

Media Exchange Group, Inc.  
Form 10-Q  
March 31, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

or

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Commission File Number: 333-49388

Media Exchange Group, Inc.  
(formerly known as China Wireless Communications, Inc.)  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation  
or organization)

91-196948  
(I.R.S. Employer Identification No.)

101 Church Street, Suite 14, Los Gatos, California 95030  
(Address of principal executive offices)

(408)827-3083  
(Registrant's telephone number, including area code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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 (ss. 232.405 of this chapter) during the preceding 12 (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 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.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

Indicated the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date, 249,460,702 shares of common stock are issued and outstanding as of March 29, 2011.

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## OTHER PERTINENT INFORMATION

When used in this report, the terms “Media Exchange,” the Company”, “ we”, “our”, and “us” refers to Media Exchange Group Inc., a Nevada corporation, and our subsidiary. The information which appears on our web site is not part of this report.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise sufficient capital to fund our ongoing operations and satisfy our obligations as they become due, our ability to generate any meaningful revenues, our ability to compete within our market segment, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, as well as our annual report on Form 10-K for the year ended December 31, 2009 including the risks described in Part I. Item 1A. Risk Factors of that report. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

Media Exchange Group, Inc.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

Media Exchange Group, Inc.  
BALANCE SHEETS

ASSETS	March 31, 2010 (Unaudited)	December 31, 2009 (1 )
Current Assets:		
Cash	\$200	\$200
Total current assets	200	200
Total assets	\$200	\$200
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	\$206,643	\$163,093
Accrued compensation	846,142	696,942
Convertible notes payable and accrued interest- related parties	511,397	455,865
Convertible notes payable and accrued interest	1,041,151	856,170
Derivative liabilities	74,200	22,945
Total current liabilities	2,679,533	2,195,015
Stockholders' Deficit:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized: none issued and outstanding	-	-
Common stock, par value \$0.001 per share, 250,000,000 shares of common stock authorized, 234,260,702 issued and outstanding	234,261	234,261
Additional paid-in capital	15,104,403	15,104,403
Accumulated deficit	(18,017,997 )	(17,533,479 )
Total stockholders' deficit	(2,679,333 )	(2,194,815 )
Total liabilities and stockholders' deficit	\$200	\$200

(1) Derived from audited financial statements

See Notes to Unaudited Financial Statements.

Media Exchange Group, Inc.  
STATEMENTS OF OPERATIONS

	Three-Month Periods Ended March 31,	
	2010 (Unaudited)	2009 (Unaudited)
Operating expenses:		
Research and development	\$103,600	\$-
Selling, general and administrative	310,750	179,800
Total operating expenses	414,350	179,800
Operating loss	(414,350 )	(179,800 )
Other income(expenses):		
Change in fair value of derivative liabilities	(47,655 )	3,530
Interest expense related parties	(7,532 )	(6,945 )
Interest expense, net	(14,981 )	(12,024 )
	(70,168 )	(15,439 )
Net loss	\$(484,518 )	\$(195,239 )
Basic and diluted loss per common share	\$(0.00 )	\$(0.00 )
Basic and diluted weighted average common shares outstanding	234,260,702	234,260,702

See Notes to Unaudited Financial Statements.

Media Exchange Group, Inc.  
STATEMENTS OF CASH FLOWS

	Three-Month Periods Ended March 31,	
	2010	2009
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	\$(484,518	) \$(195,239
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	47,655	(3,530
Fair value of derivative liabilities upon issuance of debt for services rendered	3,600	-
Changes in operating assets and liabilities:		
Accrued interest	14,981	12,024
Accrued interest-related parties	7,532	6,945
Accrued compensation	297,200	107,921
Accounts payable and accrued expenses	43,550	10,800
Net cash used in operating activities	(70,000	) (61,079
Cash flows from financing activities:		
Proceeds from notes payable	70,000	61,000
Net cash provided by financing activities	70,000	61,000
Net decrease in cash	-	(79
Cash, beginning of period	200	274
Cash, end of period	\$200	\$195
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-
Non-cash investing and financing activities:		
Issuance of convertible notes payable to satisfy liabilities to related parties	\$48,000	\$100,000
Issuance of convertible notes payable to satisfy liabilities	\$100,000	\$-

See Notes to Unaudited Financial Statements.

MEDIA EXCHANGE GROUP, INC.

Notes to Unaudited Financial Statements

Note 1. Organization, Basis of Presentation and Accounting Policies.

Media Exchange Group, Inc. formerly known as China Wireless Communications, Inc. (the "Company") is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People's Republic of China ("China"). In March 2008, the Company discontinued its operations in China.

The Company's current plan of operations consists of capitalizing on its digital sport cards delivery to youth and acquiring an operating business. The Company has identified certain acquisition target(s) but has not reached any final agreements. The Company's current plan of business is to seek merger or acquisition opportunities. The Company's information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

The balance sheet presented as of March 31, 2010 is unaudited. The unaudited financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2009 included in our Annual Report on Form 10-K. The results of operations for the three-month period ended March 31, 2010 are not necessarily indicative of the results for fiscal 2010.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has experienced substantial losses since its inception (\$18.0 million) as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing or merge with a company generating cash flows from operations.

Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on the knowledge of current events and actions the Company may undertake in the future, they will differ from actual results. Included in these estimates are assumptions about recovery of assets from discontinued operations and allocation of expenses between



continued and discontinued operations.

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### Cash and Cash Equivalents

The Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2010 and December 31, 2009.

### Concentration of Credit Risk

The Company's US cash and cash equivalents accounts are held at financial institutions and are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. To reduce its risk associated with the failure of such financial institutions, the Company periodically evaluates the credit quality of the financial institutions in which it holds deposits. As of March 31, 2010 and December 31, 2009, the Company had no deposits in excess of FDIC limits in the US.

### Share-Based Compensation

Share-based compensation expenses are reflected in the Company's statement of operations under selling, general and administrative expenses.

The Company's computation of fair value of shares issued is based on the price per share as quoted on the over-the-counter bulletin or the pink sheets, as applicable, at the date of grant.

### Income Taxes

The Company accounts for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when the Company determines realization is not currently judged to be more likely than not.

The Company follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, the Company reports a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as interest expense.

### Loss per Common Share and Common Share Equivalent

The Company presents "basic: income (loss) per common share and, if applicable "diluted" income (loss) per share, pursuant to the provisions of ASC 260 "Earnings Per Share". Basic income (loss) per common share is based on the weighted average number of common shares outstanding in each year and after preferred stock dividend requirements. The calculation of diluted income (loss) per common share assumes that any dilutive convertible shares outstanding at the beginning of each year or the date issued were convertible at those dates, with outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options and warrants for which average period market price exceeds exercise price, less shares that could have been purchased by the Company with related proceeds.

There were no outstanding stock option grants as of March 31, 2010 and December 31, 2009. The outstanding common share equivalents issuable pursuant to conversion of notes payable amounted to 86,230,000 and 53,930,000 as of March 31, 2010 and December 31, 2009, respectively. The conversion feature of a note amounting to \$100,000 and convertible into 4,000,000 shares of the Company's stock has not lapsed. Additionally, the chief executive officer obtained rights to 7% of the authorized shares of common stock of the Company which amounted to approximately 17,500,000 shares at March 31, 2010 and December 31, 2009 and 150,000 shares of Preferred Stock, which includes, among other things voting rights equivalent to 450,000,000 shares of the Company's common stock. The outstanding common share equivalents issuable pursuant to convertible notes and other rights have been excluded from the earnings per share computation due to their anti-dilutive effect.

## Derivative Liabilities

The Company assessed the classification of its derivative financial instruments as of March 31, 2010 and December 31, 2009, which consist of convertible instruments and rights to shares of the Company's common stock and to shares of the Company's Preferred Stock, and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company believes that certain conversion features embedded in certain of its convertible notes payable and rights to the Company's common stock and preferred stock are not clearly and closely related to the economic characteristics of the Company's stock price. The Company does not have a sufficient amount of authorized shares to satisfy its obligations under the convertible promissory notes and rights to the shares of common stock. Additionally, while rights to preferred stock have been granted to the Company's chief executive officer, substantially all the terms were finalized in January 2011. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

The conversion feature of the substantially all convertible promissory notes outstanding at March 31, 2010 have lapsed between December 2009 and January 2011 without conversion or additional consideration provided to the note holders. Accordingly, the Company did not issue additional considerations to such instruments and it believes that there is no liability associated with them. However, the conversion feature of one note amounting to \$100,000 and convertible into 4,000,000 shares of the Company's common stock, the rights to the shares of common stock and preferred stock have not lapsed and are still outstanding. The Company estimates its liability under such rights using its traded price per share and under the convertible note payable using the binomial method.

## Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of March 31, 2010 and December 31, 2009, with the exception of its convertible promissory notes and the derivative liability associated with one note payable amounting to \$100,000. The carrying amounts of the convertible promissory notes at March 31, 2010 and December 31, 2009 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of March 31, 2010 and December 31, 2009, respectively. The derivative liabilities are based on the Company's quoted trade price per share as traded on the Pink Sheets. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

In addition, FASB ASC 825-10-25 Fair Value Option, or ASC 825-10-25, was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value options for any of its qualifying financial instruments.

Impact of Recently Issued Accounting Standards

None.

## Note 2. Notes Payable and Notes Payable to Related Parties

	March 31, 2010	December 31, 2009
\$463,000 and \$415,000 Notes payable to related parties, 5% to 8% interest per annum, unsecured and maturing between March 2009 and February 2011. At the Company's option, the principal is convertible into the Company's common stock for \$48,000 of such notes at a price of \$0.004 per share, including accrued interest of \$48,397 and \$40,865.	\$511,397	\$455,865
\$919,500 and \$749,500 Notes payable, interest rate ranging from 5% to 8% interest per annum, unsecured and maturing between February 2008 and March 2011. At the Company's option, the principal is convertible for \$489,500 of such notes into shares of the Company's common stock at a prices ranging between \$0.004 to \$0.01 per share, including accrued interest of \$121,651 and \$106,670.	1,041,151 \$1,552,548	856,170 \$1,312,035

During the three-month period ended March 31, 2009, the Company issued a note payable to its General Counsel amounting to \$100,000 to satisfy compensation liabilities.

