S., that negatively impacted overall industry performance. During 2013, industry experience from catastrophe losses was generally improved from levels in prior years, resulting in strongly positive industry financial results.

Despite the elevated levels of global and U.S. catastrophe losses affecting the industry during the last several years, industry financial conditions, taken as a whole, have continued to improve through a combination of positive non-catastrophe underwriting results, enhanced balance sheets resulting from positive fixed income market performance which have resulted in meaningful unrealized gains in those underlying assets and readily available capital sources for industry participants, including the aforementioned inflow of capital from non-traditional market participants. As a result, capital positions across the insurance and reinsurance industry appear to remain strong through December 31, 2013.

However, the property and casualty industry invests significant portions of its premiums and retained underwriting profits in fixed income maturities and relies significantly on investment income to generate acceptable levels of net income. In recent years, yields on these securities have declined sharply and have been at historically low levels as U.S. and global policy makers have provided record levels of liquidity to their respective economies. As 2013 ended, the U.S. Federal Reserve indicated that it had begun to reduce its liquidity measures, and would monitor the pace of those reductions depending on economic conditions and other key indicators. While the likely continued existence of

these investment conditions, particularly on shorter duration assets, should continue to impact the results of the property and casualty industry generally, investment income may begin to respond to these changing circumstances if longer-term rates begin to rise, possibly reducing the pressure on insurance and reinsurance companies' underwriting results.

Although broad industry conditions brought about by these events remain supportive of improved pricing in primary insurance markets in the near term and numerous primary insurance market participants have reported a favorable pricing environment, recent indications suggest those conditions may be abating. Moreover, reinsurance industry financial conditions and the continuing influx of new capital have limited the amount of enhanced pricing the industry would normally experience during periods of increased catastrophe losses. More recently, January 1, 2014 reinsurance renewals for the industry appeared to show competitive pricing conditions, particularly in property catastrophe contracts which are more acutely feeling the impact of capital inflows and product innovations.

While the business we write as part of our business model is somewhat more insulated from these competitive conditions, we are experiencing some residual pricing pressures as a result of broader industry conditions. As market conditions continue to develop, we continue to maintain our adherence to disciplined underwriting by declining business when pricing, terms and conditions do not meet our underwriting standards. We believe that we are well positioned to take advantage of market conditions should the pricing environment become more favorable.

## Table of Contents

### Recent Developments

#### Redemption of Junior Subordinated Debt

On January 15, 2014, the Company's wholly owned U.S. holding company, Maiden NA, repurchased all of the outstanding \$152.5 million 14% Junior Subordinated Debt, which has substantially lowered our cost of capital. The Company primarily utilized the proceeds of the issuance of the 2013 Senior Notes, as well as cash on hand, to redeem the Junior Subordinated Debt. As a result of the redemption, in the first quarter of 2014, the Company will incur an additional non-recurring non-cash charge of \$26.1 million, which represents the accelerated amortization of original issue discount associated with the Junior Subordinated Debt.

#### Issuance of 2013 Senior Notes

On November 25, 2013, the Company, through Maiden NA, issued \$152.5 million principal amount of 7.75% 2013 Senior Notes due on December 1, 2043, which are fully and unconditionally guaranteed by the Company. The 2013 Senior Notes are redeemable for cash, in whole or in part, on or after December 1, 2018 at 100% of the principal amount to be redeemed plus accrued and unpaid interest up to but excluding the redemption date. The 2013 Senior Notes are an unsecured and unsubordinated obligation of the Company and rank ahead of the Junior Subordinated Debt. The effective interest rate of the 2013 Senior Notes, based on the net proceeds received, was 8.02%. The net proceeds from the sale of the 2013 Senior Notes were \$147.4 million after deducting issuance costs of \$5.1 million.

Maiden NA has listed the 2013 Senior Notes on the New York Stock Exchange and trading commenced on November 27, 2013 under the symbol "MHNC".

#### Issuance of Preference Shares - Series B

In October 2013, we issued three million three hundred thousand shares of 7.25% Preference Shares - Series B, par value \$0.01, at a price of \$50 per preference share. The Company received net proceeds of \$159.7 million from the offering after deducting issuance costs of \$5.3 million. Each share, which is not redeemable, will be paid cumulative dividends at a rate of 7.25% per annum on the initial liquidation preference of \$50 per share.

The Preference Shares - Series B have no voting rights other than to elect two additional members of the board of directors if dividends on the Preference Shares - Series B have not been declared and paid for the equivalent of six or more dividend periods. The Preference Shares - Series B have been listed on the NASDAQ and trading commenced on October 1, 2013 under the symbol "MHLDO".

#### NGHC Quota Share

On August 1, 2013, we received notice from NGHC of the termination of the NGHC Quota Share, effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013, until those policies expire.

#### Divestiture of Maiden's E&S Property Business

On April 22, 2013, we entered into a transaction with Brit whereby effective May 1, 2013, the Company and Brit's subsidiary, Brit Global Specialty, entered into a temporary 100% quota share reinsurance of E&S business written by Maiden. Brit subsequently assumed the renewal rights of our E&S business through BGSU, who is now writing the renewals of the assumed business into Brit Syndicates 2987. Employees of Maiden Specialty were transitioned to BGSU effective May 1, 2013. We also entered into supporting transition services and agency agreements with BGSU as part of this transaction. The existing in force E&S business written by the Company as of April 30, 2013 is

presently being run-off. For the years ended December 31, 2013, 2012 and 2011, the E&S net premiums written by the Company totaled \$(1.6) million, \$19.6 million and \$21.5 million, respectively, which represented 0.1%, 1.0% and 1.2% of our consolidated net premiums written for each respective year.

#### Losses Incurred from Catastrophic Events

As we have described, our business model is designed to minimize our exposure to catastrophic property losses. Despite this approach, we periodically do incur losses from such events which exceed our provisions for normalized catastrophe activity.

In 2011, the unusually high frequency of loss activity from U.S. thunderstorm and tornado impacted our U.S. clients in the second quarter of 2011, adversely affecting the Company's results. The 2011 results include \$9.5 million in losses incurred by Maiden US related to thunderstorm and tornado activity across the U.S. in the second quarter, net of the Company's quarterly provisions for normalized catastrophe activity. These losses increased our loss ratio and combined ratio for that period by 0.6% on a consolidated basis.

Table of Contents

In 2012, we incurred significant losses as a result of Superstorm Sandy which struck the Northeast U.S. on October 29, 2012. Maiden's exposure to this event emanated predominantly from the Company's excess property insurance business written by Maiden Specialty (we have now entered into a transaction to divest the Company of this business, as discussed above), and to a lesser extent from the U.S. assumed treaty reinsurance business written by Maiden US and the NGHC Quota Share. As of December 31, 2013, our current estimate of ultimate losses for Superstorm Sandy remains at \$31.1 million and is unchanged from December 31, 2012.

There have been no other significant catastrophe losses in 2011, 2012 and 2013 above the Company's expected parameters which are incorporated into the pricing of our Maiden US accounts.

## Issuance of Preference Shares - Series A

On August 22, 2012, we issued six million shares of 8.25% Preference Shares - Series A, par value \$0.01 per share, at \$25 per share. The Company received net proceeds of \$145.0 million from the offering, after deducting expenses and underwriting discounts of \$5.0 million. The Preference Shares - Series A have no stated maturity date and are redeemable in whole or in part at the option of the Company any time on or after August 29, 2017 at a redemption price of \$25 per share plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The holders of the Preference Shares - Series A have no voting rights other than the right to elect up to two directors if preference share dividends are not declared and paid for six or more dividend periods. The Preference Shares - Series A have been listed on the New York Stock Exchange and trading commenced on August 31, 2012 under the symbol "MHPRA".

## Issuance of 2012 Senior Notes

On March 27, 2012, the Company, through Maiden NA, issued \$100.0 million principal amount of 8.00% 2012 Senior Notes due on March 27, 2042, which are fully and unconditionally guaranteed by the Company. The 2012 Senior Notes are redeemable for cash, in whole or in part, on or after March 27, 2017, at 100% of the principal amount to be redeemed plus accrued and unpaid interest to but excluding the redemption date. Maiden NA has listed the 2012 Senior Notes on the New York Stock Exchange and trading commenced on March 29, 2012 under the symbol "MHNB". The net proceeds from the 2012 Senior Notes of \$96.6 million have been used for working capital and general corporate purposes.

## 2013 Financial Highlights

For the Year Ended December 31,	2013	2012	% Change	
Consolidated Results of Operations	(\$ in Millions except per share data)			
Net income attributable to Maiden common shareholders	\$87.9	\$46.5	89.0	%
Operating earnings <sup>(1)</sup>	87.5	48.5	80.3	%
Basic earnings per common share:				
Net income	\$1.21	\$0.64	89.1	%
Operating earnings <sup>(1)</sup>	\$1.21	\$0.67	80.6	%
Diluted earnings per common share:				
Net income	\$1.18	\$0.64	84.4	%
Operating earnings <sup>(1)</sup>	\$1.18	\$0.66	78.8	%
Dividends per common share	\$0.38	\$0.33	15.2	%
Dividends per preference shares - Series A	\$2.06	\$0.61	237.7	%
Dividends per preference shares - Series B	\$0.75	\$—	NM	

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Annualized operating return on average common shareholders' equity <sup>(1)</sup>	10.5	% 5.9	% 78.0	%
Gross premiums written	\$2,204.2	\$2,001.0	10.2	%
Net premiums earned	2,000.9	1,803.8	10.9	%
Underwriting income	63.9	18.7	242.5	%
Net investment income	91.4	81.2	12.5	%

60

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Table of Contents

At December 31,	2013	2012	% Change	
Consolidated Financial Condition	(\$ in Millions except per share data)			
Total investments	\$3,167.2	\$2,621.6	20.8	%
Total assets	4,713.4	4,138.2	13.9	%
Reserve for loss and loss adjustment expenses	1,957.8	1,740.3	12.5	%
Total debt	486.4	333.8	45.7	%
Total Maiden common shareholders' equity	808.8	865.2	(6.5)	)%
Total Maiden shareholders' equity	1,123.8	1,015.2	10.7	%
Total capital resources <sup>(2)</sup>	1,610.2	1,349.1	19.4	%
Book value per common share <sup>(3)</sup>	\$11.14	\$11.96	(6.9)	)%
Diluted book value per common share <sup>(4)</sup>	\$10.92	\$11.95	(8.6)	)%
Ratio of debt to total capital resources <sup>(5)</sup>	30.2	% 24.7	% 22.3	%

Operating earnings, operating earnings per common share and operating return on average common equity are (1) non-generally accepted accounting principles (GAAP) financial measures. See “Non-GAAP Financial Measures” for additional information and a reconciliation to the nearest U.S. GAAP financial measure (net income).

(2) Total capital resources is the sum of the Company's senior notes, junior subordinated debt and Maiden shareholders' equity. See “Non-GAAP Financial Measures” for additional information.

(3) Book value per common share is an operating metric. See “Non-GAAP Financial Measures” for additional information.

(4) 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 share units (assuming exercise of all dilutive stock based awards). The Mandatory Convertible Preference Shares - Series B are excluded as they are anti-dilutive as of December 31, 2013.

(5) Ratio of debt to total capital resources is a non-GAAP financial measures. Adjusting for the January 15, 2014 repurchase of the Junior Subordinated debt, which had a carrying value of \$126.4 million as of December 31, 2013 (and a face value of \$152.5 million), on a pro-forma basis, the Company's ratio of debt to capital resources would have been 24.7% as of December 31, 2013, assuming the repurchase could have occurred during the year ended December 31, 2013 without incurring the redemption penalty. See “Non-GAAP Financial Measures” for additional information.

### Non-GAAP Financial Measures

In presenting the Company's results, management has included and discussed certain non-GAAP financial measures. Management believes that these non-GAAP measures, which may be defined differently by other companies, better explain the Company's results in a manner that allows for a more complete understanding of the underlying trends in the Company's business. However these measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP. These non-GAAP measures are:

**Operating Earnings and Operating Earnings per Common Share:** In addition to presenting net income determined in accordance with U.S. GAAP, we believe that showing operating earnings enables investors, analysts, rating agencies and other users of our financial information to more easily analyze our results in a manner similar to how management analyzes our underlying business performance. Operating earnings should not be viewed as a substitute for U.S. GAAP net income. Operating earnings are an internal performance measure used in the management of our operations



and represents operating results excluding, as applicable on a recurring basis, the following:

- ✦ Net realized and unrealized gains or losses on investment;
- ✦ Foreign exchange and other gains or losses;
- ✦ Amortization of intangible assets; and
- ✦ Non-cash deferred tax expenses;

We exclude net realized and unrealized gains or losses on investment and foreign exchange and other gains or losses as we believe that both are heavily influenced in part by market opportunities and other factors. We do not believe amortization of intangible assets are representative of our ongoing business. We believe all of these amounts are largely independent of our business and underwriting process and including them distorts the analysis of trends in our operations.

We also exclude certain non-recurring expenditures that are material to understanding our results of operations. For the year ended December 31, 2013, we exclude the interest incurred on the 2013 Senior Notes given the one time nature of the additional funding cost. For the year ended December 31, 2012, there are no such non-recurring items.

Table of Contents

For the year ended December 31, 2011, we exclude the Junior Subordinated Debt repurchase expense and the accelerated amortization of Junior Subordinated Debt discount and issuance costs.

The following is a reconciliation of operating earnings to its most closely related GAAP measure, net income:

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions except per share data)		
Net income attributable to Maiden common shareholders	\$87.9	\$46.5	\$28.5
Add (subtract):			
Net realized and unrealized gains on investment	(3.6	) (1.9	) (0.5
Foreign exchange and other gains	(2.8	) (1.6	) (0.3
Amortization of intangible assets	3.8	4.4	5.0
Interest expense incurred related to 7.75% senior notes prior to actual redemption of the junior subordinated debt	1.2	—	—
Junior subordinated debt repurchase expense	—	—	15.1
Accelerated amortization of junior subordinated debt discount and issuance cost	—	—	20.3
Non-recurring general and administrative expenses relating to IIS Acquisition	—	—	0.2
Non-cash deferred tax expense	1.0	1.1	1.3
Operating earnings attributable to Maiden common shareholders	\$87.5	\$48.5	\$69.6
Operating earnings per common share:			
Basic operating earnings per common share	\$1.21	\$0.67	\$0.97
Diluted operating earnings per common share	\$1.18	\$0.66	\$0.96

Operating Return on Average Common Equity ("Operating ROACE"): Management uses operating return on average common shareholders' equity as a measure of profitability that focuses on the return to common shareholders. It is calculated using operating earnings available to common shareholders (as defined above) divided by average common shareholders' equity. Management has set, as a target, a long-term average of 15% Operating ROACE, which management believes provides an attractive return to shareholders for the risk assumed from our business. Operating ROACE for the years ended December 31, 2013, 2012 and 2011 is computed as follows:

As of and For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
Operating earnings available to common shareholders	\$87.5	\$48.5	\$69.6
Opening common shareholders' equity	\$865.2	\$768.6	\$750.2
Ending common shareholders' equity	\$808.8	\$865.2	\$768.6
Average common shareholders' equity	\$837.0	\$816.9	\$759.4
Operating return on common equity	10.5	% 5.9	% 9.2

Operating earnings in 2012 were reduced by \$31.1 million due to losses incurred from Superstorm Sandy, net of applicable reinsurance and the Company's provision for normalized catastrophe activity. Excluding the effects of Superstorm Sandy, operating earnings attributable to common shareholders increased \$7.9 million, or 9.9%, to \$87.5 million for the year ended December 31, 2013, respectively, compared to 2012, mainly due to improved underwriting and investment income, partially offset by increases in interest expense, along with the payment of dividends on the Preference Shares.

Book Value per Common Share: Management uses growth in book value per common share as a prime measure of the value the Company is generating for its common shareholders, as management believes that growth in the Company's

book value per common share ultimately results in growth in the Company's common share price. 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. Book value per common share is impacted by the Company's net income and external factors such as interest rates, which can drive changes in unrealized gains or losses on its investment portfolio. The 6.9% decrease in book value per common share for the year ended December 31, 2013 was principally the result of a decline of

Table of Contents

\$108.9 million in accumulated other comprehensive income. The decline resulted primarily from a decrease in the fair value of fixed income securities accounted for on an available-for-sale ("AFS") basis, the result of rising interest rates during 2013 (see "Liquidity and Capital Resources - Investments" on page 94 for further information).

**Diluted Book Value per Common Share:** 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 share units (assuming exercise of all dilutive stock based awards). The Mandatory Convertible Preference Shares - Series B are excluded as they are anti-dilutive as of December 31, 2013.

Book value and diluted book value per common share as of December 31, 2013, 2012 and 2011 is computed as follows:

December 31,	2013	2012	2011
	(\$ in Millions except share and per share data)		
Ending common shareholders' equity	\$808.8	\$865.2	\$768.6
Proceeds from assumed conversion of dilutive options	19.1	14.9	14.7
Numerator for diluted book value per common share calculation	\$827.9	\$880.1	\$783.3
Common shares outstanding	72,633,561	72,343,947	72,221,428
Shares issued from assumed conversion of dilutive options and restricted share units	3,176,433	1,324,202	2,543,376
Denominator for diluted book value per common share calculation	75,809,994	73,668,149	74,764,804
Book value per common share	\$11.14	\$11.96	\$10.64
Diluted book value per common share	\$10.92	\$11.95	\$10.48

**Ratio of Debt to Total Capital Resources:** Management uses the Ratio of Debt to Total Capital Resources to monitor the financial leverage of the Company. This measure is calculated using total debt divided by the the sum of total Maiden shareholders' equity and total debt. Ratio of Debt to Total Capital Resources as of December 31, 2013 and December 31, 2012 is computed as follows:

December 31,	2013	2012	
	(\$ in Millions)		
Senior notes	\$360.0	\$207.5	
Junior subordinated debt	126.4	126.3	
Maiden shareholders' equity	1,123.8	1,015.2	
Total capital resources	\$1,610.2	\$1,349.0	
Ratio of debt to total capital resources	30.2	% 24.7	%

The ratio of debt to total capital resources is a non-GAAP financial measure. Adjusting for the January 15, 2014 repurchase of the Junior Subordinated debt, which had a carrying value of \$126.4 million as of December 31, 2013 (and a face value of \$152.5 million), on a pro-forma basis, the Company's ratio of debt to capital resources would have been 24.7% as of December 31, 2013, assuming the repurchase could have occurred during the year ended December 31, 2013 without incurring the redemption penalty.

**Certain Operating Measures**

**Underwriting Income and Combined Ratio:** The combined ratio is used in the insurance and reinsurance industry 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 loss expense 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 loss adjustment expenses, commission and other acquisition expenses and general and administrative expenses are less than the net premiums earned and other insurance revenue on that business. We have generated underwriting income in each year since our inception. Underwriting income is calculated by subtracting net loss and loss adjustment expenses, commissions and other acquisition expenses and applicable general and administrative expenses from the net premiums earned and other insurance revenue and is the monetized counterpart of the combined ratio.

For purposes of these operating measures, the fee-generating business which is included in the Diversified Reinsurance segment, is considered part of the underwriting operations of the Company. Certain portions of the fee business are directly associated with

## Table of Contents

the underlying reinsurance contracts recorded in the Diversified Reinsurance segment. To the extent that the fees are generated on underlying insurance contracts sold to third parties that are then ceded under quota share reinsurance contracts to Maiden Bermuda, a proportionate share of the fee is offset against the related acquisition expense. To the extent that fee business is not directly associated with premium revenue generated under the applicable reinsurance contracts, that fee revenue is separately reported on the line captioned "Other insurance revenue" in the Company's Consolidated Statements of Income.

While an important metric of success, underwriting income 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 individual reportable segments. Certain general and administrative expenses are allocated to segments based on various factors, including staff count and each segment's proportional share of gross premiums written.

The "net loss and loss adjustment expense ratio" is derived by dividing net loss and loss adjustment expenses 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.

## Relevant Factors

### Revenues

We derive our revenues primarily from premiums on our insurance policies and reinsurance contracts, net of any reinsurance or retrocessional coverage purchased. Insurance and reinsurance premiums are a function of the amounts and types of policies and contracts we write, as well as prevailing market prices. Our prices are determined before our ultimate costs, which may extend far into the future, are known.

The Company's revenues also include fee income as well as income generated from our investment portfolio. The Company's investment portfolio is comprised of fixed maturity investments, held as AFS, and other investments held in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 944, "Financial Services" ("ASC 944"). In accordance with U.S. GAAP, these investments are carried at fair market value and unrealized gains and losses on the Company's investments are generally excluded from earnings. These unrealized gains and losses are included on the Company's Consolidated Balance Sheet in accumulated other comprehensive income as a separate component of shareholders' equity. If unrealized losses are considered to be other-than-temporarily impaired, such losses are included in earnings as a realized loss.

### Expenses

Our expenses consist largely of net loss and loss adjustment expenses, commission and other acquisition expenses, general and administrative expenses, interest and amortization expenses, amortization of intangible assets and foreign exchange and other gains or losses. Net loss and loss adjustment expenses are comprised of three main components:

• losses paid, which are actual cash payments to insureds, net of recoveries from reinsurers;

• change in outstanding loss or case reserves, which represent management's best estimate of the likely settlement amount for known claims, less the portion that can be recovered from reinsurers; and

change in IBNR reserves, which are reserves established by us for changes in the values of claims that have been reported to us but are not yet settled, as well as claims that have occurred but have not yet been reported. The portion recoverable from reinsurers is deducted from the gross estimated loss.

Commission and other acquisition expenses are comprised of commissions, brokerage fees and insurance taxes. Commissions and brokerage fees are usually calculated as a percentage of premiums and depend on the market and line of business and can, in certain instances, vary based on loss sensitive features of reinsurance contracts. Commission and other acquisition expenses are reported after: (1) deducting commissions received on ceded reinsurance; (2) deducting the part of commission and other acquisition expenses relating to unearned premiums; and (3) including the amortization of previously deferred commission and other acquisition expenses.

General and administrative expenses include personnel expenses (including share based compensation expense), rent expense, professional fees, information technology costs and other general operating expenses.

Table of Contents

Critical Accounting Policies and Estimates

It is important to understand our accounting policies in order to understand our financial position and results of operations. The Company's Consolidated Financial Statements have been prepared in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following presents a discussion of those accounting policies and estimates that management believes are the most critical to its operations and require the most difficult, subjective and complex judgment. If actual events differ significantly from the underlying assumptions and estimates used by management, there could be material adjustments to prior estimates that could potentially adversely affect the Company's results of operations, financial condition and liquidity. These critical accounting policies and estimates should be read in conjunction with the Company's Notes to Consolidated Financial Statements, including Note 2. Significant Accounting Policies, for a full understanding of the Company's accounting policies.

Reserve for Loss and Loss Adjustment Expenses

General

The amount of time that elapses before a claim is reported to the cedant and then subsequently reported to the reinsurer is commonly referred to in the industry as the reporting tail. Lines of business for which claims are reported quickly are commonly referred to as short-tail lines; and lines of business for which a longer period of time elapses before claims are reported to the reinsurer are commonly referred to as long-tail lines. In general, for reinsurance, the time lags are longer than for primary business due to the delay that occurs between the cedant becoming aware of a loss and reporting the information to its reinsurer(s). The delay varies by reinsurance market (country of cedant), type of treaty, whether losses are paid by the cedant and the size of the loss. The delay could vary from a few weeks to a year or sometimes longer.

Because a significant amount of time can elapse between the assumption of risk, particularly on longer-tail lines of business, occurrence of a loss event, the reporting of the event to an insurance company (the primary company or the cedant), the subsequent reporting to the reinsurance company ("the reinsurer") and the ultimate payment of the claim on the loss event by the reinsurer, the Company's liability for unpaid loss and loss adjustment expenses ("loss reserves") is based largely upon estimates. The Company categorizes loss reserves into three types of reserves: reported outstanding loss reserves ("case reserves"), ACRs and IBNR reserves. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. ACRs are established for particular circumstances where, on the basis of individual loss reports, the Company estimates that the particular loss or collection of losses covered by a treaty may be greater than those advised by the cedant. IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves and ACRs. The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants. The Company also estimates the future unallocated loss adjustment expenses ("ULAE") associated with the loss reserves and these form part of the Company's loss adjustment expense reserves.

For excess of loss treaties, cedents generally are required to report losses that either exceed 50% of the retention, have a reasonable probability of exceeding the retention or meet defined reporting criteria. All reinsurance claims that are reserved are reviewed at least every six months. For proportional treaties, cedents are required to give a periodic statement of account, generally monthly or quarterly. These periodic statements typically include information regarding written premiums, earned premiums, unearned premiums, ceding commissions, brokerage amounts, applicable taxes, paid losses and outstanding losses. They can be submitted 60 to 90 days after the close of the



reporting period. Some proportional treaties have specific language regarding earlier notice of serious claim.

For all lines, the Company's objective is to estimate ultimate loss and loss adjustment expenses. Total loss reserves are then calculated by subtracting losses paid. Similarly, IBNR reserves are calculated by subtraction of case reserves and ACRs from total loss reserves. IBNR is the estimated liability for (1) changes in the values of claims that have been reported to us but are not yet settled, as well as (2) claims that have occurred but have not yet been reported. Each claim is settled individually based upon its merits, and particularly for longer-tailed lines of business, it is not unusual for a claim to take years after being reported to settle, especially if legal action is involved. As a result, the reserve for loss and loss adjustment expenses include significant estimates for IBNR reserves.

The reserve for IBNR is estimated by management for each account based on various factors, including our underwriting teams expectations about loss experience, actuarial analysis and loss experience to date. Our actuaries employ standard actuarial methodologies to determine estimated ultimate loss reserves.

In selecting its best estimate, the Company considers the appropriateness of each methodology to the individual circumstances of the treaties and underwriting year for which the projection is made. The methodologies that the Company employs include, but may not be limited to, the Expected Loss Ratio method, the Reported Loss Development method and the Incurred and (as applicable) Paid Bornhuetter-Ferguson ("B-F") methods. In addition, the Company uses other methodologies to estimate liabilities for specific types of occurrences. For example, external and vendor catastrophe models are typically used in the estimation of loss and loss adjustment expenses at the early stages of catastrophe losses before loss information is reported to the reinsurer.

The reserve methodologies employed by the Company are dependent on data that the Company collects. This data consists primarily of loss amounts and loss payments reported by the Company's cedants, and premiums written and earned reported by

Table of Contents

cedants or estimated by the Company. The actuarial methods used by the Company to project loss reserves in the Diversified Reinsurance segment that it will pay in the future (future liabilities) do not generally include methodologies that are dependent on claim counts reported, claim counts settled or claim counts open as, due to the nature of the Company's business, this information is not routinely provided by cedants for every treaty. However, the Company does use actuarial methods in the AmTrust Quota Share Reinsurance and NGHC Quota Share segments that are dependent on claim counts reported, claim counts settled or claim counts open. Consequently, actuarial methods relying on this information cannot be used by the Company to estimate loss reserves in the Diversified Reinsurance segment.

The reserve for loss and loss adjustment expenses as of December 31, 2013 and 2012 comprised of:		
December 31,	2013	2012
	(\$ in Millions)	
Reserve for reported loss and loss adjustment expenses	\$1,087.4	\$1,029.6
Reserve for losses incurred but not reported	870.4	710.7
Reserve for loss and loss adjustment expenses	\$1,957.8	\$1,740.3

While management believes that our case reserves and IBNR are sufficient to cover losses assumed by us, there can be no assurance that losses will not deviate from our reserves, possibly by material amounts. The methodology of estimating loss reserves is periodically reviewed to ensure that the assumptions made continue to be appropriate. To the extent actual reported losses exceed estimated losses, the carried estimate of the ultimate losses will be increased (i.e. unfavorable reserve development), and to the extent actual reported losses are less than our expectations, the carried estimate of ultimate losses will be reduced (i.e. favorable reserve development). We record any changes in our loss reserve estimates and the related reinsurance recoverable in the periods in which they are determined.

Loss reserves do not represent an exact calculation of liability. Rather, loss reserves are estimates of what we expect the ultimate resolution and administration of claims will cost. These estimates are based on actuarial projections and on our assessment of currently available data, as well as estimates of future trends in claims severity and frequency, judicial theories of liability and other factors. Loss reserve estimates are refined as experience develops and as claims are reported and resolved. In addition, the relatively long periods between when a loss occurs and when it may be reported to our claims department for our casualty reinsurance lines of business also increase the uncertainties of our reserve estimates in such lines.

#### Actuarial Methods Used to Estimate Loss and Loss Adjustment Expense Reserves

We utilize a variety of standard actuarial methods in our analysis. The selections from these various methods are based on the loss development characteristics of the specific line of business. The actuarial methods we utilize include:

The Expected Loss Ratio ("ELR") method is a technique that multiplicatively applies an expected loss ratio to earned premium to yield estimated ultimate losses. The ELR assumption is derived most often from the pricing of the business that is being reserved but can be based on historical experience of the business. This method is frequently used for the purpose of stability in the early valuations of an underwriting year with large and uncertain loss development factors. This technique does not take into account actual loss experience for the underwriting year being projected. As an underwriting year matures and actual loss experience becomes available, other methods may be applied in determining the estimated ultimate losses.

The Reported Loss Development ("RLD") method is a common reserving method in which ultimate losses are estimated by applying a loss development factor to actual loss experience. This method fully utilizes actual experience. Multiplication of underwriting year actual reported (or paid) losses by its respective development factor produces the

estimated ultimate losses. The RLD method is based upon the assumption that the relative change in a given underwriting year's losses from one evaluation point to the next is similar to the relative change in prior underwriting years' losses at similar evaluation points. In addition, this method is based on the assumption that the reserving and payment patterns as well as the claim handling procedures have not changed substantially over time. When a company has a sufficiently reliable loss development history, a development pattern based on the company's historical indications may be used to develop losses to ultimate values.

The BF reserving technique is commonly used for long-tailed or erratic lines. It is also useful in situations where the reported loss experience is relatively immature and/or lacks sufficient credibility for the application of methods that are more heavily reliant on emerged experience. The BF method is an additive IBNR method that combines the ELR and RLD techniques by splitting the expected loss into two pieces — expected reported (or paid) losses and expected unreported (or unpaid) losses. Expected unreported (unpaid) losses are added to the current actual reported (or paid) losses to produce an estimate of ultimate losses by underwriting year. The BF method introduces an element of stability that moderates the impact of inconsistent changes in paid and reported amounts.

With the guidance of the methods above, actuarial judgment is applied in the determination of ultimate losses. In general, the Company's segments have varying levels of seasoning with which the Company has direct experience and as a result, differing methods are utilized to estimate loss and loss adjustment expenses reserves in each segment.

## Table of Contents

In the Diversified Reinsurance segment, as of December 31, 2013, 90.3% of the loss reserves in the Diversified Reinsurance segment are associated with the business acquired in the GMAC Acquisition (which includes new business written subsequent to that transaction). The Company's executive and technical management, including claims and underwriting, have significant experience with this book of business, which also has more than 25 years of loss experience associated with it. In general for the Diversified Reinsurance segment we utilize the ELR approach at the onset of reserving an account, the BF method for business with less but maturing loss experience, and as the experience matures the RLD Method.

The Company has underwritten the AmTrust Quota Share Reinsurance segment since July 1, 2007. This segment consists of business written under the Reinsurance Agreement since that time, and commencing April 1, 2011, the business associated with the European Hospital Liability Quota Share. In addition, certain aspects of this segment are associated with recent acquisitions by AmTrust and while the underlying experience of the book has significant seasoning, the combination of the shorter time frame with which the Company has direct experience with this business and the relative lack of experience the Company has with certain aspects of this business may result in a greater range of volatility. As a result, we have tended to rely on a weighted approach which primarily employs the RLD method for aspects of the segment with ample historical data, while also considering the ELR method for exposure resulting from recent acquisitions, or a relative business with a more limited level of experience. The Company's actuarial analysis of this book of business is more refined in that it utilizes a combination of monthly and quarterly data instead of contract period data in totality. As a result, a range of loss development factors are utilized due to the relative lack of seasoning of the underlying business as regards the Company's experience. Because of the refinement of the data, this allows for greater use of the loss development method earlier on in the maturity of the book than would ordinarily occur.

### Significant Assumptions Employed in the Estimation of Reserve for Loss and Loss Adjustment Expenses

The most significant assumptions used as of December 31, 2013 to estimate the reserve for loss and loss adjustment expenses within the Company's segments are as follows:

the information developed from internal and independent external sources can be used to develop meaningful estimates of the likely future performance of business bound by the Company;

the loss and exposure information provided by ceding companies, insureds and brokers in support of their submissions can be used to derive meaningful estimates of the likely future performance of business bound with respect to each contract and policy;

historic loss development and trend experience is assumed to be indicative of future loss development and trends; and

no significant emergence of losses or types of losses that are not represented in the information supplied to the Company by its brokers, ceding companies and insureds will occur.

The above four assumptions most significantly influence the Company's determination of initial expected loss ratios and expected loss reporting patterns that are the key inputs which impact potential variability in the estimate of the reserve for loss and loss adjustment expenses and are applicable to each of the Company's business segments. While there can be no assurance that any of the above assumptions will prove to be correct, we believe that these assumptions represent a realistic and appropriate basis for estimating the reserve for loss and loss adjustment expenses.

Our reporting factors and expected loss ratios are based on a blend of our own experience, cedant experience and industry benchmarks. The benchmarks selected were those that we believe are most similar to our underwriting business.

Factors Creating Uncertainty in the Estimation of the Reserve for Loss and Loss Adjustment Expenses.

While management does not at this time include an explicit or implicit provision for uncertainty in its reserve for loss and loss adjustment expenses, certain of the Company's business lines are by their nature subject to additional uncertainties, which are discussed in detail below. In addition, the Company's reserves are subject to additional factors which add to the uncertainty of estimating reserve for loss and loss adjustment expenses. Time lags in the reporting of losses can also introduce further ambiguity to the process of estimating reserve for loss and loss adjustment expenses.

The inherent uncertainty of estimating the Company's reserve for loss and loss adjustment expenses increases principally due to:

- i. the lag in time between the time claims are reported to the ceding company and the time they are reported through one or more reinsurance broker intermediaries to the Company;
- ii. the differing reserving practices among ceding companies;
- iii. the diversity of loss development patterns among different types of reinsurance treaties or contracts; and
- iv. the Company's need to rely on its ceding companies for loss information, which also exposes the Company to changes in the reserving philosophy of the ceding company and the adequacy of its underlying case reserves.

Table of Contents

In order to verify the accuracy and completeness of the information provided to the Company by its ceding company counterparties, the Company's underwriters, actuaries, accounting and claims personnel perform underwriting and claims reviews of the Company's ceding companies. Any material findings are communicated to the ceding companies and utilized in the establishment or revision of the Company's case reserves and related IBNR reserve. On occasion, these reviews reveal that the ceding company's reported loss and loss adjustment expenses do not comport with the terms of the contract with the Company. In such events, the Company strives to resolve the outstanding differences in an amicable fashion. The large majority of such differences are resolved in this manner. In the infrequent instance where an amicable solution is not feasible, the Company's policy is to vigorously defend its position in litigation or arbitration. As of December 31, 2013, the Company was not involved in any material claims litigation or arbitration proceedings.

Due to the large volume of potential transactions that must be recorded in the insurance and reinsurance industry, backlogs in the recording of the Company's business activities can also impair the accuracy of its loss and loss adjustment expense reserve estimates. As of December 31, 2013, there were no significant backlogs related to the processing of policy or contract information in the Company's segments.