During the three-month period ended March 31, 2010, the Company issued a note payable to two consultants aggregating \$148,000, one of which amounted to \$48,000 issued to a relative of our chief executive officer.

During the three-month period ended March 31, 2010 and 2009, the Company generated proceeds by issuing \$70,000 and \$61,000 notes payable, respectively.

Notes payable aggregating \$1,056,000 were past due at March 31, 2010.

## Note 3. Derivative Liabilities

The Company estimated its derivative liabilities under its outstanding contracts at March 31, 2010. The Company is unable to ascertain that it had a sufficient amount of authorized shares to satisfy its obligations under existing convertible promissory notes and rights held by its chief executive officer pursuant to his employment contract with the Company. Additionally, the Company has granted 150,000 shares of its Preferred Stock without finalizing the terms of such preferred stock until January 2011.

The conversion feature of the substantially all convertible promissory notes outstanding at March 31, 2010 have lapsed between December 2008 and January 2011 without conversion or additional consideration provided to the note holders. Accordingly, the Company did not issue additional considerations to such instruments and it believes that there is no liability associated with them. However, the conversion feature of one note amounting to \$100,000 and convertible into 4,000,000 shares of the Company's common stock, the rights to the shares of common stock and preferred stock have not lapsed and are still outstanding. The Company estimates its liability under such rights using its traded price per share and under the convertible note payable using the binomial method.

The aggregate fair value of derivative liabilities at March 31, 2010 and December 31, 2009 amounted to approximately \$74,000 and \$23,000, respectively.

During the three-month period ended March 31, 2010, the Company issued a \$100,000 note payable which is convertible into 4,000,000 shares of the Company's common stock. The fair value of the embedded conversion feature at the date of issuance amounted to \$3,600 and was recorded as research and development expense as additional consideration provided for the services of a software engineer.

The fair value of the rights and embedded conversion feature were based on the Company's quoted traded price and the binomial; method, respectively, at each measurement date.

The fair value of the derivative instruments were based on the following assumptions:

	March 31, 2010	Issuance during the three-month period ended March 31, 2010	December 31, 2009
<b>Rights:</b>			
market value	\$ 0.004	N/A	\$ 0.0013
<b>Embedded Conversion Feature:</b>			
Effective Exercise price	\$ 0.025	\$ 0.025	N/A
Effective Market price	0.04	0.04	N/A
Volatility	116 %	116 %	N/A
Risk-free interest	0.40 %	0.40 %	N/A
Terms	1 year	1 year	N/A
Expected dividend rate	0 %	0 %	N/A

The fair value of derivative liabilities increased by approximately \$48,000 between measurement dates during the three-month period ended March 31, 2010. Such increase is recorded as other expense in the accompanying statement of operations.

#### Note 4. Commitments and Contingencies.

##### Legal proceedings

The Company is not a party to certain legal actions, as either plaintiff or defendant, arising in the ordinary course of business, none of which is expected to have a material adverse effect on the Company's business, financial condition or results of operations. However, litigation is inherently unpredictable, and the costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings, whether civil or criminal, settlements, judgments and investigations, claims or charges in any such matters, and developments or assertions by or against us relating to the Company or to the Company's intellectual property rights and intellectual property licenses could have a material adverse effect on the Company's business, financial condition and operating results.





Compensation-Chief Executive Officer

The compensation of the Company's Chief Executive Officer is effective March 2008 through December 2009 and is as follows:

- Base annual compensation of \$400,000;
- 7% of the authorized shares of the Company;
- 7% of all capital raised by the Company;
- 7% of the disposition proceeds upon the sale of the Company;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - \$275,000 upon the performance of specific performances, which were accomplished during March 2008.

This agreement was modified effective January 1, 2010 as follows:

- Base annual compensation of \$450,000;
- Incentive compensation based on revenues ranging from \$20,000 if revenues range between \$0-2 million to \$200,000 if revenues are in excess of \$10 million;
  - Monthly stipend for office and residence of \$9,000 per month;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company.

Compensation-General Counsel

The compensation of the Company's General Counsel is effective January 1, 2009 and is as follows:

- Base annual compensation of \$204,000;
- Incentive compensation based on revenues ranging from \$10,400 if revenues range between \$0-2 million to \$102,000 if revenues are in excess of \$10 million;
  - 2% of all capital raised by the Company;
  - 5% of the disposition proceeds upon the sale of the Company;
  - Monthly stipend for office of \$3,000 per month.

Note 5. Subsequent Events

The Company has issued approximately \$1.4 million notes payable after March 31, 2010, in consideration of both cash and services from investors and vendors, respectively. The Company satisfied its obligations under \$52,500 of notes issued during 2008 by issuing 15,200,000 shares of its common stock in 2010.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2009. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements. See “Cautionary Statement Regarding Forward Looking Information” elsewhere in this report. Because this discussion involves risk and uncertainties, our actual results may differ materially from those anticipated in these forward-looking statements.

### Overview

Media Exchange Group, Inc., formerly known as China Wireless Communications, Inc. (the“Company”) is a Nevada corporation formed in March 1999. The Company operated as AVL Sys International Inc. (between March 1999 and March 2000), I-Track, Inc. (between March 2000 and March 2003, and as China Wireless Communications, Inc. between March 2003 and May 2010. As China Wireless Communications, the Company marketed information technology systems integration and internet protocol services to customers. It also provided IP routing equipment and network cabling and its customers are principally in the People’s Republic of China (“China”). In March 2008, the Company discontinued its operations in China.

The Company’s current plan of operations consists of acquiring an operating business. The Company identified certain acquisition target(s) but as not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

The Company’s current plan of operations consists of acquiring an operating business. The Company identified certain acquisition target(s) but as not reached any final agreements. The Company’s current plan of business is to seek merger or acquisition opportunities. The Company’s information technology systems business operations are accounted for as discontinued operations in the accompanying financial statements.

We currently license certain rights from a related party (Malibu Entertainment Group, Inc.) an affiliate by means of common ownership and management, to market a youth sports social network under the following brand:

[www.myespnhighlights.com](http://www.myespnhighlights.com)

Among other things, this website allows young sports participant to personalize, showcase and share their passion for a professional sport. We work with various national youth sports league to help build their the player database through registrations. The profile control the management and sharing of sport profiles, statistics and content. We use the Capsa platform to ensure support across significant carriers and handset.

## RESULTS OF OPERATIONS

	Three-Month Periods Ended		Increase/ (Decrease) in \$ 2010 vs 2009	Increase/ (Decrease) in % 2010 vs 2009
	March 31, 2010	2009		
Operating expenses:				
Research and development	\$ 103,600	\$-	\$ 103,600	NM
Selling, general and administrative	310,750	179,800	130,950	72.8 %
Total operating expenses	414,350	179,800	234,550	130.5 %
Operating loss	(414,350 )	(179,800 )	234,550	130.5 %
Other income(expenses):				
Change in fair value of derivative liabilities	(47,655 )	3,530	(44,125 )	NM
Interest expense related parties	(7,532 )	(6,945 )	587	8.5 %
Interest expense, net	(14,981 )	(12,024 )	2,957	24.6 %
	(70,168 )	(15,439 )	54,729	354.5 %
Net loss	\$(484,518 )	\$(195,239 )	\$289,279	148.2 %

NM: Not Meaningful

Three-Month Period Ending March 31, 2010 and 2009

#### Research and development

Research and development consists of consulting fees incurred by the Company in connection with the enhancement of its digital youth sports social network.

The increase in research and development during the three-month period ended March 31, 2010 when compared to the prior year period is primarily due to our enhancement of our digital youth sports social network which began during that period. We did not incur such expenses during the three-month period ended March 31, 2009.

#### Selling, general and administrative expenses

Selling, general, and administrative expenses primarily consists of compensation to officers and consultants incurred in connection with researching and identifying strategic transactions and being a publicly-traded company.

The increase in selling, general, and administrative expenses during the three-month period ended March 31, 2010 when compare to the prior year period is primarily due to increased compensation from additional staff to support our operations and increased compensation to our chief executive officer, pursuant to a new contract effective January 1, 2010.

#### Interest expense and interest expense to related parties

Interest expense primarily consists of interest on debt.

The increase in interest expense during the three-month period ended March 31, 2010 when compared to the prior year is primarily due to by our weighted-average debt higher during the three-month period ended March 31, 2010 when compared to the comparable prior year period.

#### Change in fair value of derivative liabilities

The change in fair value of derivative liabilities consists of unrealized gains or losses associated with derivative liabilities at each measurement date. The change in change of fair value of derivative liabilities between the three-month period ended March 31, 2010 when compared to the prior year is attributable to a change in the quoted price per share of common stock, one of the key assumptions used in our valuation of such derivative liabilities, during the three-month period ended March 31, 2010 and 2009, respectively. There was an increase in our quoted price per share during the three-month period ended March 31, 2010 while it remained constant between December 31, 2008 and March 31, 2009.

#### Going Concern

The Company has experienced substantial losses since its inception as well as negative cash flows from its current operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue in existence as a going concern is dependent upon its ability to obtain equity or debt financing and to merge with a company which will generate cash flows from operating activities. Management is unable to determine whether it will be successful in obtaining such equity or debt financing and whether it will be successful in completing a merger with a company generating cash flows.

#### Liquidity

Our cash balance amounted to approximately \$200 at March 31, 2010. We are unable to ascertain that our cash balance will be sufficient to meet our obligations for the next twelve months.

During the three-month period ended March 31, 2010, we used cash flows in operating activities of approximately \$90,000. This is primarily due to our net loss of approximately \$485,000, adjusted by the following non-cash transactions or changes in operating activities:

- Change in fair value of derivative liabilities of approximately \$48,000;
- Increase of accrued compensation of approximately \$297,000 and accrued expenses of \$44,000;

During the three-month period ended March 31, 2010 we generated proceeds of approximately \$70,000 by issuing notes payable.