The Company assumes in its loss and loss adjustment expense reserving process that, on average, the time periods between the recording of expected losses and the reporting of actual losses are predictable when measured in the aggregate and over time. The time period over which all losses are expected to be reported to the Company varies significantly by line of business. This period can range from a few quarters for some lines, such as property, to many years for some casualty lines of business. To the extent that actual reported losses are reported more quickly or more slowly than expected, the Company may adjust its estimate of ultimate loss.

Potential Volatility in the Reserve for Loss and Loss Adjustment Expenses. In addition to the factors creating uncertainty in the Company's estimate of loss and loss adjustment expenses, the Company's estimated reserve for loss and loss adjustment expenses can change over time because of unexpected changes in the external environment. Potential changing external factors include:

- changes in the inflation rate for goods and services related to the covered damages;
- changes in the general economic environment that could cause unanticipated changes in claim frequency or severity;
- changes in the litigation environment regarding the representation of plaintiffs and potential plaintiffs;
- changes in the judicial and/or arbitration environment regarding the interpretation of policy and contract provisions relating to the determination of coverage and/or the amount of damages awarded for certain types of claims;
- changes in the social environment regarding the general attitude of juries in the determination of liability and damages;
- changes in the legislative environment regarding the definition of damages;
- new types of injuries caused by new types of injurious activities or exposures; and
- in the case of assumed reinsurance, changes in ceding company case reserving and reporting patterns.

The Company's estimates of reserve for loss and loss adjustment expenses can also change over time because of changes in internal company operations, such as:

- alterations in claims handling procedures;
- growth in new lines of business where exposure and loss development patterns are not well established; or
- changes in the quality of risk selection or pricing in the underwriting process.

Due to the inherent complexity of the assumptions used in establishing the Company's loss and loss adjustment expense reserve estimates, final claim settlements made by the Company may vary significantly from the present estimates, particularly when those settlements may not occur until well into the future.

In addition, the Company's segments have varying levels of seasoning with which the Company has direct experience and as a result, the reasonably likely variance of our expected loss ratio for each segment varies commensurately with that experience. As of December 31, 2013, 90.3% of the loss reserves in the Diversified Reinsurance segment are associated with the business acquired in the GMAC Acquisition. The Company's executive and technical management, including claims and underwriting, have significant experience with this book of business, which also has more than 25 years of loss experience associated with it. We believe the possible variance of our expected loss ratio for all applicable loss years for the Diversified Reinsurance segment was approximately one percentage point as of December 31, 2013. If our final loss ratio for the Diversified Reinsurance segment were to vary by approximately one percentage point from the expected loss ratios in the aggregate, our required reserves after reinsurance recoverable would increase or decrease by approximately \$36.2 million.

The Company has underwritten the AmTrust Quota Share Reinsurance segment since July 1, 2007. This segment consists of business written under the Reinsurance Agreement since that time, and commencing April 1, 2011, the business associated with

## Table of Contents

the European Hospital Liability Quota Share. In addition, certain aspects of this segment are associated with recent acquisitions by AmTrust and while the underlying experience of the book has significant seasoning, the combination of the shorter time frame with which the Company has direct experience with this business and the relative inexperience of certain aspects of this business may result in a greater range of volatility in the reasonably likely variance of our expected loss ratio for all applicable loss years in the segment compared to the Diversified Reinsurance segment. We believe a possible variance of our expected loss ratio for all applicable loss years for the AmTrust Quota Share segment was approximately three and a half percentage points as of December 31, 2013. If our final loss ratio for the AmTrust Quota Share segment were to vary by three point one percentage points from the expected loss ratios in aggregate, our required reserves after reinsurance recoverable would increase or decrease by approximately \$110.0 million.

The Company has underwritten the NGHC Quota Share segment since March 1, 2010. On August 1, 2013, the Company received notice from NGHC of the termination of the NGHC Quota Share effective on that date. The Company and NGHC mutually agreed that the termination is on a run-off basis, which means that Maiden Bermuda continues to earn premiums and remain liable for losses occurring subsequent to August 1, 2013 for any policies in force prior to and as of August 1, 2013 until those policies expire. NGHC's executive and technical management, including claims and underwriting, have significant experience with this book of business, which also has more than 15 years of loss experience associated with it. In addition, our management has experience with this book of business when part of our business and NGHC were owned by GMAC. As a result, we believe the possible variance of our expected loss ratio for all applicable loss years for the NGHC Quota Share segment was approximately one percentage point as of December 31, 2013. If our final loss ratio for the NGHC Quota Share segment were to vary by approximately one point two percentage points from the expected loss ratios in the aggregate, our required reserves after reinsurance recoverable would increase or decrease by approximately \$10.6 million.

### Premiums and Commissions and Other Acquisition Expenses

For pro-rata contracts and excess-of-loss contracts where no deposit or minimum premium is specified in the contract, written premium is recognized based on estimates of ultimate premiums provided by the ceding companies. Initial estimates of written premium are recognized in the period in which the underlying risks are incepted. Subsequent adjustments, based on reports of actual premium by the ceding companies, or revisions in estimates, are recorded in the period in which they are determined. Reinsurance premiums assumed are generally earned on a pro rata basis over the terms of the underlying policies or reinsurance contracts. Contracts and policies written on a "losses occurring" basis cover claims that may occur during the term of the contract or policy, which is typically 12 months. Accordingly, the premium is earned evenly over the term.

Contracts which are written on a "risks attaching" basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned over a 24-month period. Reinsurance premiums on specialty risk and extended warranty are earned based on the estimated program coverage period. These estimates are based on the expected distribution of coverage periods by contract at inception, because a single contract may contain multiple coverage period options and these estimates are revised based on the actual coverage period selected by the original insured. Unearned premiums represent the portion of premiums written which is applicable to the unexpired term of the contract or policy in force. These premiums can be subject to estimates based upon information received from ceding companies and any subsequent differences arising on such estimates are recorded in the period in which they are determined.

The Company provides proportional and non-proportional reinsurance coverage to cedants (insurance companies). In most cases, cedants seek protection for business that they have not yet written at the time they enter into reinsurance agreements and thus have to estimate the volume of premiums they will cede to the Company. Reporting delays are



inherent in the reinsurance industry and vary in length by type of treaty. As delays can vary from a few weeks to a year or sometimes longer, the Company produces accounting estimates to report premiums and commission and other acquisition expenses until it receives the cedants' actual results.

Under proportional treaties, which represented 83.1% of gross premiums written for the year December 31, 2013, the Company shares proportionally in both the premiums and losses of the cedant and pays the cedant a commission to cover the cedant's acquisition expenses. Under this type of treaty, the Company's ultimate premiums written and earned and acquisition expenses are not known at the inception of the treaty and must be estimated until the cedant reports its actual results to the Company. Under non-proportional treaties, which represented 16.9% of gross premiums written for the year December 31, 2013, the Company is typically exposed to loss events in excess of a predetermined dollar amount or loss ratio and receives a fixed or minimum premium, which is subject to upward adjustment depending on the premium volume written by the cedant.

Reported premiums written and earned and commission and other acquisition expenses on proportional treaties are generally based upon reports received from cedants and brokers, supplemented by the Company's own estimates of premiums written and commission and other acquisition expenses for which ceding company reports have not been received. Premium and acquisition expenses estimates are determined at the individual treaty level. The determination of estimates requires a review of the Company's experience with cedants, a thorough understanding of the individual characteristics of each line of business and the ability to project the impact of current economic indicators on the volume of business written and ceded by the Company's cedants. Estimates for premiums and commission and other acquisition expenses are updated continuously as new information is received from the cedants. Differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

## Table of Contents

Assessing whether or not a reinsurance contract meets the condition for risk transfer requires judgment. The determination of risk transfer is critical to reporting premiums written and is based, in part, on the use of actuarial and pricing models and assumptions. If we determine that a reinsurance contract does not transfer sufficient risk, we account for the contract as deposit liability.

Commission and other acquisition expenses represent the costs of writing business that vary with, and are primarily related to, the production of insurance and reinsurance business. Policy and contract commission and other acquisition expenses, including assumed commissions and other direct operating expenses are deferred and recognized as expense as related premiums are earned. The Company considers anticipated investment income in determining the recoverability of these costs and believes they are fully recoverable. A premium deficiency at segment level is recognized if the sum of anticipated losses and loss adjustment expenses, unamortized acquisition expenses and anticipated investment income exceeds unearned premium.

### Fair Value of Financial Instruments

The Company currently classifies its fixed maturity investments as AFS, other investments at fair value in accordance with FASB ASC Topic 944, "Financial Services" ("ASC 944") and short-term investments as AFS. Pursuant to U.S. GAAP, these investments are carried at estimated fair value, with net unrealized gains or losses excluded from earnings and included in shareholders' equity as a component of accumulated other comprehensive (loss) income.

FASB 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 (i.e. the "exit price") 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 quoted prices in active markets for identical assets or liabilities that we have the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since 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: exchange-traded equity securities, U.S. Treasury securities, and listed derivatives that are actively traded.

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: listed derivatives that are not actively traded; U.S. government-sponsored agency securities; non-U.S. government obligations; corporate and municipal bonds; mortgage-backed securities ("MBS") and asset-backed securities ("ABS"); short-duration high yield fund, and over-the-counter ("OTC") derivatives (e.g. foreign currency options and forward contracts); 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: insurance and reinsurance derivative contracts; hedge and credit funds with partial transparency; and collateralized loan obligation ("CLO") — equity tranche securities that are traded in less liquid markets.

The availability of observable inputs can vary from financial instrument to financial instrument and is affected by a wide variety of factors, including, for example, the type of financial instrument, whether the financial instrument is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent

that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires significantly more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. We use prices and inputs that are current as of the measurement date. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified between levels.

For investments that have quoted market prices in active markets, the Company uses the quoted market prices as fair value and includes these prices in the amounts disclosed in the Level 1 hierarchy. To date, we have only included U.S. government fixed maturity instruments as level 1. The Company receives the quoted market prices from a third party, a nationally recognized pricing service provider (“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 Pricing Service utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data. The Pricing Service’s evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations. In addition, the Pricing Service uses model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. The market inputs that the Pricing Service normally seeks for evaluations of securities, listed in approximate order of priority, include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

The Company typically utilizes the fair values received from the Pricing Service. 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

Table of Contents

in positions with the same or similar characteristics to that being valued or through consensus pricing of a pricing service. Depending on the level of observable inputs, the Company will then determine if the estimate is Level 2 or Level 3 hierarchy. Approximately 99.5% and 98.3%, respectively, of the Company's fixed maturity investments are categorized as Level 2 within the fair value hierarchy as of December 31, 2013 and 2012. At December 31, 2013 and 2012, we have not adjusted any pricing provided by the Pricing Services.

The Company will challenge any prices for its investments which are not considered to represent fair value. If a fair value is challenged, the Company will typically obtain a non-binding quote from a broker-dealer; multiple quotations are not typically sought. As of December 31, 2013 and 2012, 4.7% and 0.3%, respectively, of its fixed maturities are valued using the market approach. At those dates, a total of five securities and one security, respectively, or approximately \$150.3 million and \$26.1 million, respectively, of Level 2 fixed maturities, were priced using a quotation from a broker and/or custodian as opposed to the Pricing Service. For each of these securities, the Pricing Service was not able to value these newly-issued U.S. agency bonds due to the lack of information available as of December 31, 2013 and 2012. Each of these securities were valued subsequently in January 2014 and 2013, respectively, by the Pricing Service. At December 31, 2013 and 2012, we have not adjusted any pricing provided to us based on the review performed by our investment managers.

To validate prices, the Company compares the fair value estimates to its knowledge of the current market and will investigate prices that it considers not to be representative of fair value. In addition, our process to validate the market prices obtained from the Pricing Service includes, but is not limited to, periodic evaluation of model pricing methodologies and analytical reviews of certain prices. We also periodically perform testing, as appropriate, of the market to determine trading activity, or lack of trading activity, as well as evaluating the variability of market prices. Securities sold during the quarter are also "back-tested" (i.e., the sales prices are compared to the previous month end reported market price to determine the reasonableness of the reported market price). There were no material differences between the prices from the Pricing Service and the prices obtained from our validation procedures as of December 31, 2013 and 2012.

At December 31, 2013 and 2012, the Company has no fixed income investments that are guaranteed by third parties. We do not have any direct exposure to third party guarantors as of December 31, 2013 and 2012.

U.S. government and U.S. agencies - mortgage-backed — Comprised primarily of bonds issued by the U.S. Treasury, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, Government National Mortgage Association and the Federal National Mortgage Association. The fair values of U.S. treasury securities 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 securities 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 bonds — Comprised of bonds issued by non-U.S. governments and their agencies along with supranational organizations. These securities are generally priced by pricing services. The pricing services 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 bonds are observable market inputs, the fair values of non-U.S. government bonds are included in the Level 2 fair value hierarchy.

Other mortgage-backed securities — Other mortgage-backed bonds consist of three commercial mortgage-backed securities ("CMBS"). 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 are observable market inputs, the fair value of the CMBS is included in the Level 2 fair value hierarchy.

Corporate bonds — Comprised of bonds issued by corporations that on acquisition are rated BBB-/Baa3 or higher. These securities are generally priced by pricing services. The fair values of corporate bonds that are short-term are priced, by the pricing services, using the spread above the London Interbank Offering Rate ("LIBOR") yield curve and the fair value of corporate bonds that are long-term are priced using the spread above the risk-free yield curve. The spreads are sourced from broker/dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, we obtain non-binding quotes from broker-dealers. As the significant inputs used to price corporate bonds are observable market inputs, the fair values of corporate bonds are included in the Level 2 fair value hierarchy.

Municipal bonds - auction rate — Comprised of auction rate securities issued by U.S. state and municipality entities or agencies. Municipal auction rate securities are reported in the Consolidated Balance Sheets at fair value which approximates their cost. As the significant inputs used to price the auction rate securities are observable market inputs, auction rate securities are classified within Level 2.

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

## Table of Contents

Other investments — The fair values of the investments in limited partnerships are determined by the fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals, and as such, the fair values are included in the Level 3 fair value hierarchy. The fair value of the investment in preference shares of a start-up insurance producer was determined using recent private market transactions, and as such, the fair value is included in the Level 3 fair value hierarchy.

Reinsurance balance receivable — The carrying values reported in the accompanying balance sheets for these financial instruments approximate their fair value due to short term nature of the assets.

Loan to related party — The carrying value reported in the accompanying balance sheets for this financial instrument approximates its fair value.

Senior notes — The amount reported in the accompanying balance sheets for these financial instruments represents the carrying value of the notes. The fair values are based on quoted prices of identical instruments in inactive markets and as such, are included in the Level 2 hierarchy. At December 31, 2013, the fair value of the 2011 Senior Notes was \$101.5 million, the 2012 Senior Notes was \$89.8 million and the fair value of the 2013 Senior Notes was \$126.2 million

Junior subordinated debt — The amount reported in the accompanying balance sheets for this financial instrument represents the carrying value of the debt. The fair value of the debt was derived using the Black-Derman-Toy model. As the fair value of the junior subordinated debt is determined using observable market inputs in the Black-Derman-Toy model, the fair value is included in the Level 2 fair value hierarchy. At December 31, 2013, the fair value of the debt was \$152.5 million.

### Other-than-Temporary Impairment (“OTTI”) of Investments

Impairments of investment securities results in a charge to operations when a market decline below cost is deemed to be other than temporary. To determine the recovery period of a fixed maturity security, we consider the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

• Historic and implied volatility of the security;

• Length of time and extent to which the fair value has been less than amortized cost;

• Adverse conditions specifically related to the security or to specific conditions in an industry or geographic area;

• Failure, if any, of the issuer of the security to make scheduled payments; and

• Recoveries or additional declines in fair value subsequent to the balance sheet date.

When assessing our intent to sell a fixed maturity security or if it is more likely that we will be required to sell a fixed maturity security before recovery of its cost basis, we evaluate facts and circumstances such as, but not limited to, decisions to reposition our security portfolio, sale of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing. In order to determine the amount of the credit loss for a fixed maturity security, we calculate the recovery value by performing a discounted cash flow analysis based on the current cash flows and future cash flows we expect to recover. The discount rate is the effective interest rate implicit in the underlying fixed maturity security. The effective interest rate is the original yield or the coupon if the fixed maturity security was previously impaired. If OTTI exists and we have the intent to sell the security, we conclude that the entire OTTI is

credit-related and the amortized cost for the security is written down to current fair value with a corresponding charge to realized loss on our Consolidated Statements of Income. If we do not intend to sell a fixed maturity security or it is not more likely than not we will be required to sell a fixed maturity security before recovery of its amortized cost basis but the present value of the cash flows expected to be collected is less than the amortized cost of the fixed maturity security (referred to as the credit loss), we conclude that an OTTI has occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge to realized loss on our Consolidated Statements of Income, as this is also deemed the credit portion of the OTTI. The remainder of the decline to fair value is recorded to other comprehensive income, as an unrealized OTTI loss on our Consolidated Balance Sheets, as this is considered a noncredit (i.e. recoverable) impairment.

There were no other-than-temporary impaired securities during the years ended December 31, 2013, 2012 and 2011.

Table of Contents

Goodwill and Intangible Assets

The GMAC Acquisition and IIS Acquisition created certain assets separately described in our financial statements as Goodwill and Intangible Assets, respectively. Goodwill is calculated as the excess of purchase price over the net fair value of assets acquired. Intangible Assets consist of finite and indefinite life assets. Finite life intangible assets include customer and producer relationships and trademarks with useful life of 15 years. Insurance company licenses are considered indefinite life intangible assets.

ASC Topic 805, Business Combinations requires that the Company make an annual assessment as to whether the value of the Company's goodwill and intangible assets are impaired. Impairment, which can be either partial or full, is based on a fair value analysis by individual reporting unit. Based upon the Company's assessment at the reporting unit level, there was no impairment of its goodwill and intangible assets as of December 31, 2013 of \$90.6 million.