During the three-month period ended March 31, 2009, we used cash flows from operations of approximately \$61,000 in our operating activities. This is primarily due to our net loss from operating activities of approximately \$195,000, adjusted by the following non-cash transactions or changes in operating liabilities:

- Increase of accrued compensation of approximately \$108,000.

## Critical Accounting Policies

### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include, but are not limited to the realization of accounts receivables. Actual results will differ from these estimates. Present below are those accounting policies that we believe require subjective and complex judgments that could affect reported results:

### Derivative liabilities

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company believes that certain conversion features embedded in certain of its convertible notes payable and rights to the Company's common stock and preferred stock are not clearly and closely related to the economic characteristics of the Company's stock price. The Company does not have a sufficient amount of authorized shares to satisfy its obligations under the convertible promissory notes and rights to the shares of common stock. Additionally, while rights to preferred stock have been granted to the Company's chief executive officer, substantially all the terms were finalized in January 2011. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

### Income Tax

We account for income taxes under the asset and liability approach for the financial accounting and reporting of income taxes. Deferred taxes are recorded based upon the tax impact of items affecting financial reporting and tax filings in different periods. A valuation allowance is provided against net deferred tax assets when we determine realization is not currently judged to be more likely than not.

We follow the provisions of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”) No. 740, Income Taxes (“ASC 740”). ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition purposes by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, we report a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken on a tax return and recognizes interest and penalties, if any, related to uncertain tax positions as an as interest expense.

#### Impact of Recently Issued Accounting Standards

None.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

#### Item 4T. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) or Rule 15a-15(e) under the Exchange Act) as of March 31, 2010. This evaluation (the “disclosure controls evaluation”) was done under the supervision and with the participation of management, including our chief executive officer (“CEO”) and chief financial officer (“CFO”). Based upon the disclosure controls evaluation, our CEO and CFO have concluded that, as of March 31, 2010, our disclosure controls and procedures were not effective to provide reasonable assurance that the foregoing objectives are achieved.

##### Changes in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting, as of March 31, 2010, based upon the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation under the framework in Internal Control — Integrated Framework, management concluded that our internal control over financial reporting were not effective as of March 31, 2010. We used to have sufficient staff to segregate duties but no longer have the internal resources to do so. Once we have the proper amount of working capital, we will strengthen our internal controls over financial reporting.

There were no changes in our internal controls during the three-month period ended March 31, 2010.

## PART II – OTHER INFORMATION

### Item 1A. Risk Factors

No significant development

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three-month period ended March 31, 2010, we issued \$70,000 notes payable to two individuals for cash consideration. The notes bear interest at a rate of 5% and 7% and mature a year after their issuance. The notes are convertible into shares of our common stock at rates ranging between \$0.025-\$0.004 per share, at our option.

During the three-month period ended March 31, 2010, we issued \$148,000 notes payable to two individuals in consideration for services provided. One note of \$48,000 was issued to a relative of our chief executive officer. The notes bear interest at a rate of 5% and mature a year after their issuance. The notes are convertible into shares of our common stock at a rate of \$0.004 per share, at our option.

These transactions exempt from registration under the Securities Act of 1933 in reliance on exemptions provided by Section 3(a)(9) of that act.

### Item 6. Exhibits

#### Exhibit

No.	Description
31.1	Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
31.2	Certification by Joseph R Cellura, Chief Financial Officer, pursuant to Exchange Act Rules 13A-14(a) and 15d-14(a)
32.1	Certification by Joseph R. Cellura, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by Joseph R. Cellura, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002





SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Media Exchange Group, Inc.

Date: March 31, 2011

By: /s/ Joseph Cellura  
Joseph R Cellura  
Chief Executive Officer and Chairman  
of the Board

17  
t;">%

33.9  
%  
Total

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 by U.S. GAAP to establish loss reserves to cover our estimated liability for the payment of all loss and loss adjustment expenses ("LAE") incurred with respect to premiums earned on the policies and treaties that we write. These reserves are balance sheet liabilities representing estimates of LAE which we are ultimately 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 and provisions for IBNR reserves. Case reserves are established for losses that have been reported to us, and not yet paid. 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 LAE and actuarially determined estimates of ultimate loss and LAE.

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

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 and case reserves 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.

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. 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

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the uncertainties of our reserve estimates in such lines. To assist us in establishing appropriate reserves for loss and LAE, 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 LAE. 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 Insurance Corporation ("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 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 at October 31, 2008 by underwriting year was as follows:

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$27.3	\$20.7	\$48.0
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 payment of actual claims in relation to the loss reserves transferred.

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A breakdown of the remaining case and IBNR reserves assumed under the loss portfolio transfer at December 31, 2014 was as follows:

Underwriting Year*	Case Reserves (\$ in Millions)	IBNR Reserves	Total Reserves
2000 & Prior	\$13.7	\$5.3	\$19.0
2001	5.1	1.6	6.7
2002	13.3	6.8	20.1
2003	9.9	7.3	17.2
2004	9.3	5.5	14.8
2005	8.5	2.8	11.3
2006	10.8	3.6	14.4
2007	11.0	3.6	14.6
January 1 to October 31, 2008	6.6	2.2	8.8
Total	\$88.2	\$38.7	\$126.9

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

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 was minimal as most of our clients' liabilities were collateralized in trusts. Nevertheless, for current clients, we offered the opportunity to novate all of their policies with Motors underwritten by Maiden Re. At December 31, 2014, approximately \$159.8 million of the liabilities relating to the loss portfolio transfer were novated to Maiden US, out of which \$36.8 million remains outstanding at December 31, 2014.

#### 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 International Insurance Company Ltd ("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 which were subsequently novated by IICL to Maiden Bermuda represented the estimate of the unpaid losses to be paid on all of the reinsurance contracts produced by IICL through November 30, 2010. At December 31, 2014, of the \$98.8 million loss reserves assumed under the loss portfolio transfer, there was \$30.1 million remaining.

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## Analysis of Consolidated Loss Reserves Development

The following table shows the development of gross and net reserves for unpaid loss and LAE for our business for calendar years 2012 through 2014. The table does not present accident or policy year development data. The 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.

For the Year Ended December 31,	2014	2013	2012
	(\$ in Millions)		
Gross unpaid loss and LAE reserves - January 1	\$1,957.8	\$1,740.3	\$1,398.4
Less: reinsurance recoverable - January 1	84.0	110.9	20.3
Net loss and LAE reserves - January 1	1,873.8	1,629.4	1,378.1
Net incurred losses related to:			
Current year	1,479.4	1,351.0	1,239.0
Prior years	18.8	(1.4	) 23.3
	1,498.2	1,349.6	1,262.3
Net paid losses related to:			
Current year	(430.4	) (517.6	) (485.0
Prior years	(705.4	) (598.5	) (530.3
	(1,135.8	) (1,116.1	) (1,015.3
Effect of foreign exchange movement	(40.8	) 10.9	4.3
Net loss and LAE reserves - December 31	2,195.4	1,873.8	1,629.4
Reinsurance recoverable - December 31	75.9	84.0	110.9
Gross unpaid loss and LAE reserves - December 31	\$2,271.3	\$1,957.8	\$1,740.3

At December 31, 2014, the total favorable development relating to the loss portfolio transfers of the GMAC Acquisition and IIS Acquisition has been \$97.7 million. The Company amortized gains as a reduction of losses incurred of \$8.1 million, \$13.7 million and \$9.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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.

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

The tables below show the re-estimated amount of the initial reported gross and net reserves for up to seven subsequent years, based on experience at the end of each subsequent year. The re-estimated gross and 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 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 tables shows the portion of the initial year-end net reserves that was paid as of the end of subsequent years. This section of the tables provides an indication of the portion of the re-estimated gross and net liability that is settled and is unlikely to develop in the future.



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## Development of Reserve for Loss and Loss Adjustment Expenses - Gross

For the Year Ended December 31, Gross	2007	2008 <sup>(1)</sup>	2009	2010 <sup>(1)</sup>	2011	2012	2013	2014
	(\$ in Millions)							
As originally estimated	\$38.5	\$897.7	\$1,002.7	\$1,226.8	\$1,398.4	\$1,740.3	\$1,957.8	\$2,271.3
Liability re-estimated:								
One Year later	\$36.7	\$886.3	\$963.1	\$1,238.9	\$1,426.5	\$1,750.0	\$1,944.6	
Two Years later	37.3	869.8	972.1	1,247.3	1,424.9	1,812.2		
Three Years later	37.9	852.9	975.9	1,242.0	1,454.3			
Four Years later	41.3	842.6	975.1	1,255.5				
Five Years later	40.5	838.5	985.0					
Six Years later	40.5	842.7						
Seven Years later	44.0							
Cumulative deficiency (redundancy)	5.5	(55.0 )	(17.7 )	28.7	55.9	71.9	(13.2 )	
Less: Cumulative deficiency (redundancy) due to foreign exchange	—	—	—	(3.8 )	(2.6 )	(7.8 )	(29.9 )	
Cumulative deficiency (redundancy) excluding the impact of foreign exchange	\$5.5	\$(55.0 )	\$(17.7 )	\$32.5	\$58.5	\$79.7	\$16.7	
Cumulative claims paid:								
One Year later	\$16.6	\$303.2	\$266.0	\$452.7	\$592.8	\$672.8	\$712.9	
Two Years later	33.7	402.4	457.8	746.1	914.7	1,127.2		
Three Years later	34.1	542.2	607.0	940.7	1,146.7			
Four Years later	37.6	665.0	703.4	1,066.3				
Five Years later	38.0	725.2	753.6					
Six Years later	40.2	764.9						
Seven Years later	42.8							
Liability re-estimated:								
One Year later	95.4	% 98.7	% 96.0	% 101.0	% 102.0	% 100.6	% 99.3	%
Two Years later	96.8	% 96.9	% 96.9	% 101.7	% 101.9	% 104.1	%	
Three Years later	98.5	% 95.0	% 97.3	% 101.2	% 104.0	%		
Four Years later	107.2	% 93.9	% 97.2	% 102.3	%			
Five Years later	105.3	% 93.4	% 98.2	%				
Six Years later	105.2	% 93.9	%					
Seven Years later	114.3	%						
Cumulative deficiency	14.3	% (6.1 )	% (1.8 )	% 2.3	% 4.0	% 4.1	% (0.7 )	%