In making an assessment of the value of its goodwill and intangible assets, the Company uses both market based and non-market based valuations. Assumptions underlying these valuations include an analysis of the Company's share price relative to both its book value and its net income in addition to forecasts of future cash flows and future profits. Significant changes in the data underlying these assumptions could result in an assessment of impairment of the Company's goodwill asset. In addition, if the current economic environment and/or the Company's financial performance were to deteriorate significantly, this could lead to an impairment of goodwill and intangible, the write-off of which would be recorded against net income in the period such deterioration occurred. If a 5% decline in the fair value of the reporting units occurred, this would not result in an impairment of the goodwill asset at December 31, 2013.



Table of Contents

## Results of Operations

The following table sets forth our selected Consolidated Statement of Income data for each of the periods indicated.

For the Year Ended December 31,	2013	2012	2011	
	(\$ in Millions)			
Gross premiums written	\$2,204.2	\$2,001.0	\$1,812.6	
Net premiums written	\$2,096.3	\$1,901.3	\$1,723.5	
Net premiums earned	\$2,000.9	\$1,803.8	\$1,552.4	
Other insurance revenue	14.2	12.9	12.6	
Net loss and loss adjustment expenses	(1,349.6 )	(1,262.3 )	(1,043.1 )	
Commission and other acquisition expenses	(556.6 )	(492.1 )	(438.8 )	
General and administrative expenses	(45.0 )	(43.6 )	(40.3 )	
Total underwriting income	63.9	18.7	42.8	
Other general and administrative expenses	(13.7 )	(10.2 )	(13.6 )	
Net investment income	91.4	81.2	74.9	
Net realized and unrealized gains on investments	3.6	1.9	0.5	
Junior subordinated debt repurchase expense	—	—	(15.1 )	
Accelerated amortization of junior subordinated debt discount and issuance cost	—	—	(20.3 )	
Amortization of intangible assets	(3.8 )	(4.4 )	(5.0 )	
Foreign exchange and other gains	2.8	1.6	0.3	
Interest and amortization expenses	(39.5 )	(36.4 )	(34.1 )	
Income tax expense	(1.9 )	(2.2 )	(1.9 )	
Income attributable to noncontrolling interests	(0.1 )	(0.1 )	—	
Dividends on preference shares	(14.8 )	(3.6 )	—	
Net income attributable to Maiden common shareholders	\$87.9	\$46.5	\$28.5	
Ratios				
Net loss and loss adjustment expense ratio*	67.0	% 69.5	% 66.6	%
Commission and other acquisition expense ratio**	27.6	% 27.1	% 28.0	%
General and administrative expense ratio***	2.9	% 2.9	% 3.5	%
Expense ratio****	30.5	% 30.0	% 31.5	%
Combined ratio*****	97.5	% 99.5	% 98.1	%

\* Calculated by dividing net loss and loss adjustment expenses by the sum of net premiums earned and other insurance revenue.

\*\* Calculated by dividing commission and other acquisition expenses by the sum of net premiums earned and other insurance revenue.

\*\*\* Calculated by dividing general and administrative expenses by the sum of net premiums earned and other insurance revenue.

\*\*\*\* Calculated by adding together commission and other acquisition expense ratio and general and administrative expense ratio.

\*\*\*\*\* Calculated by adding together net loss and loss adjustment expense ratio and the expense ratio.



Table of Contents

Net Income

Comparison of Years Ended December 31, 2013 and 2012

Net income attributable to Maiden common shareholders for the year ended December 31, 2013 was \$87.9 million compared to \$46.5 million for the same period in 2012. The net income for the year ended December 31, 2012 was reduced by \$31.1 million due to the underwriting impact of Superstorm Sandy, which is net of applicable reinsurance and the Company's provision for normalized catastrophe activity. Excluding the catastrophe losses in 2012, net income for the year ended December 31, 2013 increased by \$10.3 million, or 13.3%, compared to the same period in 2012. The higher net income during 2013 was primarily due to improvements in our underwriting and investment income, offset by higher interest expense and dividends on the Preference Shares.

The improvement in underwriting income in both periods reflects the continuing premium growth of the Company along with stable combined ratios. Despite marginally lower overall portfolio yields, the improvement in investment income reflects the 16.1% increase in average invested assets for the year ended December 31, 2013, respectively, compared to the same period in 2012.

Comparison of Years Ended December 31, 2012 and 2011

Net income attributable to Maiden common shareholders for the year ended December 31, 2012 was \$46.5 million compared to \$28.5 million for the same period in 2011.

In 2012, net income was reduced by \$31.1 million due to the underwriting impact of Superstorm Sandy, which is net of applicable reinsurance and the Company's provision for normalized catastrophe activity.

The results in 2011 were adversely affected by non-recurring charges related to the 2011 Senior Note Offering which included \$15.1 million of junior subordinated debt repurchase expense and \$20.3 million of accelerated amortization of subordinated debt discount and issuance costs. The 2011 results also include \$9.5 million in losses related to thunderstorm and tornado activity across the U.S. in the second quarter, net of the Company's quarterly provisions for normalized catastrophe activity.

Excluding the catastrophe losses in both 2012 and 2011, and the 2011 non-recurring charges, net income in 2012 increased to \$77.6 million from \$73.4 million in 2011, primarily as a result of improved investment income and investment and foreign exchange gains, which were partially offset by higher interest expenses and dividends on the Preference Shares.

We evaluate our business by operating segments, Diversified Reinsurance, AmTrust Quota Share Reinsurance and the NGHC Quota Share segments (please refer to "Recent Developments - NGHC Quota Share" on page 59 for additional information on this segment).

Net Premiums Written

Comparison of Years Ended December 31, 2013 and 2012

Net premiums written increased by \$195.0 million, or 10.3%, for the year ended December 31, 2013 compared to the same period in 2012. The increase in net premiums written was primarily the result of strong growth in business written in the AmTrust Quota Share Reinsurance segment offset primarily by reductions in our business written in the NGHC Quota Share segment in 2013. The table below compares net premiums written by segment for the years ended

December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Diversified Reinsurance	\$761.8	36.3	% \$765.3	40.3	% \$(3.5	)	(0.5	)%
AmTrust Quota Share Reinsurance	1,169.9	55.8	% 840.3	44.2	% 329.6		39.2	%
NGHC Quota Share	164.6	7.9	% 295.7	15.5	% (131.1	)	(44.3	)%
Total	\$2,096.3	100.0	% \$1,901.3	100.0	% \$195.0		10.3	%

The increases in the net premiums written in the AmTrust Quota Share Reinsurance segment for the year ended December 31, 2013 compared to the same period in 2012 reflects AmTrust's continuing expansion and ongoing organic growth, both of which are benefiting from improved rate levels, particularly in its U.S. workers' compensation business.

The business underwritten by Maiden US experienced an increase in premiums written for the year ended December 31, 2013 of \$13.5 million, or 2.1%, compared to the same period in 2012 while net premiums written in Maiden Specialty decreased \$17.8 million, or 109.1%, primarily due to the divestiture of our E&S business to Brit effective May 1, 2013. The increase in the Maiden US business was primarily due to the addition of new accounts combined with organic growth from certain existing Maiden US

Table of Contents

accounts. This was partially offset by: 1) the non-renewal of several large proportional U.S. reinsurance contracts that no longer met Maiden US profitability criteria in the second half of 2012; and 2) the decision by certain Maiden US clients to retain more business in 2013.

The decrease in the net premiums written in the NGHC Quota Share segment for the year ended December 31, 2013 compared to the same period in 2012, was due to the termination, effective August 1, 2013, of Maiden Bermuda's participation in the NGHC Quota Share. The Company and NGHC agreed that the termination is on a run-off basis, meaning Maiden Bermuda will receive 25% of the net premiums and assume 25% of the related net losses with respect to the policies in force as of August 1, 2013 through the expiration of the policies.

## Comparison of Years Ended December 31, 2012 and 2011

Net premiums written increased by \$177.8 million, or 10.3%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. The table below compares net premiums written by segment for the years ended December 31, 2012 and 2011.

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Diversified Reinsurance	\$765.3	40.3	% \$798.0	46.3	% \$(32.7	)	(4.1	)%
AmTrust Quota Share Reinsurance	840.3	44.2	% 669.3	38.8	% 171.0		25.6	%
NGHC Quota Share	295.7	15.5	% 256.2	14.9	% 39.5		15.4	%
Total	\$1,901.3	100.0	% \$1,723.5	100.0	% \$177.8		10.3	%

The increase in net premiums written was primarily the result of the following:

Growth on recurring business in the AmTrust Quota Share Reinsurance segment - The results for the year ended December 31, 2011 include the \$45.9 million in force and unearned premium assumed at the commencement of the European Hospital Liability Quota Share on April 1, 2011. Excluding that non-recurring item, net premiums written increased by \$216.9 million, or 34.8%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase reflects AmTrust's continuing expansion through acquisition and ongoing organic growth, both of which are benefiting from improved rate levels.

Growth in the NGHC Quota Share segment - For the year ended December 31, 2012, net premiums written increased by 39.5 million or 15.4% compared to the year ended December 31, 2011, as NGHC continues to expand its business.

These increases were offset by reductions in business written in the Diversified Reinsurance segment, primarily by Maiden US, which experienced a decrease in premiums written for the year ended December 31, 2012 of \$17.3 million, or 2.6%, compared to December 31, 2011. In addition to writing fewer new accounts in 2012, Maiden US added a number of large proportional contracts in the second half of 2011 which had sizable in-force and unearned premiums assumed, which did not recur in 2012. Finally, several large proportional reinsurance contracts that no longer met Maiden US' profitability criteria were non-renewed, contributing to the decrease.

Maiden Bermuda and IIS also decreased their written premium by \$15.4 million, or 12.0%, during the year ended December 31, 2012 compared to December 31, 2011, largely due to non-renewals of certain accounts which were partially offset by new account activity.

## Net Premiums Earned

Comparison of Years Ended December 31, 2013 and 2012

Net premiums earned increased by \$197.1 million, or 10.9%, for the year ended December 31, 2013 compared to the same period in 2012.

76

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Table of Contents

The table below compares net premiums earned by segment for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Diversified Reinsurance	\$762.1	38.1	% \$795.3	44.1	% \$(33.2 )	(4.2	)%	
AmTrust Quota Share Reinsurance	988.9	49.4	% 727.8	40.3	% 261.1	35.9	%	
NGHC Quota Share	249.9	12.5	% 280.7	15.6	% (30.8 )	(11.0	)%	
Total	\$2,000.9	100.0	% \$1,803.8	100.0	% \$197.1	10.9	%	

The increases in the net premiums earned in the AmTrust Quota Share Reinsurance segment, for the year ended December 31, 2013 compared to 2012 reflects the continued combination of AmTrust's continuing expansion and ongoing organic growth, both of which are benefiting from improved rate levels, particularly in its U.S. workers' compensation business.

Within the Diversified Reinsurance segment, the business underwritten by Maiden US business experienced a decrease in premiums earned for the year ended December 31, 2013 of \$21.9 million, or 3.3%, compared to the same period in 2012 primarily due to: 1) the non-renewal of several large proportional U.S. reinsurance contracts that no longer met Maiden US profitability criteria in 2012; and 2) the decision by certain Maiden US clients to retain more business in 2012. In addition, net premiums earned in Maiden Specialty decreased \$7.7 million, or 49.5%, primarily due to the divestiture of our E&S business to Brit effective May 1, 2013. The net premiums earned associated with our International line remained stable during the year ended December 31, 2013 compared to 2012.

The NGHC Quota Share segment's net premiums earned decreased by \$30.8 million, or 11.0%, for the year ended December 31, 2013 compared to the same period in 2012. The decrease was a result of the termination of Maiden Bermuda's participation in the NGHC Quota Share effective August 1, 2013.

#### Comparison of Years Ended December 31, 2012 and 2011

Net premiums earned increased by \$251.4 million, or 16.2%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. The table below compares net premiums earned by segment for the years ended December 31, 2012 and 2011.

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Diversified Reinsurance	\$795.3	44.1	% \$748.4	48.3	% \$46.9	6.3	%	
AmTrust Quota Share Reinsurance	727.8	40.3	% 558.2	35.9	% 169.6	30.4	%	
NGHC Quota Share	280.7	15.6	% 245.8	15.8	% 34.9	14.2	%	
Total	\$1,803.8	100.0	% \$1,552.4	100.0	% \$251.4	16.2	%	

The increase in net premiums earned was primarily the result of the following:

**Growth in Maiden US business in the Diversified Reinsurance segment in 2011-** Continued underwriting discipline and strong organic premium written growth in 2011, particularly the second half of that year, resulted in increased earned premiums by Maiden US of \$73.8 million, or 12.3%, during the year ended December 31, 2012, compared to the year ended December 31, 2011. This growth in earned premium was partially offset by slower premium written growth in 2012 in Maiden US as noted. Additionally, reduced writings by Maiden Bermuda and the Company's international operations in 2011, as certain accounts reduced in size or were non-renewed, affected earned premium in

2012.

Growth in the AmTrust Quota Share Reinsurance segment - The commencement of the European Hospital Liability Quota Share on April 1, 2011 increased premiums earned by \$49.4 million, or 72.6%, for the year ended December 31, 2012 compared to the year ended December 31, 2011, while the business assumed under the Reinsurance Agreement increased \$120.2 million, or 24.5%, for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Growth in the NGHC Quota Share segment - For the year ended December 31, 2012, net premiums earned increased by \$34.9 million, or 14.2%, compared to the year ended December 31, 2011, as NGHC continued to expand its business.

77

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Table of Contents

## Other Insurance Revenue

Other insurance revenue, which represents the fee business that is not directly associated with premium revenue assumed by the Company, increased \$1.3 million, or 10.4%, for the year ended December 31, 2013 compared to 2012. Revenue from our German auto business represented 64.3% of the total other insurance revenue for the year ended December 31, 2013 compared to 71.9% in 2012. Other insurance revenue from the German auto business decreased by \$0.1 million, or 1.3%, for the year ended December 31, 2013, compared to 2012. Other insurance revenue earned by our remaining operations increased \$1.5 million, or 40.4%, for the year ended December 31, 2013 compared to 2012 primarily from the U.S. and Russia.

Other insurance revenue increased 2.0% for the year ended December 31, 2012 compared to the year ended December 31, 2011.

## Net Investment Income and Net Realized and Unrealized Gains on Investments

## Comparison of Years Ended December 31, 2013 and 2012

Net Investment Income - Net investment income increased by \$10.2 million, or 12.5%, for the year ended December 31, 2013 compared to the same period in 2012. The following table details the Company's average invested assets and average book yield for the year ended December 31, 2013 compared to the same period in 2012:

For the Year Ended December 31,	2013	2012	
	(\$ in Millions)		
Average invested assets <sup>(1)</sup>	\$3,210.2	\$2,764.6	
Average book yield <sup>(2)</sup>	2.8	%	2.9 %

<sup>(1)</sup>The average of the Company's investments, cash and cash equivalents, restricted cash, loan to a related party, due to broker and funds withheld balance as of each quarter during the year.

<sup>(2)</sup> Ratio of net investment income over average invested assets, at fair value.

Despite marginally lower overall portfolio yields, the increase in net investment income for the year ended December 31, 2013 compared to the same period in 2012 is the result of the 16.1% growth in average invested assets for the year ended December 31, 2013 compared to the same period in 2012. The growth in average invested assets during the period is the result of: 1) our continued profitable growth; 2) strong positive cash flow from operations during the period reported; and 3) the proceeds from the issuance of the 2013 Senior Notes and the Preference Shares - Series B offerings.

Despite the increase in invested assets, the effects of the historically low interest rates continue to limit the growth in investment income for the year ended December 31, 2013 compared to the same period in 2012. In addition, to mitigate the effects of ongoing volatility in interest rate levels experienced during 2013, the Company maintained elevated levels of cash and cash equivalents at various periods during 2013, which also contributed to lower overall portfolio yields during the period. Finally, despite higher interest rates, the Company did modestly shift its allocation of fixed maturity investments to a slightly increased weighting in Agency MBS securities compared to Corporate Bonds, which limited the increase in portfolio yield as well.

Net Realized Gains on Investment - Net realized gains on investment were \$3.6 million for the year ended December 31, 2013, compared to \$1.9 million for the same period in 2012. See "Liquidity and Capital Resources - Investments" on page 94 for further information.

Comparison of Years Ended December 31, 2012 and 2011

Net Investment Income - Net investment income increased by \$6.3 million, or 8.4%, for the year ended December 31, 2012 compared to the same period in 2011. The following table details the Company's average invested assets and average book yield for the year ended December 31, 2012 compared to the same period in 2011.

For the Year Ended December 31,	2012	2011
	(\$ in Millions)	
Average invested assets <sup>(1)</sup>	\$2,764.6	\$2,360.0
Average book yield <sup>(2)</sup>	2.9	% 3.2

<sup>(1)</sup>The average of the Company's investments, cash and cash equivalents, restricted cash, loan to a related party, due to broker and funds withheld balance as of each quarter during the year.

<sup>(2)</sup> Ratio of net investment income over average invested assets, at fair value.

Table of Contents

Despite the Company reducing the amount of cash held during 2012 and investing in longer term assets, the continuing decline in interest rates to historically low levels continue to reduce the Company's overall portfolio yield. Despite the lower portfolio yields, the increase in net investment income for the year ended December 31, 2012 compared to the same period in 2011 is the result of the 17.1% growth in average invested assets. The growth in average invested assets during this period is the result of: 1) continued profitable growth in the overall book of business in all segments as described herein; 2) strong positive cash flow from operations during the year ended December 31, 2012; and 3) the issuance of the 2012 Senior Notes and the Preference Shares - Series A.

As a result, despite the increase in average invested assets, the historically low interest rate environment has continued to limit the growth of investment income in the year ended December 31, 2012 compared to 2011. Growth in net investment income in 2012 was additionally impacted negatively by increases in prepayments in excess of initially expected levels of the Company's U.S. agency bond portfolio, resulting in increased levels of amortization of bond premiums by \$5.1 million in 2012 compared to 2011.

Net Realized and Unrealized Gains on Investments - Net realized gains on investments were \$1.9 million for the year ended December 31, 2012 compared to net realized and unrealized gains of \$0.5 million for the year ended December 31, 2011, see "Liquidity and Capital Resources - Investments" on page 94 for further information.