(redundancy)									
Less: Cumulative deficiency (redundancy) due to foreign exchange	—	% —	% —	% (0.3)	)% (0.2)	)% (0.4)	)% (1.5)	)%	
Cumulative deficiency (redundancy) excluding the impact of foreign exchange	14.3	% (6.1)	)% (1.8)	)% 2.6	% 4.2	% 4.5	% 0.8	%	
Gross loss and LAE cumulative paid as a percentage of originally estimated liability									
One Year later	43.1	% 33.8	% 26.5	% 36.9	% 42.4	% 38.7	% 36.4	%	
Two Years later	87.6	% 44.8	% 45.7	% 60.8	% 65.4	% 64.8	%		
Three Years later	88.6	% 60.4	% 60.5	% 76.7	% 82.0	%			
Four Years later	97.7	% 74.1	% 70.2	% 86.9	%				
Five Years later	98.8	% 80.8	% 75.2	%					
Six Years later	104.4	% 85.2	%						
Seven Years later	111.2	%							

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## Development of Reserve for Loss and Loss Adjustment Expenses - Net

For the Year Ended December 31, Net of reinsurance	2007	2008 <sup>(1)</sup>	2009	2010 <sup>(1)</sup>	2011	2012	2013	2014
As Originally Estimated Liability	\$38.5	\$897.7	\$994.3	\$1,220.1	\$1,378.1	\$1,629.4	\$1,873.8	\$2,195.4
Re-estimated:								
One Year later	\$36.7	\$886.3	\$961.4	\$1,233.3	\$1,403.1	\$1,635.0	\$1,862.8	
Two Years later	37.3	869.8	969.5	1,230.6	1,383.7	1,697.9		
Three Years later	37.9	852.9	967.8	1,220.9	1,424.9			
Four Years later	41.3	842.6	965.3	1,234.2				
Five Years later	40.7	838.5	975.0					
Six Years later	40.5	842.7						
Seven Years later	44.0							
Cumulative net deficiency (redundancy)	\$5.5	\$(55.0 )	\$(19.3 )	\$14.1	\$46.8	\$68.5	\$(11.0 )	
Less: Cumulative net deficiency (redundancy) due to foreign exchange	—	—	—	(3.8 )	(2.5 )	(7.8 )	(29.8 )	
Cumulative net deficiency (redundancy) excluding the impact of foreign exchange	5.5	(55.0 )	(19.3 )	17.9	49.3	76.3	18.8	
Cumulative claims paid:								
One Year later	\$16.6	\$303.2	\$266.0	\$423.9	\$530.3	\$598.5	\$669.1	
Two Years later	33.7	402.4	444.3	682.9	827.1	1,020.7		
Three Years later	34.1	542.2	575.1	901.8	1,072.5			
Four Years later	37.6	665.0	662.5	978.0				
Five Years later	38.0	725.2	710.9					
Six Years later	40.2	764.9						
Seven Years later	42.8							
Liability Re-estimated:								
One Year later	95.4	% 98.7	% 96.7	% 101.1	% 101.8	% 100.3	% 99.4	%
Two Years later	96.8	% 96.9	% 97.5	% 100.9	% 100.4	% 104.2	%	
Three Years later	98.5	% 95.0	% 97.3	% 100.1	% 103.4	%		
Four Years later	107.2	% 93.9	% 97.1	% 101.2	%			
Five Years later	105.8	% 93.4	% 98.1	%				
Six Years later	105.2	% 93.9	%					
Seven Years later	114.3	%						
Cumulative net deficiency (redundancy)	14.3	% (6.1 )	% (1.9 )	% 1.2	% 3.4	% 4.2	% (0.6 )	%
	—	% —	% —	% (0.3 )	% (0.2 )	% (0.5 )	% (1.6 )	%

Less: Cumulative net deficiency (redundancy) due to foreign exchange Cumulative net deficiency (redundancy) excluding the impact of foreign exchange Net loss and LAE cumulative paid as a percentage of originally estimated liability	14.3	%	(6.1)	)%	(1.9)	)%	1.5	%	3.6	%	4.7	%	1.0	%
One Year later	43.1	%	33.8	%	26.7	%	34.7	%	38.5	%	36.7	%	35.7	%
Two Years later	87.6	%	44.8	%	44.7	%	56.0	%	60.0	%	62.6	%		%
Three Years later	88.6	%	60.4	%	57.8	%	73.9	%	77.8	%		%		%
Four Years later	97.7	%	74.1	%	66.6	%	80.2	%		%		%		%
Five Years later	98.8	%	80.8	%	71.5	%		%		%		%		%
Six Years later	104.4	%	85.2	%		%		%		%		%		%
Seven Years later	111.2	%		%		%		%		%		%		%

Reserve for loss and LAE include the reserves for loss and LAE of \$755.6 million, from the GMAC Acquisition, (1) which were acquired in October 2008 and \$98.8 million from the IIS Acquisition, which were acquired in November 2010.

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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 Expense" for further information regarding the specific actuarial models we utilize and the uncertainties in establishing the reserve for loss and LAE.

### Our Employees

As of February 21, 2015, we had a total of 192 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 insurance and reinsurance industry are subject to regulatory and legislative oversight and regulation in various markets we operate in.

#### Bermuda Insurance Regulation

Maiden Bermuda is regulated as a registered Class 3B general business insurer under the Insurance Act 1978 of Bermuda, as amended, and related regulations (together, the "Insurance Act"), which regulates the insurance business of Bermuda registered insurers and 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.

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. 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.

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.

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**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. The BMA may serve a notice of objection unless it is satisfied that the

interests of policyholders of the insurer would not in any manner be threatened by the material change and that the Act would continue to be complied with.

Code of Conduct. Maiden Bermuda is required to comply with the Insurance Code of Conduct of the Authority ("Code") which prescribes the duties and standards which must be complied with to ensure it implements sound corporate governance, risk management and internal controls. 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). We believe that we are in compliance with the Code.

Group Supervision. The BMA acts as group supervisor of the Company and has designated Maiden Bermuda to be the designated insurer. 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.

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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 Company 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).

**Approved Group Actuary.** The Designated Insurer must ensure that an actuary is approved by the BMA to provide an opinion as to the adequacy of an insurance group's insurance reserves as reported in its statutory financial statements. The Designated Insurer is required to submit annually an opinion of its approved group actuary with its group statutory financial return in respect of its loss and loss expense provisions.

**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.

Beginning on December 31, 2013, the Maiden Group is 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 ended December 31, 2014, it is set at 60% 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.

Group Governance. Group Rules require the parent board of directors to establish and effectively implement corporate governance policies and procedures, which it must periodically review to ensure they continue to support the overall organizational strategy of the group.

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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

• 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 six states and an authorized insurer in forty-five jurisdictions. Maiden Specialty is a licensed insurer in its state of domicile, North Carolina, and is an eligible excess and surplus lines carrier in fifty jurisdictions. Regulatory, supervisory and administrative authority is primarily delegated to the states with the exception of federal authority over boycott, coercion and 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. 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 financial 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 may be carried out in cooperation with the insurance departments of other states under guidelines promulgated by the National Association of Insurance Commissioners ("NAIC").

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### 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. State regulations generally provide that each insurance company in an insurance holding company system must register with the insurance department of its state of domicile. These laws vary from state to state, but each state has enacted legislation which requires 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

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. At December 31, 2014, Maiden US and Maiden Specialty each had adjusted capital in excess of amounts requiring company or regulatory action.

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### 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. At December 31, 2014, 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.

Regulatory changes within the NAIC model laws could affect Maiden US and Maiden Specialty if Missouri and North Carolina were to adopt the amendments to the NAIC model laws. The concept of "enterprise risk" within an insurance holding company was one of the proposals the NAIC promulgated with the adoption of amendments to the Insurance Holding Company System Regulatory Act and Regulation. If our states of domicile were to adopt this amendment as proposed, the new regulation would require extensive informational requirements on parents and other affiliates of licensed insurers or reinsurers in order to protect these entities from enterprise risk. Maiden maintains its own robust ERM framework and we believe that adoption of the NAIC model laws would not be onerous for the Company.

Additionally, in 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment ("ORSA") Model Act, establishing a legal requirement for domestic insurers to conduct an assessment and maintain a risk management framework. Domestic insurers, or their insurance group, must regularly conduct an ORSA, an assessment that must be conducted in accordance with the NAIC's ORSA Guidance Manual. The NAIC ORSA Model Act also provides that an insurer's domiciliary regulator may request once a year that an insurer and/or insurance group submit a summary report or reports which contain the information required by the ORSA Guidance Manual. If the ORSA Model Act were adopted by Missouri, the new regulation would impose more extensive filing requirements on parents and other affiliates of domestic insurers.

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 under the 2011 revisions to the NAIC Credit for Reinsurance Model Law and Regulation, non-US reinsurers from "qualified jurisdictions" can apply to become a "certified reinsurer". Certified reinsurers are eligible to post less than 100% collateral for reinsurance assumed from US ceding companies (75%, 50%, 20%, 10% or 0% collateral) depending on the reinsurer's financial strength ratings from recognized agencies and satisfaction of other criteria. Twenty three states have adopted the new models, and 5 more states are expected to adopt them in 2015. As of January 1, 2015, Bermuda, France, Germany, Ireland, Japan, Switzerland and United Kingdom have been designated as qualified jurisdictions, and reinsurers from those jurisdictions are eligible to apply to become certified. To the extent that these new 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.

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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 regulation of the business of insurance and reinsurance is predominantly performed by the states, federal initiatives, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") discussed below, 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. 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.

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

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. The FIO was established 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. The FIO coordinates federal policy on international insurance matters and has authority to represent the U.S. federal government internationally at meetings of the International Association of Insurance Supervisors (IAIS) and other similar organizations. 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 Terrorism Risk Insurance Program Reauthorization Act of 2015

Terrorism Risk Insurance Act of 2002 ("TRIA"), which was previously amended and extended in 2005, 2007 and again in 2015 by the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA 2015"), was enacted to ensure the availability of insurance coverage for terrorist acts in the U.S. The TRIPRA 2015 was signed into law by President Obama on January 12, 2015. This law renewed the prior federal terrorism risk insurance program. It was extended through December 31, 2020 with certain modifications in the provisions of the expiring program. The program includes protections for acts of foreign and domestic terrorism in the US and on US interests abroad. The insurer deductible is fixed at 20% of an insurer's direct earned premium, and the federal share of compensation is 85% in 2015, increasing by 1% a year to 20% in 2020, of insured losses that exceed insurer deductibles, subject to a \$100 billion cap. The U.S. Treasury Department is required to promulgate regulations to 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 is \$100 million per year in 2015, increasing by \$20 million per year to \$200 million in 2020. There is no assurance that TRIA will be extended beyond 2020 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. The TRIPRA 2015 has had some impact on our reinsurance clients, but not all due to the lines of business covered by Terrorism Risk Insurance Act. Also, in general, our reinsurance contracts contain inuring language regarding any potential recoveries from TRIA.

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### 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 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 of 14.7% 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 for corporate income and trade tax purposes 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 of 15% plus solidarity surcharge of 5.5% thereon (in the aggregate, a rate of 15.825%) and German trade tax 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% (for corporate income tax purposes), respectively 15% (for trade tax purposes) at the beginning of the respective calendar year (for dividends received from companies resident outside Germany, the 15% stake in the non-resident corporation must be held as from the beginning of the 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.

#### 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.

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### 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 main rate of U.K. corporation tax is 23% up to March 31, 2014, falling to 21% with effect from April 1, 2014, and further falling to 20% with effect from April 1, 2015. Non-U.K. resident corporations are within the charge to corporation tax in the U.K. if they carry on a trade in the U.K. 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.

U.K. source income of non-U.K. resident corporations may be subject to U.K. withholding tax, subject to the availability of treaty relief or any other applicable exemptions. Dividends paid by Maiden Global are not subject to U.K. withholding tax. Interest paid by Maiden Global may be subject to U.K. withholding tax at a rate of up to 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 NA 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 NA Companies, we do not expect to be required to pay U.S. 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

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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.

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Item 1A. Risk Factors.

Introduction

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.

Unlike many other publicly traded Bermuda reinsurance companies, we do not write property catastrophe reinsurance, nor do we maintain substantial primary insurance operations. As a result, you may not be able to compare our business's performance or prospects to other Bermuda-domiciled publicly traded reinsurers, who have very different strategies and balance sheet structures than us.

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), the IIS Acquisition in November 2010, and in 2013, 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 28.5%, with growth of 17.3% in 2014. 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 are targeting a 10% annual growth rate for 2015. Expansion of our business at a rate faster than we anticipate could require additional resources including capital and possibly 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. 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 most of Europe. European economic activity appears likely to remain volatile in the near future and to potentially have a continuing impact on the U.S. economy. 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, and our prospects could be materially and adversely affected.

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

We believe that there will be opportunities to renew existing business 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 may 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. 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 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. The reserves we establish 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 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. There is a time delay that elapses between the receipt and recording of claims results by the ceding insurance companies 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 LAE is insufficient to cover actual loss and LAE, 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.

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.

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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.

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, 2014, our one-in-250 year catastrophe exposure to a hurricane or an earthquake event was approximately \$33.5 million and \$33.2 million, respectively.

While we attempt to carefully manage our aggregate exposure to catastrophes, modeling errors and the incidence and severity of catastrophes, such as hurricanes, windstorms, cyber attacks 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. Maiden has since sold the business that generated the majority of the losses from Superstorm Sandy, which has resulted in a significant reduction in our overall catastrophe exposure.

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 as a reinsurer of U.S. domiciled insurers. 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. The program was reauthorized, with some adjustments to its provisions, for six years through December 31, 2020.

TRIPRA also expanded the definition of Act of Terrorism by removing the distinction between foreign and domestic acts of terrorism. 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 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.

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

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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 may 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.

Our business is subject to risks related to litigation.

We may from time to time be subject to litigation in the ordinary course of business relating to our current and past business operations, including, but not limited to, disputes over coverage or claims adjudication, including claims alleging that we have acted in bad faith in the administration of claims by our policyholders, disputes with our agents, producers and termination of contracts and related claims and disputes with former employees. We also cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our business.

An adverse resolution of one of more lawsuits or arbitrations could have a material adverse effect on our results of operations in a particular fiscal quarter or year.

The integration of companies we acquire 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 from a financial and operational standpoint 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.

Information technology and application systems 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. Our information technology systems include the Internet and third-party hosted services. We use information systems to process financial information and results of operations for internal reporting purposes and for regulatory financial reporting, legal and tax requirements. We also use information systems for electronic communications with customers and our various locations.

A shutdown or inability to access one or more of our facilities, a power outage, a security breach, 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. These incidents could be caused by malicious or disruptive software, computer hackers, rogue employees, cyber-attacks, failures of telecommunications systems or other catastrophic events. 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. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, and may become subject to legal action and increased regulatory oversight. We could also be required to spend significant financial and other resources to remedy any damage caused to repair or replace information systems.

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 information technology systems. We continue to make investments in technologies, cyber-insurance and training. 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.

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We have a cyber-security insurance policy which provides insurance coverage for cyber liability as well as additional expenses for various limits including business interruption, theft loss, communication loss, threat expenses, vandalism expenses and regulatory actions. 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.

Like most major corporations, Maiden's information systems are a target of attacks. 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, market participants' 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 2014, reinsurance of U.S. workers' compensation insurance was 36.4% 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., PartnerRe Ltd., Hannover Re Group, Transatlantic Reinsurance Company and General Reinsurance Corporation.

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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 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. It is possible that the larger combined 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 or Maiden US 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 and Maiden US have each received a financial strength rating of "A-" (Excellent) with a positive 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 and Maiden US 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 or Maiden US, 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.

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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, 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 currently 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. At December 31, 2014, the fixed income securities of \$3.5 billion in our investment portfolio represented 89.5% of our total cash and invested assets, of which \$12.6 million or 0.3% were in other investments, a combination of investments in limited partnerships and equity investments. 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. As we currently classify all of our fixed maturity investments as available-for-sale ("AFS"), changes in the market value of our securities are 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. 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 AFS fixed maturity investment portfolio combined with our cash and cash equivalents, both restricted and unrestricted, within a reasonable range of the duration of our loss reserves.

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At December 31, 2014 and 2013, these respective durations in years were as follows:

For the Year Ended December 31,	2014	2013
AFS fixed maturities and cash and cash equivalents	4.1	4.3
Reserve for loss and LAE	4.4	4.2

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 mortgage-backed securities ("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. However, if we do not structure our investment portfolio so that it is appropriately matched with our reinsurance liabilities or our operating cash flow declines, 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.

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 and Maiden US, or expand our IIS business. We anticipate that any such additional funds would be raised through equity, debt, hybrid financings or entering into retrocession agreements. 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.

If the ratings with S&P are lowered beyond current levels, this could impact our ability to obtain additional debt or hybrid capital 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.

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. As such, we may be forced to delay raising capital, issue shorter maturity 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.

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, the dividends of 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.

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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 "Notes to Consolidated Financial Statements Note 7. Long-Term Debt" included under Item 8 "Financial Statements and Supplementary Data" of this Form 10-K.

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 the claims during liquidation. At December 31, 2014, our total consolidated debt was \$360.0 million and our total consolidated liabilities were \$3.9 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. At December 31, 2014, 88.1% of the collateral provided by Maiden Bermuda was in the form of trusts.

## 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 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.

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.

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, 2014, no such hedges or hedging strategies were in force or had been entered into.

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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.

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, 2014, 12.9% of our net premiums written and 11.8% of our reserve for loss and LAE is euro denominated. At December 31, 2014 our fixed income portfolio contains: (1) \$34.2 million of euro-denominated non-U.S. government and supranational bonds, which constitute 1.0% of the fixed income portfolio; and (2) \$305.3 million of euro-denominated non-U.S. corporate bonds, which constitutes 8.8% of the fixed income portfolio. Of the euro-denominated non-U.S. government bonds, 60.7% were from Germany and the State of Israel. We hold no sovereign bonds of Greece, Ireland, Italy, Portugal or Spain.

### 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.

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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.

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 adequate 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.

## 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.

Solvency II was adopted by the European Parliament in April of 2009. The EU's executive body, the European Commission ("EC") had previously scheduled January 1, 2014 for implementation of Solvency II but this has been delayed until a start date of January 1, 2016. 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 EU. Solvency II employs a risk-based approach to setting capital requirements for insurers and reinsurers. The Solvency II directive proposes that EU and non-EU reinsurers shall be treated in the same way provided that the non-EU jurisdiction is found to have a regulatory regime "equivalence" to that of Solvency II. Our reinsurance subsidiaries are headquartered in non-EU 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 EU 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 additional collateral for our obligations to EU insurers. The BMA is seeking "equivalence" under the Solvency II directive and the European Insurance Occupational Pension Authority ("EIOPA") has completed an equivalence assessment noting that the BMA meets the criteria set out in EIOPA's methodology for equivalence assessments under Solvency II for Bermuda reinsurers but with certain caveats. It is the responsibility of the EC to grant full equivalence. A finding that Bermuda's insurance regulatory regime is not equivalent to the Solvency II could increase the cost of Maiden Bermuda's European business due to the potential of having to post additional collateral but it would not affect Maiden Bermuda's ability to operate in Europe.

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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. Dodd-Frank became effective on July 21, 2011. In addition to introducing sweeping reform of the U.S. financial services industry, Dodd-Frank has changed the regulation of reinsurance in the U.S. Dodd-Frank 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 Dodd-Frank 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 Dodd-Frank 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 and shall be liable on summary conviction to a fine of \$25,000 (and to an additional fine of \$500 for each day on which the offense has continued), or, if convicted on indictment, to a fine of \$100,000 and/or 2 years in prison. 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.

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.

#### 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, Arturo M. Raschbaum, our President and Chief Executive Officer, Karen L. Schmitt, our Chief Financial Officer, Thomas H. Highet, our President of Maiden US, 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 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.