Net Loss and Loss Adjustment Expenses

Comparison of Years Ended December 31, 2013 and 2012

Net loss and loss adjustment expenses increased by \$87.3 million, or 6.9%, for the year ended December 31, 2013 compared to 2012. The net loss and loss adjustment expense ratios were 67.0% and 69.5% for the years ended December 31, 2013 and 2012, respectively. As noted, catastrophic losses increased the Company's loss ratios in 2012, particularly the Diversified Reinsurance segment, the result of Superstorm Sandy in 2012. These events increased the net loss and loss adjustment expense ratios by 1.7% in 2012.

Excluding losses from catastrophic events, net loss and loss adjustment expense ratios were 67.0% and 67.8% for the years ended December 31, 2013 and 2012, respectively. The decrease in the net loss and loss adjustment expense ratio for the year ended December 31, 2013 compared to the same period in 2012 arises in both the AmTrust Quota Share Reinsurance segment and the Diversified Reinsurance segment, in both Maiden Bermuda and Maiden US, however these reductions were slightly offset by higher net loss and loss adjustment expense ratio for the year ended December 31, 2013 in the NGHC Quota Share segment. The Company amortized gains as a reduction of losses assumed from the GMAC Acquisition and the IIS Acquisition of \$13.7 million for the year ended December 31, 2013 compared to \$9.1 million for 2012.

Comparison of Years Ended December 31, 2012 and 2011

Net loss and loss adjustment expenses increased by \$219.2 million, or 21.0%, for the year ended December 31, 2012 compared to 2011. The net loss and loss adjustment expense ratios were 69.5% and 66.6% for the years ended December 31, 2012 and 2011, respectively. As noted, catastrophic losses increased the Company's loss ratios in 2012 and 2011, particularly the Diversified Reinsurance segment, the result of Superstorm Sandy in 2012 and thunderstorm and tornado activity in the U.S. in the second quarter of 2011. These events increased the net loss and loss adjustment expense ratios by 1.7% and 0.6% in 2012 and 2011, respectively.

Excluding losses from catastrophic events, net loss and loss adjustment expense ratios were 67.8% and 66.0% for the years ended December 31, 2012 and 2011, respectively. The increased net loss and loss adjustment expense ratios

were largely the result of poor performance on certain accounts, primarily in Maiden US. The Company amortized gains as a reduction of losses assumed from the GMAC Acquisition and the IIS Acquisition of \$9.1 million for year ended December 31, 2012, compared to \$28.9 million in 2011. The higher net loss and loss adjustment expense ratios occurred in the Diversified Reinsurance segment, in particular Maiden US and the NGHC Quota Share segment.

#### Commission and Other Acquisition Expenses

##### Comparison of Years Ended December 31, 2013 and 2012

Commission and other acquisition expenses increased by \$64.5 million, or 13.1%, for the year ended December 31, 2013 compared to 2012. The commission and other acquisition expense ratio increased to 27.6% for the year ended December 31, 2013 compared to 27.1% for the same period in 2012. The change in the amount of expenses incurred reflects the continuing premium growth of the Company's business as discussed while the change in the ratio largely reflects: (1) continued growth and ongoing changes in the mix of business in the AmTrust Quota Share Reinsurance segment; (2) modifications made to the ceding commission of the NGHC Quota Share agreement effective October 1, 2012 and the AmTrust Quota Share Reinsurance Agreement, effective January 1, 2013; and (3) the impact of loss sensitive features on ceding commission in the Diversified Reinsurance segment, in particular on business written by Maiden US, due to improvements in the loss ratios for a number of contracts in that segment.

Table of Contents

## Comparison of Years Ended December 31, 2012 and 2011

Commission and other acquisition expenses increased by \$53.3 million, or 12.1%, for the year ended December 31, 2012 compared to 2011 due to the ongoing premium growth of the Company. However, the commission and other acquisition expense ratio decreased to 27.1% for the year ended December 31, 2012 compared to 28.0% in 2011, respectively. The reduced ratio largely reflects: (1) the impact of loss sensitive features on ceding commission in the Diversified Reinsurance segment, in particular business written by Maiden US, due to higher loss ratios in that segment; (2) continued growth and ongoing changes in the mix of business in the AmTrust Quota Share Reinsurance segment, including the impact of a full year of modifications to ceding commission made under the Reinsurance Agreement along with lower ceding commission and profit share under the European Hospital Liability Quota Share, effective April 1, 2011 and discussed in further detail in that segment's results; and (3) modifications made to ceding commission made to the NGHHC Quota Share effective October 1, 2012.

These changes were partially offset by the adoption of new accounting standards regarding the recognition of deferred commission and other acquisition expenses in the first quarter of 2012 which increased commission and other acquisition expenses by \$2.0 million for the year ended December 31, 2012 compared to 2011.

## General and Administrative Expenses

General and administrative expenses include expenses which are segregated for analytical purposes as a component of underwriting income. General and administrative expenses consist of:

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
General and administrative expenses – segments	\$45.0	\$43.6	\$40.3
General and administrative expenses – corporate	13.7	10.2	13.6
Total general and administrative expenses	\$58.7	\$53.8	\$53.9

## Comparison of Years Ended December 31, 2013 and 2012

Total general and administrative expenses increased by \$4.9 million, or 9.0%, for the year ended December 31, 2013 compared to 2012. The increase in total general and administrative expenses is primarily a result of increases in payroll and technology expenses offset by decreases in office and other professional fees. The general and administrative expense ratio remained the same at 2.9% for the years ended December 31, 2013 and 2012.

## Comparison of Years Ended December 31, 2012 and 2011

Total general and administrative expenses decreased by \$0.1 million, or 0.2%, for the year ended December 31, 2012 compared to 2011. The general and administrative expense ratio is 2.9% for the year ended December 31, 2012 compared to 3.5% in 2011. The decrease for the year reflects the continuing growth of larger quota share accounts which enable the Company to operate more efficiently.

The small decrease in total general and administrative expenses is primarily a result of decreases in office and technology expenses offset by increases in regulatory, legal and other professional fees.

## Interest and Amortization Expense

The interest and amortization expense for the years ended December 31, 2013, 2012 and 2011 consists of:

For the Year Ended December 31,	2013	2012	2011
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	(\$ in Millions)		
TRUPS Offering	\$21.4	\$21.4	\$29.5
Senior Note Offerings	18.1	15.0	4.6
Total	\$39.5	\$36.4	\$34.1

Comparison of Years Ended December 31, 2013 and 2012

The increase in interest and amortization expense for the year ended December 31, 2013 compared to the same period in 2012 was due to: 1) the issuance of the 2012 Senior Notes on March 27, 2012; therefore we did not have a full quarter charge in the first quarter of 2012; and 2) the issuance of the 2013 Senior Notes on November 25, 2013, the proceeds of which were used to redeem all of the outstanding securities under the TRUPS Offering on January 15, 2014 and resulted in additional interest charges during the period from November 25, 2013 to December 31, 2013. The weighted average interest rate was 11.3% for the year ended December 31, 2013 compared to 11.7% in 2012.

Table of Contents

## Comparison of Years Ended December 31, 2012 and 2011

The increase in interest and amortization expense for the year ended December 31, 2012 compared to the same period in 2011 was due to the issuance of 2012 Senior Notes during the first quarter 2012. These increases were offset by savings in interest expense realized due to the repurchase on July 15, 2011 of \$107.5 million of the Junior Subordinated Debt, the repurchase of which was financed with the issuance of 2011 Senior Notes. The weighted average interest rate was 11.7% for the year ended December 31, 2012 compared to 14.8% in 2011.

## Income Tax Expense

The Company recorded a current income tax expense of \$0.9 million, \$1.1 million and \$0.6 million for the years ended December 31, 2013, 2012 and 2011 respectively. These amounts relate to income tax on the earnings of its international subsidiaries and state taxes incurred by its U.S. subsidiaries. The effective rate of current income tax was 0.8% for the year ended December 31, 2013 compared to 1.9% and 2.1% for the years ended December 31, 2012, 2011, respectively.

The Company recorded a net deferred tax expense of \$1.0 million, \$1.1 million and \$1.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. The net deferred tax expense arises due to the goodwill associated with the Company's acquisition of its U.S. subsidiaries, and is offset by timing differences on recognition of certain items relating to our subsidiaries in Germany. The effect of the deferred tax expenses will be reversed as: (1) we develop U.S. taxable income to permit recognition of the net deferred tax asset on our balance sheet; and (2) the amortization period of the goodwill for tax purposes is exhausted.

## Dividends on Preference Shares

The Company declared and paid Preference Shares dividends as follows:

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
Preference shares - Series A	\$12.4	\$3.6	\$—
Preference shares - Series B	2.4	—	—
Total	\$14.8	\$3.6	\$—

The Preference Shares - Series A were issued on August 22, 2012. On October 1, 2013 three million Preference Shares - Series B were issued with an additional three hundred thousand issued on October 3, 2013.

## Underwriting Results by Operating Segments

The results of operations for our three segments, Diversified Reinsurance, AmTrust Quota Share Reinsurance and NGHC Quota Share are discussed below.

Table of Contents

## Diversified Reinsurance Segment

The underwriting results and associated ratios for the Diversified Reinsurance segment for the years ended December 31, 2013, 2012 and 2011 were as follows:

For the Year Ended December 31,	2013	2012	2011	
	(\$ in Millions)			
Net premiums written	\$761.8	\$765.3	\$798.0	
Net premiums earned	\$762.1	\$795.3	\$748.4	
Other insurance revenue	14.2	12.9	12.6	
Net loss and loss adjustment expenses	(528.5	) (584.0	) (502.4	)
Commission and other acquisition expenses	(186.8	) (203.2	) (200.2	)
General and administrative expenses	(42.3	) (40.9	) (36.4	)
Underwriting income (loss)	\$18.7	\$(19.9	) \$22.0	
Ratios				
Net loss and loss adjustment expense ratio	68.1	% 72.3	% 66.0	%
Commission and other acquisition expense ratio	24.1	% 25.1	% 26.3	%
General and administrative expense ratio	5.4	% 5.1	% 4.8	%
Expense ratio	29.5	% 30.2	% 31.1	%
Combined ratio	97.6	% 102.5	% 97.1	%

## Comparison of Years Ended December 31, 2013 and 2012

The combined ratio decreased to 97.6% for the year ended December 31, 2013 compared to 102.5% in 2012. As noted, catastrophic losses increased this segments combined ratios in 2012, the result of Superstorm Sandy. This event increased the segment combined ratio by 3.6% in 2012.

Excluding losses from catastrophic events, combined ratios were 97.6% and 98.9% for the years ended December 31, 2013 and 2012, respectively. The decreased combined ratio was primarily the result of improved results in the business written by Maiden US and in our IIS business.

Premiums - Net premiums written decreased by \$3.5 million, or 0.5%, for the year ended December 31, 2013 compared to the same period in 2012. The table below illustrates net premiums written by line of business in this segment for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in		
	Total	% of Total	Total	% of Total	\$	%	
Net Premiums Written	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)		
Property	\$143.7	18.9	% \$190.1	24.8	% \$(46.4	) (24.4	)%
Casualty	473.7	62.2	% 433.3	56.6	% 40.4	9.3	%
Accident and Health	35.4	4.6	% 37.3	4.9	% (1.9	) (5.1	)%
International	109.0	14.3	% 104.6	13.7	% 4.4	4.2	%
Total Diversified Reinsurance	\$761.8	100.0	% \$765.3	100.0	% \$(3.5	) (0.5	)%

The business underwritten by Maiden US experienced an increase in premiums written for the year ended December 31, 2013 of \$13.5 million, or 2.1%, compared to the same period in 2012 while net premiums written in Maiden Specialty decreased \$17.8 million, or 109.1%, primarily due to the divestiture of our E&S business to Brit



effective May 1, 2013. The increase in the Maiden US business was primarily due to the addition of new accounts combined with organic growth from certain existing Maiden US accounts. This was partially offset by: 1) the non-renewal of several large proportional U.S. reinsurance contracts that no longer met Maiden US profitability criteria in the second half of 2012; and 2) the decision by certain Maiden US clients to retain more business in 2013.

Table of Contents

Net premiums earned decreased by \$33.2 million, or 4.2%, during the year ended December 31, 2013 compared to the same period in 2012. The table below illustrates net premiums earned by line of business in this segment for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in		
	Total	% of Total	Total	% of Total	\$	%	
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)		
Net Premiums Earned							
Property	\$159.2	20.9	% \$212.0	26.7	% \$(52.8 )	(24.9	)%
Casualty	472.1	61.9	% 444.7	55.9	% 27.4	6.1	%
Accident and Health	36.2	4.8	% 42.0	5.3	% (5.8 )	(13.8	)%
International	94.6	12.4	% 96.6	12.1	% (2.0 )	(2.0	)%
Total Diversified Reinsurance	\$762.1	100.0	% \$795.3	100.0	% \$(33.2 )	(4.2	)%

Within the Diversified Reinsurance segment, the business underwritten by Maiden US experienced a decrease in premiums earned for the year ended December 31, 2013 of \$21.9 million, or 3.3%, compared to the same period in 2012. In addition, net premiums earned in Maiden Specialty decreased \$7.7 million, or 49.5%, primarily due to the divestiture of our E&S business to Brit effective May 1, 2013. The decrease in net premiums earned by Maiden US was primarily due to: 1) the non-renewal of several large proportional U.S. reinsurance contracts that no longer met Maiden US profitability criteria in 2012; and 2) the decision by certain Maiden US clients to retain more business in 2013. These decreases were partially offset by the addition in 2013 of new accounts combined with organic growth from certain existing Maiden US accounts.

Other Insurance Revenue - Other insurance revenue, which represents the fee business that is not directly associated with premium revenue assumed by the Company, increased \$1.3 million, or 10.4%, for the year ended December 31, 2013, compared to the same period in 2012. Revenue from our German auto business represented 64.3% of the total other insurance revenue for the year ended December 31, 2013, compared to 71.9% in 2012. Other insurance revenue from the German auto business decreased by \$0.1 million, or 1.3%, for the year ended December 31, 2013 compared to 2012. In addition, other insurance revenue earned by our remaining operations increased \$1.5 million, or 40.4%, for the year ended December 31, 2013 compared to 2012 primarily from U.S. and Russia.

Net Loss and Loss Adjustment Expenses - Net loss and loss adjustment expenses decreased by \$55.5 million, or 9.5%, for the year ended December 31, 2013 compared to 2012. Net loss and loss adjustment expense ratios were 68.1% and 72.3% for the years ended December 31, 2013 and 2012, respectively. As noted, catastrophic losses increased this segment's net loss and loss adjustment expense ratios in 2012, the result of Superstorm Sandy. This event increased the net loss and loss adjustment expense ratio by 3.6% in 2012.

Excluding losses from catastrophic events, net loss and loss adjustment expense ratios were 68.1% and 68.7% for the years ended December 31, 2013 and 2012, respectively. The Company amortized gains as a reduction of losses assumed from the GMAC Acquisition and the IIS Acquisition of \$13.7 million for year ended December 31, 2013, compared to \$9.1 million in 2012.

Commission and Other Acquisition Expenses - Commission and other acquisition expenses decreased by \$16.4 million, or 8.1%, for the year ended December 31, 2013 compared to 2012. The decrease for the year ended December 31, 2013 reflects the reduction in premiums earned for the segment in 2013 compared to 2012, consistent with the reasons cited in the discussion of the change in earned premiums.

Lower ceding commissions were recorded for the year ended December 31, 2013 compared to 2012 as a result of loss sensitive features on certain contracts, in particular business written by Maiden US. This was due to higher loss ratios on contracts with these features. For the year ended December 31, 2013, 56.7% of Maiden US net premiums written

have loss sensitive features, which results in lower ceding commissions when loss ratios increase, compared to 54.8% for the year ended December 31, 2012. For the year ended December 31, 2013, the net effect of loss sensitive features on Maiden US reinsurance contracts reduced ceding commissions by \$8.3 million, compared to \$10.4 million in 2012.

General and Administrative Expenses - Consistent with the Company's growth, general and administrative expenses increased by \$1.4 million, or 3.4%, for the year ended December 31, 2013 compared to 2012. The general and administrative expense ratio was 5.4% and 5.1% for the years ended December 31, 2013 and 2012, respectively. The increase in the ratios is due to the decline in premiums earned exceeding the decline in general and administrative expenses for the year ended December 31, 2013 compared to 2012. The overall expense ratio (including commission and other acquisition expenses) was 29.5% and 30.2% for the years ended December 31, 2013 and 2012, respectively.

Table of Contents

## Comparison of Years Ended December 31, 2012 and 2011

The combined ratio increased to 102.5% for the year ended December 31, 2012 compared to 97.1% in 2011. As noted, catastrophic losses increased this segments combined ratios in 2012 and 2011, the result of Superstorm Sandy in 2012 and thunderstorm and tornado activity in the U.S. in the second quarter of 2011. These events increased the segment combined ratios by 3.6% and 1.2% in 2012 and 2011, respectively.

Excluding losses from catastrophic events, combined ratios were 98.9% and 95.9% for the years ended December 31, 2012 and 2011, respectively. The increased net loss and loss adjustment expense ratios were primarily the result of were largely the result of poor performance on certain accounts, primarily in Maiden US and were partially offset by a lower commission and other acquisition expense ratio as a result of reductions in ceding commission from loss sensitive contract features, primarily written by Maiden US.