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

Currently, we employ sixteen non-Bermudians in our Bermuda office including our President and Chief Executive Officer, our Chief Financial Officer, our President of Maiden Bermuda 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. Work permits are issued with expiry dates that range from one, three, five, six or, in certain circumstances for key executives, ten years. 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. The inability of our subsidiaries 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 also 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.

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 satisfy the required margins following declaration of those dividends, though there is no additional requirement for BMA approval. 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, such application should consist of an affidavit signed by at least two directors and the principal representative stating that in their opinion the proposed reduction in capital will not cause Maiden Bermuda to fail to meet its relevant margins, and such other information as the BMA may require. Maiden Bermuda is also restricted in paying dividends that would result in Maiden Bermuda failing to comply with the ECR as calculated based on the BSCR or cause Maiden Bermuda to fail to meet its relevant margins. At December 31, 2014, Maiden Bermuda has the ability to pay dividends or distributions not exceeding \$222.5 million without prior regulatory approval.

The timing and amount of any cash dividends on our common shares are at the discretion of the Board of Directors and will depend upon result of operations and cash flows, our financial position and capital requirements, and any

other factors that our Board of Directors deems relevant.

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. At December 31, 2014, Maiden US currently cannot pay dividends to Maiden NA.

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 March 2, 2015, our Founding Shareholders beneficially control approximately 28.1% of our outstanding common shares. Although they do not have any voting agreements or arrangements, our Founding Shareholders could 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 \$0.13 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 \$0.13 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

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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.

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.

On November 5, 2014, the Company's Board of Directors approved an increase in the quarterly dividend payable to common shareholders from \$0.11 to \$0.13. The dividend will be payable on January 15, 2015 to shareholders of record as of January 2, 2015. Pursuant to the Conversion Rate Adjustment described above, the minimum and maximum conversion rates of 3.2258 and 4.0322, respectively, will be adjusted. The adjusted minimum and maximum conversion rates is determined after the close of business on January 2, 2015 (dividend record date), when the market price of the Company's common shares is known. The current number of common shares that could possibly be issued on conversion, if conversion after January 2, 2015 was permitted in accordance with the terms and conditions of Form 424B Prospectus Supplement filed with the SEC, is 10,751,648, an increase of 106,486 common shares since October 1, 2013.



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.

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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 March 3, 2015, 73,092,169 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 March 3, 2015, the total options outstanding was 2,315,450. 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.

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 45 (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, to 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 or adjust 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.

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.

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In addition, AII, AEL and AIUL 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 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

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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, renewable, 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 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.

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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 53.9% of the outstanding shares of AmTrust's common shares, (ii) our Founding Shareholders sponsored our formation, and (iii) our Founding Shareholders' common shares represent approximately 28.1% 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. 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. 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.

Collateral has been provided to AmTrust, AII and AEL in the form of trusts, letters of credit and a loan.

As a result of our use of trust accounts, letters of credit and a loan, a substantial portion of our assets will not be available to us for other uses, which could reduce our financial flexibility. If further 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. At December 31, 2014, \$2.1 billion was provided as collateral to AmTrust, AII and AEL in the form of trusts, letters of credit and a loan.

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 thereunder. If one or more of these AmTrust subsidiaries



withdraws Maiden Bermuda's assets from their trust account 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 LAE 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.

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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.

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"), currently Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.

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. It may therefore be altered prior to any implementation, the timing of which remains unclear. The current plan is to implement a FTT on a progressive basis, with the first phase applying from January 1, 2016. The introduction of FTT in this or similar form could have an adverse effect 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; (iii) 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; (iv) one of our Founding Shareholders, Michael Karfunkel, controls NGHC; (v) 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 (vi) 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.

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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 U.S. insurance company and retroceded 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 shares 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.

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At December 31, 2014, we believe that either (i) the direct or 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, 2014 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 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 proposals and legislative proposals would reduce or eliminate the tax deduction for reinsurance premiums paid by a U.S. insurer or reinsurer to a non-U.S. affiliate. 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.

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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" 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 21% (due to fall to 20% from April 1, 2015 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.

From April 1, 2015, the U.K. plans to introduce a new Diverted Profits Tax ("DPT"). The DPT will apply to foreign companies with sales in the U.K. that organize their affairs to avoid creating a taxable presence (in the form of a permanent establishment) in the U.K., or to U.K. companies that enter into transactions with connected companies which lack economic substance to exploit differentials in tax rates. DPT will be charged at 25% of the profits representing the contribution of the U.K. activities to the group's results.

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, or if the DPT applied, 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 Hamilton, 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 6 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 September 30, 2020, for use by Maiden Re and Maiden US. We also lease office space in the U.K., Germany, Austria and Russia, respectively, with various expiry dates.

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## 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.

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

In April 2009, the Company learned that Bentzion S. Turin, the former Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Bermuda, sent a letter to the U.S. Department of Labor claiming that his employment with the Company was terminated in retaliation for corporate 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 Trust Preferred Securities Offering and seeks reinstatement as Chief Operating Officer, General Counsel and Secretary of Maiden Holdings and Maiden Bermuda, back pay and legal fees incurred. On December 31, 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. The administrative hearing began in September 2014, and we expect it to conclude in the first half of 2015. 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 NASDAQ under the symbol "MHLN" 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 NASDAQ. Such prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and do not necessarily represent actual transactions.

	High	Low
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

2014		
First quarter	\$13.48	\$10.55
Second quarter	\$13.05	\$11.29
Third quarter	\$12.51	\$11.07
Fourth quarter	\$13.52	\$10.92

At March 2, 2015, the last reported sale price of our common share was \$14.36 per share and there were 34 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, 2014 and 2013, we declared regular quarterly dividends totaling \$0.46 and \$0.38 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. On July 24, 2014, the Company's Board of Directors approved the repurchase of up to \$75.0 million of the Company's common shares from time to time at market prices. During the years ended December 31, 2014 and 2013, there were no common shares repurchased by the Company under the plan.

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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", 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, 2009, assuming \$100 was invested on that date and ending on December 31, 2014.

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

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## Item 6. Selected Financial Data.

The following tables set forth our selected consolidated financial data and other financial information at the end of and for each of the years in the five-year period ended December 31, 2014.

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,	2014	2013	2012	2011	2010
	(\$ in Millions, Except per Share Amounts and Ratios)				
<b>Summary Consolidated Statement of Income Data:</b>					
Gross premiums written	\$2,507.4	\$2,204.2	\$2,001.0	\$1,812.6	\$1,298.1
Net premiums written	\$2,458.1	\$2,096.3	\$1,901.3	\$1,723.5	\$1,227.8
Net premiums earned	\$2,251.7	\$2,000.9	\$1,803.8	\$1,552.4	\$1,169.8
Other insurance revenue	13.4	14.2	12.9	12.6	—
Net investment income	117.2	91.4	81.2	74.9	71.6
Net realized and unrealized gains on investments	1.2	3.6	1.9	0.5	6.6
Net impairment losses recognized in earnings	(2.4 )	—	—	—	—
Total revenues	2,381.1	2,110.1	1,899.8	1,640.4	1,248.0
Net loss and loss adjustment expenses	1,498.3	1,349.6	1,262.3	1,043.1	755.1
Commissions and other acquisition expenses	659.3	556.6	492.1	438.8	336.7
General and administrative expenses	62.9	58.7	53.8	53.9	42.2
Interest and amortization expenses	29.6	39.5	36.4	34.1	36.5
Accelerated amortization of junior subordinated debt discount and issuance cost	28.2	—	—	20.3	—
Junior subordinated debt repurchase expense	—	—	—	15.1	—
Amortization of intangible assets	3.3	3.8	4.4	5.0	5.8
Foreign exchange and other (gains) losses	(4.2 )	(2.8 )	(1.6 )	(0.3 )	0.5
Income tax expense	2.2	1.9	2.2	1.9	1.3
Income attributable to noncontrolling interests	0.1	0.1	0.1	—	—
Total expenses	2,279.7	2,007.4	1,849.7	1,611.9	1,178.1
Dividends on preference shares	(24.3 )	(14.8 )	(3.6 )	—	—
Net income attributable to Maiden common shareholders	\$77.1	\$87.9	\$46.5	\$28.5	\$69.9
<b>Per Common Share Data:</b>					
<b>Earnings per common share<sup>(1)</sup>:</b>					
Basic	\$1.06	\$1.21	\$0.64	\$0.40	\$0.99
Diluted	\$1.04	\$1.18	\$0.64	\$0.39	\$0.98
<b>Weighted average number of common shares outstanding:</b>					
Basic	72,843,782	72,510,361	72,263,022	72,155,503	70,799,966
Diluted	74,117,568	76,417,839	73,105,531	72,903,688	71,372,688
Dividends declared per common share	\$0.46	\$0.38	\$0.33	\$0.30	\$0.27



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For the Year Ended December 31,	2014	2013	2012	2011	2010	
Selected Consolidated Ratios:						
Loss and loss adjustment expense ratio <sup>(2)</sup>	66.1	% 67.0	% 69.5	% 66.6	% 64.6	%
Commission and other acquisition expense ratio <sup>(3)</sup>	29.1	% 27.6	% 27.1	% 28.0	% 28.8	%
General and administrative expense ratio <sup>(4)</sup>	2.8	% 2.9	% 2.9	% 3.5	% 3.5	%
Expense ratio <sup>(5)</sup>	31.9	% 30.5	% 30.0	% 31.5	% 32.3	%
Combined ratio <sup>(6)</sup>	98.0	% 97.5	% 99.5	% 98.1	% 96.9	%
December 31,	2014	2013	2012	2011	2010	
(\$ in Millions, Except per Share Amounts)						
Summary Consolidated Balance Sheet Data:						
Cash and cash equivalents	\$ 108.1	\$ 139.8	\$ 81.5	\$ 188.1	\$ 96.2	
Restricted cash and cash equivalents	284.4	77.4	132.3	114.9	89.8	
Total investments, at fair value	3,469.5	3,167.2	2,621.6	2,022.9	1,880.3	
Reinsurance balances receivable, net	513.0	560.1	522.6	423.4	226.3	
Loan to related party	168.0	168.0	168.0	168.0	168.0	
Deferred commission and other acquisition expenses	372.5	304.9	270.7	248.4	203.6	
Total assets	5,164.1	4,713.4	4,138.2	3,395.1	2,982.6	
Reserve for loss and loss adjustment expenses	2,271.3	1,957.8	1,740.3	1,398.4	1,226.8	
Unearned premiums	1,207.8	1,034.8	936.5	832.0	657.6	
Senior notes	360.0	360.0	207.5	107.5	—	
Junior subordinated debt <sup>(7)</sup>	—	126.4	126.3	126.3	215.2	
Total Maiden shareholders' equity	1,240.7	1,123.8	1,015.2	768.6	750.2	
Book Value:						
Book value per common share <sup>(8)</sup>	\$ 12.69	\$ 11.14	\$ 11.96	\$ 10.64	\$ 10.40	
Accumulated dividends per common share	2.22	1.76	1.38	1.05	0.75	
Book value per common share plus accumulated dividends	\$ 14.91	\$ 12.90	\$ 13.34	\$ 11.69	\$ 11.15	
Change in book value per common share plus accumulated dividends	15.6	% (3.3	)% 14.1	% 4.8	% 10.3	%
Diluted book value per common share <sup>(9)</sup>	\$ 12.47	\$ 10.92	\$ 11.95	\$ 10.48	\$ 10.26	

Please refer to "Notes to Consolidated Financial Statements Note 12. Earnings per Common Share" included under (1)Item 8 "Financial Statements and Supplementary Data" of this Form 10-K for the calculation of basic and diluted earnings per common share.

(2)Calculated by dividing net loss and LAE 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.

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

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 (9) and restricted share units (assuming exercise of all dilutive share based awards). The Mandatory Convertible Preference Shares - Series B are excluded at December 31, 2014 and 2013 as they are anti-dilutive.



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### 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 and Item 1, "Business - General Overview" on page 2. 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.

#### 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 significant claims from natural catastrophes. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper.

We have operations in Bermuda and the United States which provide reinsurance through our wholly owned subsidiaries, Maiden Bermuda and Maiden US. Maiden Bermuda and Maiden US do 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.

Our business consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance (previously titled AmTrust Quota Share Reinsurance). Please refer to Item 1, "Business - Our Reportable Segments" section of this Annual Report on Form 10-K for the year ended December 31, 2014 for a discussion on the revised structure of the reportable segments.

#### Recent Developments

The following are strategic and capital transactions that occurred during the years ended December 31, 2014 and 2013.

#### Redemption of Junior Subordinated Debt

On January 15, 2014, the Company's wholly owned U.S. holding company, Maiden Holdings North America ("Maiden NA"), repurchased all of the outstanding Trust Preferred Securities (the "TRUPS Offering"), with a face value of \$152.5 million, which has substantially lowered our cost of capital. The Company utilized the net proceeds of its Senior Notes offering in November 2013 ("2013 Senior Notes"), as well as cash on hand, to redeem the junior subordinated debt. As a result of the redemption, during the year ended December 31, 2014, the Company incurred a non-recurring, non-cash charge of \$28.2 million, which represents the accelerated amortization of original issuance discount and write-off of issuance costs 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 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 NYSE 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 NASDAQ and trading commenced on October 1, 2013 under the symbol "MHLDO".

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## 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&amp;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, 2014, 2013 and 2012, the E&S net premiums written by the Company totaled \$(1.5) million, \$(1.6) million and \$19.6 million, respectively, which represented 0.1%, 0.1% and 1.0% of our consolidated net premiums written for each respective year.

## 2014 Financial Highlights

For the Year Ended December 31,

	2014	2013	% Change	
	(\$ in Millions except per share data)			
<b>Summary Consolidated Statement of Income Data:</b>				
Net Income	\$ 101.5	\$ 102.8	(1.3	)%
Net income attributable to Maiden common shareholders	77.1	87.9	(12.3	)%
Operating earnings <sup>(1)</sup>	117.7	87.5	34.5	%
Basic earnings per common share:				
Net income attributable to Maiden common shareholders <sup>(2)</sup>	1.06	1.21	(12.4	)%
Operating earnings <sup>(1)</sup>	1.61	1.21	33.1	%
Diluted earnings per common share:				
Net income attributable to Maiden common shareholders <sup>(2)</sup>	1.04	1.18	(11.9	)%
Operating earnings <sup>(1)</sup>	1.53	1.18	29.7	%
Dividends per common share	0.46	0.38	21.1	%
Dividends per preference shares - Series A	2.06	2.06	—	%
Dividends per preference shares - Series B	3.63	0.75	384.0	%
Gross premiums written	2,507.4	2,204.2	13.8	%
Net premiums earned	2,251.7	2,000.9	12.5	%
Underwriting income <sup>(3)</sup>	61.8	63.9	(3.3	)%
Net investment income	117.2	91.4	28.3	%
Combined Ratio <sup>(4)</sup>	98.0	% 97.5	% 0.5	%
Annualized operating return on average common shareholders' equity <sup>(1)</sup>	13.6	% 10.5	% 29.5	%

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At December 31,	2014	2013	% Change	
Consolidated Financial Condition	(\$ in Millions except per share data)			
Total investments, at fair value	\$3,469.5	\$3,167.2	9.5	%
Total assets	5,164.1	4,713.4	9.6	%
Reserve for loss and loss adjustment expenses	2,271.3	1,957.8	16.0	%
Total debt <sup>(5)</sup>	360.0	486.4	(26.0	)%
Total Maiden common shareholders' equity	925.7	808.8	14.4	%
Total Maiden shareholders' equity	1,240.7	1,123.8	10.4	%
Total capital resources <sup>(6)</sup>	1,600.7	1,610.2	(0.6	)%
Ratio of debt to total capital resources	22.5	% 30.2	% (25.5	)%
Book value per common share <sup>(7)</sup>	\$12.69	\$11.14	13.9	%
Accumulated dividends per common share	2.22	1.76	26.1	%
Book value per common share plus accumulated dividends	\$14.91	\$12.90	15.6	%
Change in book value per common share plus accumulated dividends	15.6	% (3.3	)%	
Diluted book value per common share <sup>(8)</sup>	\$12.47	\$10.92	14.2	%

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

Please refer to "Notes to Consolidated Financial Statements Note 12. Earnings per Common Share" included under (2) Item 8 "Financial Statements and Supplementary Data" of this Form 10-K for the calculation of basic and diluted earnings per common share.

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

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

(5) Total debt in 2014 is the Company's Senior Notes and in 2013, it is the sum of the Company's senior notes and Junior Subordinated Debt.

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

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

(8) Diluted book value per common share is calculated by dividing common shareholders' equity, adjusted for assumed proceeds from the exercise of dilutive options, by the number of outstanding common shares plus dilutive options and restricted share units (assuming exercise of all dilutive share based awards). The Mandatory Convertible Preference Shares - Series B are excluded at December 31, 2014 and 2013 as they are anti-dilutive.

## Key Financial Measures

In addition to the Consolidated Balance Sheets and Consolidated Statements of Operations and Comprehensive Income (Loss), Management uses certain key financial measures, some of which are non-GAAP measures to evaluate its financial performance and the overall growth in value generated for the Company's common shareholders.

Management believes that these 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.

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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 items that are material to understanding our results of operations. For the year ended December 31, 2014, we exclude the following non-recurring items:

- Impairment losses related to investments which were recognized in earnings;
- Loss and related activity from our run-off operations comprised of our former segment NGHC Quota Share and our divested E&S business;
- The interest expense incurred on our 2013 Senior Notes prior to the redemption of the outstanding junior subordinated debt given the one time nature of the additional funding cost; and
- The accelerated amortization of the junior subordinated debt discount and the write-off of the associated issuance costs.

For the years ended December 31, 2013, we exclude the interest incurred on the 2013 Senior Notes given the one time nature of the additional funding cost, while for the year ended December 31, 2012, there were no such non-recurring costs.

The following table reconciles our operating earnings to its most closely related U.S. GAAP measure, net income:

For the Year Ended December 31,	2014	2013	2012
	(\$ in Millions except per share data)		
Net income attributable to Maiden common shareholders	\$77.1	\$87.9	\$46.5
Add (subtract):			
Net realized gains on investment	(1.2	) (3.6	) (1.9
Net impairment losses recognized in earnings	2.4	—	—
Foreign exchange and other gains	(4.2	) (2.8	) (1.6
Amortization of intangible assets	3.3	3.8	4.4
Divested E&S business and NGHC run-off	10.4	—	—
Interest expense incurred related to 2013 Senior Notes prior to actual redemption of the junior subordinated debt	0.5	1.2	—
Accelerated amortization of junior subordinated debt discount and issuance cost	28.2	—	—
Non-cash deferred tax expense	1.2	1.0	1.1
Operating earnings attributable to Maiden common shareholders	\$117.7	\$87.5	\$48.5
Operating earnings per common share:			

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Basic operating earnings per common share	\$1.61	\$1.21	\$0.67
Diluted operating earnings per common share	\$1.53	\$1.18	\$0.66

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.

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Operating ROACE for the years ended December 31, 2014, 2013 and 2012 was computed as follows:

At and For the Year Ended December 31,	2014	2013	2012	
	(\$ in Millions)			
Operating earnings attributable to Maiden common shareholders	\$ 117.7	\$ 87.5	\$ 48.5	
Opening Maiden common shareholders' equity	\$ 808.8	\$ 865.2	\$ 768.6	
Ending Maiden common shareholders' equity	\$ 925.7	\$ 808.8	\$ 865.2	
Average Maiden common shareholders' equity	\$ 867.3	\$ 837.0	\$ 816.9	
Operating return on average common equity	13.6	% 10.5	% 5.9	%

Operating earnings attributable to Maiden common shareholders increased by \$30.2 million, or 34.5% for the year ended December 31, 2014 compared to December 31, 2013. This increase is mainly due to higher investment income combined with lower interest and amortization expense, offset by additional preference share dividend payments on the Preference Shares - Series B issued in October 2013.