Premiums - Net premiums written decreased by \$32.7 million, or 4.1%, for the year ended December 31, 2012 compared to the same period in 2011. The table below illustrates net premiums written by line of business in this segment for the years ended December 31, 2012 and 2011:

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Net Premiums Written								
Property	\$190.1	24.8	% \$208.0	26.1	% \$(17.9 )	(8.6	)%	
Casualty	433.3	56.6	% 441.6	55.3	% (8.3 )	(1.9	)%	
Accident and Health	37.3	4.9	% 42.6	5.3	% (5.3 )	(12.6	)%	
International	104.6	13.7	% 105.8	13.3	% (1.2 )	(1.1	)%	
Total Diversified Reinsurance	\$765.3	100.0	% \$798.0	100.0	% \$(32.7 )	(4.1	)%	

The table below illustrates net premiums earned by line of business in this segment for the years ended December 31, 2012 and 2011:

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Net Premiums Earned								
Property	\$212.0	26.7	% \$197.0	26.3	% \$15.0	7.6	%	
Casualty	444.7	55.9	% 395.5	52.8	% 49.2	12.4	%	
Accident and Health	42.0	5.3	% 43.2	5.8	% (1.2 )	(2.9	)%	
International	96.6	12.1	% 112.7	15.1	% (16.1 )	(14.3	)%	
Total Diversified Reinsurance	\$795.3	100.0	% \$748.4	100.0	% \$46.9	6.3	%	

The reduction in premium written in the segment was primarily attributable to Maiden US, which experienced a decrease in premiums written for the year ended December 31, 2012 of \$17.3 million, or 2.6%, compared to December 31, 2011. In addition to writing fewer new accounts in 2012, Maiden US added a number of large proportional contracts in the second half of 2011 which had sizable in-force and unearned premiums assumed, which did not recur in 2012. Finally, several large proportional reinsurance contracts that no longer met Maiden US' profitability criteria were non-renewed, further contributing to the decrease.

Maiden Bermuda decreased its written premium by \$15.4 million, or 12.0%, during the year ended December 31, 2012 compared to December 31, 2011, largely due to non-renewals of certain accounts which were partially offset by new account activity.

Despite the decrease in premiums written, strong organic premium written growth in 2011, particularly the second half of that year, resulted in increased earned premiums by Maiden US of \$73.8 million, or 12.3%, during the year ended December 31, 2012, compared to the year ended December 31, 2011. This growth in earned premium was partially offset by slower premium written growth in 2012 in Maiden US as noted. Additionally, reduced writings by Maiden Bermuda and the Company's international operations, as certain accounts reduced in size or were non-renewed, affected earned premium in 2012.

Other insurance revenue represents the IIS Fee Business, which consists primarily of commissions on German auto business produced, that is not directly associated with premium revenue assumed by the Company and increased 2.0% for the year ended December 31, 2012 compared to the year ended December 31, 2011.

Table of Contents

Net Loss and Loss Adjustment Expenses - Net loss and loss adjustment expenses increased by \$81.6 million, or 16.2%, for the year ended December 31, 2012 compared to 2011. Net loss and loss adjustment expense ratios were 72.3% and 66.0% for the years ended December 31, 2012 and 2011, respectively. As noted, catastrophic losses increased this segments net loss and loss adjustment expense ratios in 2012 and 2011, the result of Superstorm Sandy in 2012 and thunderstorm and tornado activity in the U.S. in the second quarter of 2011. These events increased the net loss and loss adjustment expense ratios by 3.6% and 1.2 % in 2012 and 2011, respectively.

Excluding losses from catastrophic events, net loss and loss adjustment expense ratios were 68.7% and 64.8% for the years ended December 31, 2012 and 2011, respectively. The increased net loss and loss adjustment expense ratios were largely the result of poor performance on certain accounts, primarily in Maiden US. The Company amortized gains as a reduction of losses assumed from the GMAC Acquisition and the IIS Acquisition of \$9.1 million for year ended December 31, 2012, compared to \$28.9 million in 2011. In addition to the lower amortized gains in 2012, the higher net loss and loss adjustment expense ratios were also impacted by higher current underwriting year loss ratios in both Maiden US and the international business written from the IIS Acquisition, in particular German Auto, as well as development from business written by Maiden Bermuda in prior years.

Commission and Other Acquisition Expenses - Commission and other acquisition expenses increased by \$3.0 million, or 1.5%, for the year ended December 31, 2012 compared to 2011. The increase during the year reflects the growth of the segment in 2012 compared to 2011, consistent with the reasons cited in the discussion of the change in earned premiums. In addition, as a result of the adoption of new accounting standards regarding the recognition of deferred commission and other acquisition expenses in the first quarter 2012, commission and other acquisition expenses increased an additional \$2.0 million during year ended December 31, 2012 compared to 2011. The implementation of this new accounting standard increased the commission and other acquisition expense ratio for the segment by 0.3% for the year ended December 31, 2012.

These increases were offset by the impact of loss sensitive features on ceding commission in the segment, in particular business written by Maiden US, due to higher loss ratios in 2012 from the impact of both Superstorm Sandy and non-catastrophe underwriting results. For the year ended December 31, 2012, 54.8% of the Maiden US net premiums written have loss sensitive features, which results in lower ceding commissions when loss ratios increase. For the year ended December 31, 2012, the net effect of loss sensitive features on Maiden US reinsurance contracts reduced ceding commission by \$10.4 million, compared to \$10.7 million for the year ended December 31, 2011.

Thus despite the increase in commission and other acquisition expenses in 2012 compared to 2011, the commission and other acquisition expense ratio decreased to 25.1% for the year ended December 31, 2012 compared to 26.3% in 2011.

General and Administrative Expenses - Consistent with the Company's growth, general and administrative expenses increased by \$4.5 million, or 12.6%, for the year ended December 31, 2012 compared to 2011. The general and administrative expense ratio was 5.1% and 4.8% for the years ended December 31, 2012 and 2011, respectively. The overall expense ratio (including commission and other acquisition expenses) was 30.2% and 31.1% for the years ended December 31, 2012 and 2011, respectively.

Table of Contents

## AmTrust Quota Share Reinsurance Segment

The AmTrust Quota Share Reinsurance segment reported strong growth, stable combined ratios and increasing underwriting income in each of the comparative periods reported. The underwriting results and associated ratios for the AmTrust Quota Share Reinsurance segment for the years ended December 31, 2013, 2012 and 2011 were as follows:

For the Year Ended December 31,	2013	2012	2011	
	(\$ in Millions)			
Net premiums written	\$1,169.9	\$840.3	\$669.3	
Net premiums earned	\$988.9	\$727.8	\$558.2	
Net loss and loss adjustment expenses	(652.6 )	(494.6 )	(380.3 )	)
Commission and other acquisition expenses	(291.6 )	(200.6 )	(160.5 )	)
General and administrative expenses	(2.0 )	(1.9 )	(2.3 )	)
Underwriting income	\$42.7	\$30.7	\$15.1	
Ratios				
Net loss and loss adjustment expense ratio	66.0	% 68.0	% 68.1	%
Commission and other acquisition expense ratio	29.5	% 27.6	% 28.8	%
General and administrative expense ratio	0.2	% 0.2	% 0.4	%
Expense ratio	29.7	% 27.8	% 29.2	%
Combined ratio	95.7	% 95.8	% 97.3	%

On March 7, 2013, after receipt of approval from each of the Company's and AmTrust's Audit Committees, the Company and AmTrust executed an amendment to the Reinsurance Agreement, which provides for the extension of the term of the Reinsurance Agreement to July 1, 2016. The amendment further provides that, effective January 1, 2013, AII will receive a ceding commission of 31% of ceded written premiums with respect to all Covered Business other than retail commercial package business, for which the ceding commission will remain 34.375%. Though this commission adjustment eliminates its variable feature, the Company anticipates operating for the foreseeable future at that commission rate. Lastly, with regards to the Specialty Program portion of Covered Business only, AmTrust will be responsible for ultimate net loss otherwise recoverable from Maiden Bermuda to the extent that the loss ratio to Maiden Bermuda, which shall be determined on an inception to date basis from July 1, 2007 through the date of calculation, is between 81.5% and 95%. For the purposes of determining whether the loss ratio falls within the AmTrust Loss Corridor, workers' compensation business written in AmTrust's Specialty Program segment from July 1, 2007 through December 31, 2012 is excluded from the loss ratio calculation. Above and below the defined corridor, the Company will continue to reinsure losses at its proportional 40% share per the Reinsurance Agreement. The Company believes that these contract revisions will help to maintain the stability of the overall performance for the Reinsurance Agreement.

## Comparison of Years Ended December 31, 2013 and 2012

The AmTrust Quota Share Reinsurance segment continues to experience strong profitable growth during the year ended December 31, 2013 compared to 2012. The combined ratio decreased slightly to 95.7% for the year ended December 31, 2013 compared to 95.8% in 2012, generally reflecting this segment's stable combined loss ratios and the continued improvement in pricing that AmTrust is experiencing in certain lines of business, particularly U.S. workers' compensation. The changes in the components of the combined ratio reflect ongoing changes in this segment's mix of business and modifications to the Reinsurance Agreement's ceding commission described above.

Premiums - Net premiums written increased by \$329.6 million, or 39.2%, for the year ended December 31, 2013 compared to the same period in 2012. The increase in net premiums written reflects AmTrust's continuing expansion

and ongoing organic growth, both of which are benefiting from improved rate levels, particularly in their Small Commercial Business segment.

During 2013, business written under the Reinsurance Agreement increased by \$330.9 million or 46.4% compared to 2012 and this increase reflects AmTrust's continuing expansion and ongoing organic growth, both of which are benefiting from improved rate levels, particularly in US workers' compensation.



Table of Contents

The table below illustrates net premiums written by AmTrust's segments for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in			
	Total	% of Total	Total	% of Total	\$	%		
Net Premiums Written	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Small Commercial Business	\$572.0	48.9	% \$364.1	43.3	% \$207.9	57.1	%	
Specialty Program	157.6	13.5	% 95.9	11.4	% 61.7	64.3	%	
Specialty Risk and Extended Warranty	440.3	37.6	% 380.3	45.3	% 60.0	15.8	%	
Total AmTrust Quota Share Reinsurance	\$1,169.9	100.0	% \$840.3	100.0	% \$329.6	39.2	%	

Net premiums earned increased by \$261.1 million, or 35.9% for the year ended December 31, 2013, compared to the same period in 2012. The increase in net premiums earned arises in each of the three components of the AmTrust Quota Share Reinsurance segment. The overall increase reflects the continual ongoing growth of business written under the Reinsurance Agreement in 2013 and 2012. The table below details net premiums earned by line of business for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in			
	Total	% of Total	Total	% of Total	\$	%		
Net Premiums Earned	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Small Commercial Business	\$493.8	49.9	% \$313.1	43.0	% \$180.7	57.7	%	
Specialty Program	140.5	14.2	% 85.8	11.8	% 54.7	63.7	%	
Specialty Risk and Extended Warranty	354.6	35.9	% 328.9	45.2	% 25.7	7.8	%	
Total AmTrust Quota Share Reinsurance	\$988.9	100.0	% \$727.8	100.0	% \$261.1	35.9	%	

Net Loss and Loss Adjustment Expenses - Net loss and loss expenses increased by \$158.0 million, or 31.9%, for the year ended December 31, 2013 compared to the same period in 2012. Net loss and loss adjustment expense ratios were 66.0% and 68.0% for the years ended December 31, 2013 and 2012, respectively. The loss ratio has improved as the segments mix of business has continued to change, with the Small Commercial Business segment increasing at the fastest rate, in part due to the continued improvement in pricing that AmTrust is experiencing in certain lines of business in that segment, particularly workers' compensation.

Commission and Other Acquisition Expenses - Commission and other acquisition expenses increased by \$91.0 million, or 45.4%, for the year ended December 31, 2013 compared to 2012. Expenses have increased in 2013 as a result of ongoing growth in earned premium in each component of the AmTrust Quota Share segment. The commission and other acquisition expense ratio increased to 29.5% for the year ended December 31, 2013 compared to 27.6% in 2012. The increase in the ratio reflects the higher proportion of net premiums earned from the Reinsurance Agreement, which has a higher commission rate, than the European Hospital Liability Quota Share compared to the same period in 2012.

General and Administrative Expenses - General and administrative expenses increased by \$0.1 million, or 2.2%, for the year ended December 31, 2013 compared to the same period in 2012. The general and administrative expense ratio has remained flat at 0.2% for the year ended December 31, 2013 compared to the same period in 2012. The overall expense ratio (including commission and other acquisition expenses) was 29.7% and 27.8% for the years ended

December 31, 2013 and 2012, respectively, reflecting the changes in the commission and other acquisition expense ratio.

#### Comparison of Years Ended December 31, 2012 and 2011

The combined ratio decreased to 95.8% for year ended December 31, 2012 compared to 97.3% in 2011, reflecting generally stable loss ratios and a lower commission and other acquisition expense ratio, which reflects ongoing changes in this segments mix of business and modifications to the Reinsurance Agreement's ceding commission.

Premiums - Net premiums written increased by \$171.0 million, or 25.6% for the year ended December 31, 2012 compared to the same period in 2011. The results for the year ended December 31, 2011 include the \$45.9 million in force and unearned premium assumed at the commencement of the European Hospital Liability Quota Share on April 1, 2011. Excluding that non-recurring item, net premiums written increased by \$216.9 million, or 34.8%, for the year ended December 31, 2012 compared to 2011.

During 2012, business written under the Reinsurance Agreement increased by \$139.3 million, or 24.3%, compared to 2011 and this increase reflects AmTrust's continuing expansion through acquisition and ongoing organic growth, both of which are benefiting from improved rate levels, particularly in workers' compensation. Business written under the European Hospital Liability

Table of Contents

Quota Share increased by \$31.8 million, or 33.4%, in 2012 compared to 2011, reflecting the first full year of writings from that contract.

The table below illustrates net premiums written by AmTrust's segments for the years ended December 31, 2012 and 2011.

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
Net Premiums Written	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Small Commercial Business	\$364.1	43.3	% \$237.6	35.5	% \$126.5	53.3	%	
Specialty Program	95.9	11.4	% 93.7	14.0	% 2.2	2.3	%	
Specialty Risk and Extended Warranty	380.3	45.3	% 338.0	50.5	% 42.3	12.5	%	
Total AmTrust Quota Share Reinsurance	\$840.3	100.0	% \$669.3	100.0	% \$171.0	25.6	%	

Net premiums earned increased by \$169.6 million, or 30.4% for the year ended December 31, 2012, compared to the same period in 2011. The increase reflects the ongoing growth of business written under the Reinsurance Agreement and the European Hospital Liability Quota Share.

The table below details net premiums earned by line of business for the years ended December 31, 2012 and 2011:

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
Net Premiums Earned	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Small Commercial Business	\$313.1	43.0	% \$215.9	38.7	% \$97.2	45.0	%	
Specialty Program	85.8	11.8	% 81.3	14.6	% 4.5	5.6	%	
Specialty Risk and Extended Warranty	328.9	45.2	% 261.0	46.7	% 67.9	26.0	%	
Total AmTrust Quota Share Reinsurance	\$727.8	100.0	% \$558.2	100.0	% \$169.6	30.4	%	

Net Loss and Loss Adjustment Expenses - Net loss and loss expenses increased by \$114.3 million, or 30.1%, for the year ended December 31, 2012 compared to the the year ended December 31, 2011. Net loss and loss adjustment expense ratios were 68.0% and 68.1% for the years ended December 31, 2012 and 2011, respectively. Improved loss ratios in the workers' compensation line of business within Small Commercial were largely offset by higher loss ratios in Specialty Program. The Specialty Risk and Warranty loss ratios were generally stable.

Commission and Other Acquisition Expenses - Commission and other acquisition expenses increased by \$40.1 million, or 24.9%, for the year ended December 31, 2012 compared to the same period in 2011. Expenses have increased in 2012 as a result of ongoing growth in earned premium under both the Reinsurance Agreement and the European Hospital Liability Quota Share. The commission and other acquisition expense ratio declined to 27.6% for the year ended December 31, 2012 compared to 28.8% in 2011. The change in both the expenses and ratio reflects the modifications to ceding commission made under the Reinsurance Agreement and the lower ceding commission under the European Hospital Liability Quota Share, both effective April 1, 2011. The impact of the lower ceding commission rate reduced the amount of ceding commission paid to AmTrust by \$6.3 million for the year ended December 31, 2012, compared to \$3.4 million for the year ended December 31, 2011.

General and Administrative Expenses - General and administrative expenses decreased by \$0.4 million, or 14.6%, for the year ended December 31, 2012 compared to the same period in 2011. The general and administrative expense ratio also decreased to 0.2% for the year ended December 31, 2012 compared to 0.4% for the year ended December 31, 2011. The overall expense ratio (including commission and other acquisition expenses) was 27.8% and 29.2% for the years ended December 31, 2012 and 2011, respectively, reflecting the changes in the commission and other acquisition expense ratio.

Table of Contents

## NGHC Quota Share Segment

Please refer to "Recent Developments - NGHC Quota Share " on page 59 for additional information on recent events affecting this segment. The following table summarizes the underwriting results and associated underwriting ratios for the NGHC Quota Share segment for the years ended December 31, 2013, 2012 and 2011:

For the Year Ended December 31,	2013	2012	2011	
	(\$ in Millions)			
Net premiums written	\$164.6	\$295.7	\$256.2	
Net premiums earned	\$249.9	\$280.7	\$245.8	
Net loss and loss adjustment expenses	(168.5 )	(183.7 )	(160.4 )	
Commission and other acquisition expenses	(78.2 )	(88.3 )	(78.1 )	
General and administrative expenses	(0.7 )	(0.8 )	(1.6 )	
Underwriting income	\$2.5	\$7.9	\$5.7	
Net loss and loss adjustment expense ratio	67.4	% 65.5	% 65.3	%
Commission and other acquisition expense ratio	31.3	% 31.5	% 31.7	%
General and administrative expense ratio	0.3	% 0.2	% 0.7	%
Expense ratio	31.6	% 31.7	% 32.4	%
Combined ratio	99.0	% 97.2	% 97.7	%

## Comparison of Years Ended December 31, 2013 and 2012

The combined ratio increased to 99.0% for the year ended December 31, 2013 compared to 97.2% for 2012. The higher combined ratio was primarily due to the increased proportion of agency business, which has historically performed at a higher loss ratio level.

Effective October 1, 2012, the parties amended the reinsurance agreement to decrease the provisional ceding commission from 32.5% to 32.0% of ceded earned premiums, net of premiums ceded by the personal lines companies for inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a minimum of 30.0% (changed from 30.5%), if the loss ratio is 64.5% or greater. The Company believes that the terms, conditions and pricing of the NGHC Quota Share have been determined by arm's length negotiations and reflect current market terms and conditions. For the year ended December 31, 2013, the effect of this contract amendment reduced ceded commissions by \$0.8 million compared to \$0.4 million for the year ended December 31, 2012.

Premiums - Net premiums written decreased by \$131.1 million, or 44.3% for the year ended December 31, 2013 compared to the same period in 2012. As previously indicated, the reduction in net premiums written during 2013 was due to the termination, effective August 1, 2013, of Maiden Bermuda's participation in the NGHC Quota Share.

The table below details net premiums written by line of business in this segment for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in	
	Total	% of Total	Total	% of Total	\$	%
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)	
Net Premiums Written						
Automobile liability	\$93.9	57.0 %	\$159.9	54.1 %	\$(66.0 )	(41.3 )%
Automobile physical damage	70.7	43.0 %	135.8	45.9 %	(65.1 )	(47.9 )%
Total NGHC Quota Share	\$164.6	100.0 %	\$295.7	100.0 %	\$(131.1 )	(44.3 )%

Net premiums earned decreased by \$30.8 million, or 11.0% for the year ended December 31, 2013 compared to the same period in 2012. The decrease was the result of the termination of Maiden Bermuda's participation in the NGHC Quota Share effective August 1, 2013.

Table of Contents

The table below details net premiums earned by line of business in this segment for the years ended December 31, 2013 and 2012:

For the Year Ended December 31,	2013		2012		Change in	
	Total	% of Total	Total	% of Total	\$	%
Net Premiums Earned	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)	
Automobile liability	\$ 145.0	58.0 %	\$ 155.3	55.3 %	\$(10.3 )	(6.6 )%
Automobile physical damage	104.9	42.0 %	125.4	44.7 %	(20.5 )	(16.4 )%
Total NGHC Quota Share	\$ 249.9	100.0 %	\$ 280.7	100.0 %	\$(30.8 )	(11.0 )%

Loss and Loss Adjustment Expenses - Net losses and loss expenses decreased by \$15.2 million, or 8.3%, for the year ended December 31, 2013 compared to the same period in 2012. Net loss and loss adjustment expense ratios increased to 67.4% for the year ended December 31, 2013, compared to 65.5% for the year ended December 31, 2012, due to adverse development on prior underwriting years.

Commission and Other Acquisition Expenses - The NGHC Quota Share, as amended, provides that the reinsurers pay a provisional ceding commissions equal to 32.0% of ceded earned premiums, net of premiums ceded by the personal lines companies for inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a maximum of 34.5% if the loss ratio for the reinsured business is 60.5% or less and a minimum of 30.0% if the loss ratio is 64.5% or higher.

For the years ended December 31, 2013 and 2012, the commission and other acquisition expense ratio of 31.3% and 31.5%, respectively, reflects the adjusted ceding commission recorded in addition to the U.S. Federal excise tax payable on this premium.

General and Administrative Expenses - General and administrative expenses decreased by \$0.1 million for the year ended December 31, 2013 compared to the same period in 2012.

#### Comparison of Years Ended December 31, 2012 and 2011

The combined ratio decreased to 97.2% for the year ended December 31, 2012 compared to 97.7% for the year ended December 31, 2011. In October 2012, NGHC incurred losses from Superstorm Sandy. Our share, net of inuring reinsurance, under the NGHC Quota Share was \$2.0 million, which increased the net loss and loss adjustment expense ratio and combined ratio for the year ended December 31, 2012 by 0.7%. Excluding losses from Superstorm Sandy, the combined ratio decreased to 96.5% in 2012 from 97.7% in 2011. The cause of the decrease was a lower expense ratio in 2012, attributable in part to lower ceding commissions in 2012, the result of changes to the reinsurance agreement with NGHC.

Premiums - Net premiums written increased by \$39.5 million, or 15.4%, for the year ended December 31, 2012 compared to the same period in 2011. The table below details net premiums written by line of business in this segment for the years ended December 31, 2012 and 2011:

For the Year Ended December 31,	2012		2011		Change in	
	Total	% of Total	Total	% of Total	\$	%
Net Premiums Written	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)	
Automobile liability	\$ 159.9	54.1 %	\$ 147.4	57.5 %	\$ 12.5	8.5 %

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Automobile physical damage	135.8	45.9	% 108.8	42.5	% 27.0	24.8	%
Total NGHC Quota Share	\$295.7	100.0	% \$256.2	100.0	% \$39.5	15.4	%

Net premium earned increased by \$34.9 million, or 14.2%, for the year ended December 31, 2012 compared to the same period in 2011.

90

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Table of Contents

The table below details net premiums earned by line of business in this segment for the years ended December 31, 2012 and 2011:

For the Year Ended December 31,	2012		2011		Change in			
	Total	% of Total	Total	% of Total	\$	%		
	(\$ in Millions)		(\$ in Millions)		(\$ in Millions)			
Net Premiums Earned								
Automobile liability	\$ 155.3	55.3	% \$ 141.2	57.4	% \$ 14.1		10.0	%
Automobile physical damage	125.4	44.7	% 104.6	42.6	% 20.8		19.8	%
Total NGHC Quota Share	\$280.7	100.0	% \$245.8	100.0	% \$34.9		14.2	%

Loss and Loss Adjustment Expenses - Net losses and loss expenses increased by \$23.3 million, or 14.5%, for the year ended December 31, 2012 compared to the same period in 2011. As noted above, in October 2012, NGHC incurred losses from Superstorm Sandy. Our share, net of inuring reinsurance, under the NGHC Quota Share was \$2.0 million, which increased the net loss and loss adjustment expense ratio for the year ended December 31, 2012 by 0.7%.

Excluding losses from Superstorm Sandy, net loss and loss adjustment expense ratios decreased to 64.8% for the year ended December 31, 2012 compared to 65.3% for the year ended December 31, 2011.

Commission and Other Acquisition Expenses - The NGHC Quota Share, as amended, provides that the reinsurers pay a provisional ceding commission equal to 32.0% of ceded earned premium, net of premiums ceded by the personal lines companies for inuring reinsurance, subject to adjustment. The ceding commission is subject to adjustment to a maximum of 34.5% if the loss ratio for the reinsured business is 60.5% or less and a minimum of 30.5% if the loss ratio is 64.5% or higher.

For the years ended December 31, 2012 and 2011, the commission and other acquisition expense ratio of 31.5% and 31.7%, respectively, reflects the adjusted ceding commission recorded in addition to the U.S. Federal excise tax payable on this premium.

## 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 and loans and other permitted distributions from our subsidiaries to pay 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 various defined statutory ratios, including solvency and liquidity requirements. Some jurisdictions also place restrictions on the declaration and payment of dividends and other distributions.

The amount of dividends that can be distributed from Maiden Holdings' Bermuda-domiciled operating subsidiary Maiden Bermuda is, under certain circumstances, limited under Bermuda law and Bermuda regulatory requirements, which requires our Bermuda operating subsidiary to maintain certain measures of solvency and liquidity in accordance with the BSCR. At December 31, 2013, the statutory capital and surplus of Maiden Bermuda was \$1,106.1 million. Maiden Bermuda is currently determining its BSCR as of December 31, 2013 and we estimate that Maiden Bermuda will be allowed to pay dividends or distributions not exceeding \$218.2 million. During 2013 and 2012, Maiden Bermuda did not pay any dividends to Maiden Holdings.

Maiden Holdings' U.S. domiciled operating subsidiaries, Maiden US and Maiden Specialty, are subject to significant regulatory restrictions limiting their ability to declare and pay dividends by the states of Missouri and North Carolina, respectively, the states in which those subsidiaries are domiciled. In addition, there are restrictions based on risk-based capital, a test which is the threshold that constitutes the authorized control level. If Maiden US's or Maiden Specialty's statutory capital and surplus falls below the authorized control level, their respective domiciliary insurance regulators are authorized to take whatever regulatory actions are considered necessary to protect policyholders and creditors. At December 31, 2013, Maiden US and Maiden Specialty have statutory capital and surplus of \$269.6 million and \$48.9 million, respectively, in excess of its authorized control level. During 2013 and 2012, Maiden US and Maiden Specialty paid no dividends to their respective shareholders.

Maiden Holdings' Swedish domiciled operating subsidiary, Maiden LF, is regulated by the Swedish FSA. Maiden LF was required to maintain a minimum level of statutory capital and surplus of \$5.1 million at December 31, 2013. Maiden LF is subject to statutory and regulatory restrictions under the Swedish FSA that limit the maximum amount of annual dividends or distributions paid by Maiden LF to Maiden Holdings. As of December 31, 2013, Maiden LF is allowed to pay dividends or distributions not exceeding \$2.3 million. Maiden LF did not pay any dividends to Maiden Holdings.

Maiden Holdings' wholly owned U.K. subsidiary, Maiden Global, that operates as a reinsurance services and holding company, is subject to regulation by the U.K. Financial Conduct Authority (the "FCA") that limit the maximum amount of annual dividends or distributions paid by Maiden Global to the Company. As of December 31, 2013, Maiden Global is allowed to pay dividends or distributions not exceeding \$2.1 million. During the year, Maiden Global paid dividends totaling \$3.2 million to Maiden Holdings.

Table of Contents

Maiden Global's wholly owned subsidiary in Netherlands, Maiden Nederland B.V. ("Maiden Nederland"), operates as an insurance intermediary and is subject to regulation by the Netherlands Authority for Financial Markets (the "AFM"). There are no statutory minimum capital requirements imposed on Maiden Nederland by the AFM.

The inability of the subsidiaries of Maiden Holdings to pay dividends and other permitted distributions could have a material adverse effect on Maiden Holdings' cash requirements and ability to make principal, interest and dividend payments on its debt, preference shares and common shares.

Our sources of funds primarily consist of premium receipts net of commissions, investment income, net proceeds from capital raising activities, which may include the issuance of common and preference shares, and proceeds from sales and redemption of investments. Cash is used primarily to pay loss and loss adjustment expenses, general and administrative expenses and dividends, with the remainder made available to our investment managers for investment in accordance with our investment policy. The table below summarizes the cash flows provided by (used in) operating, investing and financing activities for the years ended December 31, 2013, 2012 and 2011:

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
Operating activities	\$366.2	\$319.1	\$181.3
Investing activities	(584.0	) (637.5	) 13.3
Financing activities	274.5	208.8	(99.5
Effect of exchange rate changes on foreign currency cash	1.6	3.1	(3.1
Total increase (decrease) in cash and cash equivalents	\$58.3	\$(106.5	) \$92.0

#### Cash Flows from Operating Activities

Cash flows from operations for the year ended December 31, 2013 were \$366.2 million compared to \$319.1 million for the year ended December 31, 2012, a 14.8% increase. The Company's assets grew by \$575.2 million, or 13.9%, as of December 31, 2013 compared to December 31, 2012. The increase in assets was largely due to the growth in premium written experienced by the Company in our AmTrust Quota Share Reinsurance segment during 2013, offset by decreases in the NGHC Quota Share segment. Cash flows associated with AmTrust segments growth typically lag by at least one calendar quarter, and the Company anticipates seeing further cash flow benefits of that growth in 2014.

Cash flows from operations for the year ended December 31, 2012 were \$319.1 million compared to \$181.3 million for the year ended December 31, 2011. The increase in the amount of cash provided by operations in the year ended December 31, 2012 reflected the significant growth in the Company during both 2011 and 2012, along with continuing profitable combined ratios, despite the losses incurred by the Company in Superstorm Sandy. The Company's assets grew by \$743.1 million or 21.9% as of December 31, 2012 compared to December 31, 2011, primarily reflecting the operating cash flows described, in addition to the issuance of the 2012 Senior Notes and the Preference Shares. Although the Company's rate of premium growth slowed in the second half of 2012, the combination of expected premium growth and stable combined ratios should continue to generate positive cash flow from operations resulting in continued growth in the Company's invested assets.

#### Cash Flows from Investing Activities

Investing cash flows consist primarily of proceeds from the sales and maturities of investments and payments for investments acquired. Net cash used in investing activities was \$584.0 million for the year ended December 31, 2013 compared to \$637.5 million for the same period in 2012. The Company continues to deploy available cash for longer-term investments as quickly as investment conditions permit and to maintain, where possible, cash and cash

equivalents balances at low levels. However, fixed income markets have been volatile in 2013 and the Company has periodically maintained elevated levels of cash and cash equivalents to mitigate near-term volatility that may occur. These elevated cash levels may result in slower growth in investment income and in certain instances, reductions in investment income despite the increase in invested assets. For the year ended December 31, 2013, the purchases of fixed maturity securities exceeded the proceeds from the sales, maturities and calls by \$637.4 million.

Net cash used in investing activities was \$637.5 million for the year ended December 31, 2012 compared to \$13.3 million provided by investing activities for the year ended December 31, 2011. Despite the current interest rate environment which continues to provide historically low fixed income yield levels, the Company continues to deploy available cash for longer-term investments as quickly as investment conditions permit and to maintain, where possible, cash and cash equivalents balances at low levels. Continuation of current market conditions however, may result in the Company accumulating elevated levels of cash and cash equivalents which may result in slower growth in investment income and in certain instances, reductions in investment income despite the increase in invested assets. For the year ended December 31, 2012, the purchases of fixed maturity securities exceeded the proceeds of sales, maturities and calls of such instruments by \$619.2 million. Investing cash flows consist primarily of proceeds on the sale or maturity of fixed-maturity investments and payments for fixed-maturity investments acquired.

Table of Contents

## Cash Flows from Financing Activities

Cash flows provided by financing activities were \$274.5 million and \$208.8 million for the years ended December 31, 2013 and 2012, respectively, compared to \$99.5 million used by financing activities in the year ended December 31, 2011. The increase in 2013 was attributable to the issuance of the Preference Shares - Series B in October 2013 and the 2013 Senior Notes which were issued in November 2013. The net proceeds from the 2013 Senior Notes and existing cash were used in January 2014 to repurchase all of the remaining outstanding securities under the TRUPS Offering. The increase in 2012 was attributable to the issuance of the 2012 Senior Notes and Preference Shares - Series A. The net cash inflow (outflow) from financing activities for the years ended December 31, 2013, 2012 and 2011 were as follows:

For the Year Ended December 31,	2013	2012	2011
	(\$ in Millions)		
Cash flows from Financing Activities			
Repurchase agreements, net	\$—	\$—	\$(76.2)
Senior notes issuance, net of issuance costs	147.4	96.6	104.7
Repayment of junior subordinated debt	—	—	(107.5)
Preference shares issuance, net of issuance costs	159.7	145.0	—
Common share issuance	1.8	0.4	0.4
Dividends paid to Maiden common shareholders	(19.6)	(29.6)	(20.9)
Dividends paid on preference shares	(14.8)	(3.6)	—
Net cash provided by (used in) financing activities	\$274.5	\$208.8	\$(99.5)

The decrease of \$10.0 million in the cash outflow from dividends paid to common shareholder for the year ended December 31, 2013 compared to 2012 arises primarily due to the accelerated payment of the common share dividend announced in the fourth quarter of 2012. This resulted in five quarterly dividends paid to common shareholders being reflected in 2012 with three quarterly dividends for the year ended December 31, 2013.

## Restrictions, Collateral and Specific Requirements

Maiden Bermuda is neither licensed nor admitted as an insurer, nor is it accredited as a reinsurer, in any jurisdiction in the U.S. As a result, it is generally required to post collateral security with respect to any reinsurance liabilities it assumes from ceding insurers domiciled in the U.S. in order for U.S. ceding companies to obtain credit on their U.S. statutory financial statements with respect to insurance liabilities ceded to them. Under applicable statutory provisions, the security arrangements may be in the form of letters of credit, reinsurance trusts maintained by trustees or funds withheld arrangements where assets are held by the ceding company.

At this time, Maiden Bermuda uses trust accounts primarily to meet collateral requirements — cash and cash equivalents and investments pledged in favor of ceding companies in order to comply with relevant insurance regulations.

Maiden US also offers to its clients, on a voluntary basis, the ability to collateralize certain liabilities related to the reinsurance contracts it issues. Under these arrangements, Maiden retains broad investment discretion in order to achieve its business objectives while giving clients the additional security a collateralized arrangement offers. We believe this offers the Company a significant competitive advantage and improves Maiden US's retention of high-quality clients. As a result of the transition of relationships following the GMAC Acquisition, as of December 31, 2013 certain of these liabilities and collateralized arrangements are on the records of Maiden Bermuda while the remaining liabilities and collateralized arrangements are on the records of Maiden US.

As of December 31, 2013, total cash and cash equivalents and fixed maturity investments used as collateral were \$2.2 billion compared to \$2.0 billion as of December 31, 2012. The increase was primarily attributable to the increase in assets provided as collateral for the AmTrust Quota Share Reinsurance agreement reflecting continued growth.

Table of Contents

The following table details additional information on those assets as of December 31, 2013 and 2012:

December 31,	2013			2012			
	Restricted Cash & Equivalents (\$ in Millions)	Fixed Maturities	Total	Restricted Cash & Equivalents (\$ in Millions)	Fixed Maturities	Total	
Maiden US	\$30.8	\$764.5	\$795.3	\$34.0	\$722.7	\$756.7	
Maiden Bermuda	42.2	192.0	234.2	64.5	231.4	295.9	
Diversified Reinsurance Maiden Bermuda	73.0	956.5	1,029.5	98.5	954.1	1,052.6	
AmTrust Quota Share Reinsurance Maiden Bermuda	3.4	1,095.0	1,098.4	32.4	824.6	857.0	
NGHC Quota Share	1.0	102.8	103.8	1.4	89.4	90.8	
Total	\$77.4	\$2,154.3	\$2,231.7	\$132.3	\$1,868.1	\$2,000.4	
As a % of Consolidated Balance Sheet captions	100.0	% 68.1	% 68.9	% 100.0	% 71.3	% 72.7	%

As part of the Reinsurance Agreement, Maiden Bermuda has also loaned funds to AmTrust totaling \$168.0 million as of December 31, 2013 and 2012, respectively, to satisfy collateral requirements with AII.

Collateral arrangements with ceding insurers may subject our assets to security interests or require that a portion of our assets be pledged to, or otherwise held by, third parties. Both our trust accounts and letters of credit are fully collateralized by assets held in custodial accounts. Although the investment income derived from our assets while held in trust accrues to our benefit, the investment of these assets is governed by the terms of the letter of credit facilities or the investment regulations of the state or territory of domicile of the ceding insurer, which may be more restrictive than the investment regulations applicable to us under Bermuda law. The restrictions may result in lower investment yields on these assets, which may adversely affect our profitability.

We do not currently anticipate that the restrictions on liquidity resulting from restrictions on the payments of dividends by our subsidiary companies or from assets committed in trust accounts or to collateralize the letter of credit facilities will have a material impact on our ability to carry out our normal business activities, including, our ability to make dividend payments on our common shares.

### Investments

The investment of our funds is designed to ensure safety of principal while generating current income. Accordingly, our funds are invested in liquid, investment-grade fixed income securities and are designated AFS. The Company's AFS fixed maturity investments increased by \$543.4 million or 20.7% as of December 31, 2013 compared to 2012, the result of continuing profitable growth and strong positive operating cash flow along with the proceeds of the 2013 Senior Notes and Preference Shares - Series B offerings which were completed during 2013.

This increase is net of a decline in the fair value of fixed maturity investments of \$109.2 million during 2013, principally the result of rising interest rates during the period. During 2013, the yield on the 10-year U.S. Treasury bond increased by 126 basis points to 3.04%, as of December 31, 2013. The 10-year U.S. Treasury is the key risk-free determinant in the fair value of many of the securities in our AFS portfolio. The rise in interest rates during 2013 was primarily the result of modestly improving economic conditions. Key economic performance indicators improved to the degree that the U.S. Federal Reserve began to restrict the accommodative monetary policy and related liquidity measures implemented in recent years to stabilize both U.S. and global economic conditions.

As interest rates have begun to experience greater volatility in the last twelve months, we have periodically maintained more cash and cash equivalents in order to better assess current market conditions and opportunities within our defined risk appetite. As of December 31, 2013, our AFS fixed maturities and cash and cash equivalents are temporarily elevated with the proceeds of the 2013 Senior Notes issued in November 2013, which were used in January 2014 to repurchase the remaining existing TRUPS, which had a face value of \$152.5 million. Adjusted for that repurchase, our cash and cash equivalent balances at December 31, 2013 are generally within an acceptable range that we would consider our portfolio fully invested at that date.

As of December 31, 2013, the weighted average duration of our AFS fixed maturity investment portfolio was 4.6 years and there were approximately \$34.3 million of net unrealized gains in the portfolio, compared to a duration of 3.5 years and net unrealized gains of \$143.5 million in the portfolio as of December 31, 2012. During 2013, our MBS portfolio continued to experience a slow down in prepayments received on its MBS portfolio, as interest rates began to rise, and combined with the purchase of \$392.6 million in new corporate bonds at an average duration of 7.5 years, the duration of our AFS portfolio increased by 1.1 years



Table of Contents

at December 31, 2013 compared to the same date in 2012. The aggregate amounts of our invested AFS assets by asset class and in total as of those dates, including the average yield and duration were as follows:

December 31, 2013	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Average yield*	Average duration
Available-for-sale fixed maturities	(\$ in Millions)					
U.S. treasury bonds	\$16.6	\$0.6	\$—	\$17.2	2.6	% 1.8 years
U.S. agency bonds – mortgage-backed	1,292.1	11.7	(41.1 )	1,262.7	2.8	% 4.4 years
U.S. agency bonds – other	7.2	0.9	—	8.1	5.0	% 6.8 years
Non-U.S. government bonds	70.4	3.5	(0.7 )	73.2	1.8	% 2.6 years
Other mortgage-backed securities	33.6	—	(0.2 )	33.4	3.4	% 6.9 years
Corporate bonds	1,546.5	83.0	(22.8 )	1,606.7	4.3	% 5.0 years
Municipal bonds - auction rate	99.2	—	—	99.2	0.3	% 0.0 years
Municipal bonds - other	62.2	0.9	(1.5 )	61.6	4.2	% 8.6 years
Total available-for-sale fixed maturities	3,127.8	100.6	(66.3 )	3,162.1	3.5	% 4.6 years
Other investments	4.5	0.6	—	5.1		
Total investments	\$3,132.3	\$101.2	\$(66.3 )	\$3,167.2		
December 31, 2012	Original or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Average yield*	Average duration
Available-for-sale fixed maturities	(\$ in Millions)					
U.S. treasury bonds	\$42.7	\$1.2	\$—	\$43.9	1.9	% 1.2 years
U.S. agency bonds – mortgage-backed	962.6	31.0	(1.4 )	992.2	2.6	% 2.5 years
U.S. agency bonds – other	11.7	1.4	—	13.1	4.4	% 4.8 years
Non-U.S. government bonds	55.2	2.2	—	57.4	1.8	% 2.9 years
Other mortgage-backed securities	23.1	0.9	—	24.0	2.8	% 3.8 years
Corporate bonds	1,247.3	113.5	(6.5 )	1,354.3	4.6	% 4.8 years
Municipal bonds - auction rate	120.0	—	—	120.0	0.3	% 0.0 years
Municipal bonds - other	12.6	1.2	—	13.8	5.7	% 7.4 years
Total available-for-sale fixed maturities	2,475.2	151.4	(7.9 )	2,618.7	3.5	% 3.5 years
Other investments	2.6	0.4	(0.1 )	2.9		
Total investments	\$2,477.8	\$151.8	\$(8.0 )	\$2,621.6		

\*Average yield is calculated by dividing annualized investment income for each sub-component of available-for sale securities (including amortization of premium or discount) by amortized cost and therefore does not include investment income earned on cash and cash equivalents or other short-term investments.

We review our investment portfolio for impairment on a quarterly basis. Impairments of investment securities results in a charge to operations when a market decline below cost is deemed to be other than temporary. To determine the recovery period of a fixed maturity security, we consider the facts and circumstances surrounding the underlying issuer including, but not limited to, the following:

⌘ Historic and implied volatility of the security;

⌘ Length of time and extent to which the fair value has been less than amortized cost;

Adverse conditions specifically related to the security or to specific conditions in an industry or geographic area;

Failure, if any, of the issuer of the security to make scheduled payments; and

Recoveries or additional declines in fair value subsequent to the balance sheet date.

95

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Table of Contents

When assessing our intent to sell a fixed maturity security or if it is more likely that we will be required to sell a fixed maturity security before recovery of its cost basis, we evaluate facts and circumstances such as, but not limited to, decisions to reposition our security portfolio, sale of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing. In order to determine the amount of the credit loss for a fixed maturity security, we calculate the recovery value by performing a discounted cash flow analysis based on the current cash flows and future cash flows we expect to recover. The discount rate is the effective interest rate implicit in the underlying fixed maturity security. The effective interest rate is the original yield or the coupon if the fixed maturity security was previously impaired. If OTTI exists and we have the intent to sell the security, we conclude that the entire OTTI is credit-related and the amortized cost for the security is written down to current fair value with a corresponding charge to realized loss on our Consolidated Statements of Income. If we do not intend to sell a fixed maturity security or it is not more likely than not we will be required to sell a fixed maturity security before recovery of its amortized cost basis but the present value of the cash flows expected to be collected is less than the amortized cost of the fixed maturity security (referred to as the credit loss), we conclude that an OTTI has occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge to realized loss on our Consolidated Statements of Income, as this is also deemed the credit portion of the OTTI. The remainder of the decline to fair value is recorded to other comprehensive income, as an unrealized OTTI loss on our Consolidated Balance Sheets, as this is considered a noncredit (i.e. recoverable) impairment

During the years ended December 31, 2013 and 2012, we recognized no OTTI. Based on our qualitative and quantitative impairment review of each asset class within our fixed maturity portfolio, the remaining unrealized losses on fixed maturities at December 31, 2013, were primarily due to widening of credit spreads since their date of purchase. Because we do not intend to sell these securities and it is not more likely than not that we will be required to sell these securities until a recovery of fair value to amortized cost, we currently believe it is probable that we will collect all amounts due according to their respective contractual terms. Therefore we do not consider these fixed maturities to be other-than-temporarily impaired at December 31, 2013.

The Company may, from time to time, engage in investment activity that will be considered trading activity, in amounts generally less than \$100 million. This trading activity is generally focused on taking long or short positions in U.S. Treasury securities. These periodic activities are classified as trading for the purpose of augmenting where possible investment returns. Unrealized gains and losses from trading activities are recorded in net realized and unrealized gains on investment on the Company's Consolidated Statements of Income.

During 2013, the Company did not engage in any such trading activities. However, for the year ended December 31, 2012 and 2011, the Company recorded realized (losses) gains from trading activities of \$(1.6) million and \$0.8 million respectively.

The following tables present information regarding our available-for-sale securities and other investments that were in an unrealized loss position at December 31, 2013 and 2012, and split by the length of time the assets are in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
December 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale fixed maturities:	(\$ in Millions)					
U.S. agency bonds – mortgage-backed	\$795.4	\$(38.4)	\$60.6	\$(2.7)	\$856.0	\$(41.1)
Non-U.S. government bonds	9.9	(0.7)	—	—	9.9	(0.7)
Other mortgage-backed securities	33.4	(0.2)	—	—	33.4	(0.2)
Corporate bonds	463.5	(16.7)	169.3	(6.1)	632.8	(22.8)

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Municipal bonds - other	50.6	(1.5	)	—	—	50.6	(1.5	)	
Total temporarily impaired AFS fixed maturities	\$1,352.8	\$(57.5	)	\$229.9	\$(8.8	)	\$1,582.7	\$(66.3	)

As of December 31, 2013, there were approximately 140 securities in an unrealized loss position with a fair value of \$1,582.7 million and unrealized losses of \$66.3 million. Of these securities, there are 19 securities that have been in an unrealized loss position for 12 months or greater with a fair value of \$229.9 million and unrealized losses of \$8.8 million.

Table of Contents

December 31, 2012	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale fixed maturities:	(\$ in Millions)					
U.S. agency bonds – mortgage-backed	\$158.6	\$(1.4 )	\$—	\$—	\$158.6	\$(1.4 )
Corporate bonds	94.7	(1.1 )	141.9	(5.4 )	236.6	(6.5 )
	253.3	(2.5 )	141.9	(5.4 )	395.2	(7.9 )
Other investments	—	—	2.0	(0.1 )	2.0	(0.1 )
Total temporarily impaired AFS fixed maturities and other investments	\$253.3	\$(2.5 )	\$143.9	\$(5.5 )	\$397.2	\$(8.0 )

As of December 31, 2012, there were approximately 32 securities in an unrealized loss position with a fair value of \$397.2 million and unrealized losses of \$8.0 million. Of these securities, there are 9 securities that have been in an unrealized loss position for 12 months or greater with a fair value of \$143.9 million and unrealized losses of \$5.5 million.

The following table summarizes the fair value by contractual maturity of our AFS fixed maturity investment portfolio as of December 31, 2013 and 2012:

December 31,	2013		2012		
	(\$ in Millions)	% of Total	(\$ in Millions)	% of Total	
Due in one year or less	\$88.6	2.8	% \$58.7	2.2	%
Due after one year through five years	427.4	13.5	% 387.9	14.8	%
Due after five years through ten years	1,154.4	36.5	% 981.5	37.5	%
Due after ten years	195.6	6.2	% 174.4	6.7	%
	1,866.0	59.0	% 1,602.5	61.2	%
U.S. agency bonds – mortgage-backed	1,262.7	39.9	% 992.2	37.9	%
Commercial mortgage-backed securities	33.4	1.1	% 24.0	0.9	%
Total AFS fixed maturities	\$3,162.1	100.0	% \$2,618.7	100.0	%

As of December 31, 2013 and 2012, 98.2% and 98.6%, respectively, of our fixed income portfolio 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 less. The following table summarizes the composition of the fair value of our fixed maturities at the dates indicated by ratings as assigned by S&P (and/or other rating agencies when S&P ratings were not available):

December 31, 2013	Amortized Cost	Fair Value	% of Total Fair Value	
	(\$ in Millions)			
Ratings				
U.S. treasury bonds	\$16.6	\$17.2	0.5	%
U.S. agency bonds	1,299.3	1,270.8	40.2	%
AAA	210.9	222.4	7.0	%
AA+, AA, AA-	236.4	243.0	7.7	%
A+, A, A-	619.1	651.3	20.6	%
BBB+, BBB, BBB-	689.5	701.5	22.2	%
BB+ or lower	56.0	55.9	1.8	%
Total AFS fixed maturities	\$3,127.8	\$3,162.1	100.0	%



Table of Contents

December 31, 2012	Amortized Cost (\$ in Millions)	Fair Value	% of Total Fair Value	
Ratings				
U.S. treasury bonds	\$42.7	\$43.9	1.7	%
U.S. agency bonds	974.3	1,005.3	38.4	%
AAA	171.1	184.0	7.0	%
AA+, AA, AA-	186.5	196.7	7.5	%
A+, A, A-	477.2	515.4	19.7	%
BBB+, BBB, BBB-	587.9	637.1	24.3	%
BB+ or lower	35.5	36.3	1.4	%
Total AFS fixed maturities	\$2,475.2	\$2,618.7	100.0	%

Substantially all the Company's U.S. agency bond holdings are mortgage-backed. Additional details on the mortgage-backed bonds component of our U.S. agency bonds portfolio as of December 31, 2013 and 2012 are as follows:

December 31,	2013		2012		
	Fair Value (\$ in Millions)	% of Total	Fair Value (\$ in Millions)	% of Total	
Mortgage-backed bonds					
Residential mortgage-backed (RMBS)					
GNMA – fixed rate	\$90.9	7.2	% \$100.8	10.0	%
FNMA – fixed rate	695.4	54.7	% 573.0	57.0	%
FNMA – variable rate	34.5	2.7	% 46.9	4.7	%
FHLMC – fixed rate	432.2	34.0	% 257.7	25.6	%
FHLMC – variable rate	9.7	0.8	% 13.8	1.4	%
Total RMBS	1,262.7	99.4	% 992.2	98.7	%
Total U.S. agency mortgage-backed bonds	1,262.7	99.4	% 992.2	98.7	%
Non-MBS fixed rate agency bonds	8.1	0.6	% 13.1	1.3	%
Total U.S. agency bonds	\$1,270.8	100.0	% \$1,005.3	100.0	%

A summary of changes in fair value associated with the Company's U.S. agency bonds – mortgage-backed portfolio for the years ended December 31, 2013 and 2012 follows:

December 31,	2013	2012	
	(\$ in Millions)		
U.S. agency bonds - mortgage-backed:			
Beginning balance	\$992.2	\$972.1	
Purchases	723.1	481.9	
Sales and paydowns	(384.4	) (438.8	)
Net realized gains (losses) on sales – included in net income	—	(1.3	)
Change in net unrealized gains – included in other comprehensive income	(58.0	) (11.3	)
Amortization of bond premium and discount	(10.2	) (10.4)	)
Ending balance	\$1,262.7	\$992.2	





Table of Contents

Prior policy measures enacted by the U.S. Federal Reserve designed to provide greater liquidity to certain credit markets, in particular the mortgage backed securities market, continue to impact the Company's MBS portfolio. However, those conditions have been abating during 2013, as interest rates have begun to rise and in December 2013 the U.S. Federal Reserve reported it had begun to gradually reduce the amount of liquidity it is providing to credit markets.

The Company continues to experience elevated levels of paydowns of its U.S. agency bond - mortgage-backed portfolio for the year ended December 31, 2013, although the aggregate amount of paydowns declined in 2013 compared to the same period in 2012 as a result of the changes in the market in anticipation of these policy changes. The elevated levels of paydowns reflect the historically low interest rate environment in the U.S. and globally in recent years, resulting in higher refinancing activity in the U.S. mortgage markets.

Despite these changing market conditions, in 2013 and 2012 the cumulative effect of these policy measures has had the effect of maintaining an elevated level of paydowns on certain MBS in the Company's AFS portfolio and has resulted in higher levels of bond premium amortization we have been incurring, which has reduced the amount of net investment income reported by the Company as a result. These conditions may abate, however as interest rates stabilize or continue to increase from current levels.

Our U.S. Agency MBS portfolio is 39.9% of our fixed maturity investments as of December 31, 2013. Given the relative size of this portfolio to our total investments, if these faster prepayment patterns were to continue over an extended period of time, this could potentially have the effect of limiting the growth in our investment income in certain circumstances, or even potentially reducing the total amount of investment income we earn.

The Company holds no asset-backed securities other than the mortgage-backed securities it has described herein.

The security holdings by sector and financial strength rating by S&P in this asset class as of December 31, 2013 and 2012 are as follows:

December 31, 2013	Ratings*					Fair Value (\$ in Millions)	% of Corporate bonds portfolio	
	AAA	AA+, AA, AA-	A+, A, A-	BBB+, BBB, BBB-	B+ or lower			
Corporate bonds								
Financial Institutions	6.1	% 4.6	% 28.9	% 10.7	% 0.2	% \$811.3	50.5	%
Industrials	—	% 2.7	% 7.8	% 28.0	% 2.5	% 659.3	41.0	%
Utilities/Other	—	% —	% 2.8	% 4.9	% 0.8	% 136.1	8.5	%
Total Corporate bonds	6.1	% 7.3	% 39.5	% 43.6	% 3.5	% \$1,606.7	100.0	%

December 31, 2012	Ratings*					Fair Value	% of Corporate bonds portfolio	
	AAA	AA+, AA, AA-	A+, A, A-	BBB+, BBB, BBB-	B+ or lower			