Book Value per Common Share and Diluted Book Value per Common Share: Management uses growth in both of these metrics as a prime measure of the value we are generating for our common shareholders, as management believes that growth in each metric ultimately results in growth in the Company's common share price. These metrics are impacted by the Company's net income and external factors, such as interest rates, which can drive changes in unrealized gains or losses on our investment portfolio. The 13.9% and 14.2% increase in book value per common share and diluted book value per common share, respectively, at December 31, 2014 compared to December 31, 2013 was principally the result of an increase of \$69.5 million in accumulated other comprehensive income ("AOCI"), reflecting the impact of lower interest rates on the fair value of Maiden's fixed income investment portfolio during the year ended December 31, 2014 (see "Liquidity and Capital Resources - Investments" on page 83 for further information), combined with an increase in retained earnings due to improved investment income and reduced interest expenses offset by dividend payments on both our common and preference shares and the non-recurring charges related to the accelerated amortization of the junior subordinated debt discount and issuance costs incurred during the first quarter. Book value and diluted book value per common share at December 31, 2014, 2013 and 2012 were computed as follows:

December 31,	2014	2013	2012
	(\$ in Millions except share and per share data)		
Ending Maiden common shareholders' equity	\$ 925.7	\$ 808.8	\$ 865.2
Proceeds from assumed conversion of dilutive options	15.9	19.1	14.9
Numerator for diluted book value per common share calculation	\$ 941.6	\$ 827.9	\$ 880.1
Common shares outstanding	72,932,702	72,633,561	72,343,947
Shares issued from assumed conversion of dilutive options and restricted share units	2,590,394	3,176,433	1,324,202
Denominator for diluted book value per common share calculation	75,523,096	75,809,994	73,668,149
Book value per common share	\$ 12.69	\$ 11.14	\$ 11.96
Diluted book value per common share	\$ 12.47	\$ 10.92	\$ 11.95



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Ratio of Debt to Total Capital Resources: Management uses this measure to monitor the financial leverage of the Company. This measure is calculated using total debt divided by the sum of total Maiden shareholders' equity and total debt. The ratio of Debt to Total Capital Resources at December 31, 2014 and 2013 was computed as follows:

December 31,	2014	2013	
	(\$ in Millions)		
Senior notes	\$360.0	\$360.0	
Junior subordinated debt	—	126.4	
Total debt	360.0	486.4	
Maiden shareholders' equity	1,240.7	1,123.8	
Total capital resources	\$1,600.7	\$1,610.2	
Ratio of debt to total capital resources	22.5	% 30.2	%

The repayment of the junior subordinated debt in the first quarter of 2014 combined with the increase in Maiden shareholders' equity described above has caused the reduction in the ratio in 2014.

### 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 LAE, commission and other acquisition expenses and general and administrative expenses are less than the net premiums earned and other insurance revenue on that business. We have generated underwriting income in each year since our inception. Underwriting income is calculated by subtracting net loss and LAE, 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.

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

### 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, currently held as AFS, short-term investments and other investments. 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 AOCI as a separate component of shareholders' equity. If unrealized losses are considered to be other-than-temporarily impaired due to a credit event, such losses are included in earnings as a realized loss.

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### Expenses

Our expenses consist largely of net loss and LAE, 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 LAE has 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 cedants' 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 our reinsurers is deducted from the gross estimated loss.

Commission and other acquisition expenses include 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.

### 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 "Notes to Consolidated Financial Statements Note 2. Significant Accounting Policies" included under Item 8 "Financial Statements and Supplementary Data" of this Form 10-K 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 LAE ("loss reserves") is based largely upon estimates. The Company categorizes loss reserves into three types of reserves: reported outstanding loss reserves ("case reserves") and IBNR reserves. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. 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. 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 (i) exceed 50% of their retention; or (ii) have a reasonable probability of exceeding the retention; or (iii) 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

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losses. They can be submitted up to 90 days after the close of the reporting period. Some proportional treaties have specific language requiring earlier notice of serious claims.

For all lines, the Company's objective is to estimate ultimate loss and LAE. Total loss reserves are then calculated by subtracting losses paid. Similarly, IBNR reserves are calculated by subtraction of case reserves 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 as well as (3) claims that are closed but subsequently reopen. 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 LAE 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 and Paid Loss Development methods 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 may be used in the estimation of loss and LAE 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 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. Consequently, actuarial methods relying on this information cannot be used by the Company to estimate loss reserves in the Diversified Reinsurance segment. However, the Company does use actuarial methods in the AmTrust Reinsurance segments that are dependent on claim counts reported, claim counts settled or claim counts open.

The reserve for loss and LAE at December 31, 2014 and 2013 was as follows:

December 31,	2014	2013
	(\$ in Millions)	
Reserve for reported loss and LAE	\$1,252.3	\$1,087.4
Reserve for losses incurred but not reported	1,019.0	870.4
Reserve for loss and loss adjustment expenses	\$2,271.3	\$1,957.8

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 and assumptions used to estimate loss reserves are reviewed at least quarterly, with adjustments made as 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

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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 Loss Development ("LD") method is a common reserving method in which ultimate losses are estimated by applying a loss development factor to actual reported (or paid) 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 LD 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 LD 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 LAE reserves in each segment.

In the Diversified Reinsurance segment, at December 31, 2014, 91.9% of the reserves for loss and LAE 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 30 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 LD Method.

The Company has underwritten the AmTrust Reinsurance segment since July 1, 2007. The majority of the exposure in the underlying book of business has significant seasoning, and allows for a significant amount of credibility in using parameters derived from historical experience to calculate reserve estimates. Some segments of the book are a result of recent acquisitions or newer markets for AmTrust. These segments require a greater level of assumptions and professional judgment in deriving reserve levels, which inherently implies a wider range of reasonable estimates. As a result, we have tended to rely on a weighted approach which primarily employs the LD 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 quarterly and annual data instead of contract period data in totality. Additional data detailing items such as class of business, state, claim counts, frequency and severity is available, further enhancing the reserve analysis. 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 at December 31, 2014 to estimate the reserve for loss and LAE 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 have been used by Maiden's pricing actuaries 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 LAE and are applicable to each of the Company's business segments. These factors are combined with the actuarial judgment exercised by our reserving staff, and validated by the external review of our reserving levels. While there can be no assurance that any of the above assumptions will prove to be correct, we believe that this process represents a realistic and appropriate basis for estimating the reserve for loss and LAE.



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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 LAE, 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 LAE. Time lags in the reporting of losses can also introduce further ambiguity to the process of estimating reserve for loss and LAE.

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

- 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;
- the differing reserving practices among ceding companies;
- the diversity of loss development patterns among different types of reinsurance treaties or contracts; and
- 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.

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, and also accounting and financial audits, 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 LAE 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. At December 31, 2014, 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. At December 31, 2014, 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 LAE, the Company's estimated reserve for loss and LAE 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
- changes in ceding company case reserving and reporting patterns.

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The Company's estimates of reserve for loss and LAE 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. The expected pattern of loss emergence and the projected level of profitability, two primary factors in establishing the loss and loss adjustment expense reserves, are subject to a normal level of variance. The recognition of this variance defines a possible range of reserve estimates, from which the best estimate of the provision for reserves is estimated. 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.

In the Diversified Reinsurance segment, the Company's executive and technical management, including claims and underwriting, have significant experience with this book of business, which also has more than 30 years of loss experience associated with it. Based on a range of reasonable reserve estimates, we believe that if our final loss ratio were to vary from the expected loss ratios in the aggregate, our required reserves after reinsurance recoverable could increase by approximately \$54.4 million from December 31, 2014.

The Company has underwritten the AmTrust Reinsurance segment since July 1, 2007. 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 immaturity 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. Based on a range of reasonable reserve estimates, we believe that if our final loss ratio for the AmTrust Reinsurance segment were to vary from the expected loss ratios in aggregate, our required reserves after reinsurance recoverable could increase by approximately \$165.1 million from December 31, 2014.

### 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 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 88.2% of gross premiums written for the year December 31, 2014, 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 11.8% of gross premiums written for the year December 31, 2014, 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 adjustment depending on the premium volume written by the cedant.

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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 based upon contract provisions. 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.

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 that are related to successful contracts 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 is recognized if the sum of anticipated losses and LAE, unamortized acquisition expenses and anticipated investment income exceeds unearned premium.

Only certain costs incurred in the successful acquisition of new and renewal insurance contracts are capitalized. Those costs include incremental direct costs of contract acquisition that result directly from and are essential to the contract transaction and would not have been incurred had the contract transaction not occurred. All other acquisition-related costs, such as costs incurred for soliciting business, administration, and unsuccessful acquisition or renewal efforts are charged to expense as incurred. Administrative costs, including rent, depreciation, occupancy, equipment, and all other general overhead costs are considered indirect costs and are expensed as incurred.

### Fair Value of Financial Instruments

The Company currently classifies its fixed maturity, short-term and other 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 AOCI.

Please refer to "Notes to Consolidated Financial Statements Note 5. Fair Value of Financial Instruments" included under Item 8 "Financial Statements and Supplementary Data" of this Form 10-K on page F-25 for a discussion on the fair value methodology and valuation techniques used by the Company to determine the fair value of the financial instruments held at December 31, 2014 and 2013. At December 31, 2014 and 2013, the Company has no fixed income investments that are guaranteed by third parties nor do we have any direct exposure to third party guarantors at December 31, 2014 and 2013.

### Other-than-Temporary Impairment ("OTTI") of Investments

Our AFS investment portfolio is the largest component of our consolidated assets and a multiple of shareholders' equity, OTTI could be material to our financial condition and operating results particularly during periods of

dislocation in the financial markets.

A security is "impaired" when its fair value of a fixed maturity security is below its amortized cost. On a quarterly basis, we review all impaired AFS securities to determine if the impairment is OTTI. The OTTI assessment is inherently judgmental, especially where securities have experienced severe declines in fair value in a short period. Our review process begins with a quantitative analysis to identify securities to be further evaluated for potential OTTI. For all identified securities, further fundamental analysis is performed that considers the following quantitative and qualitative factors:

• 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.

The Company recognizes OTTI in earnings for its impaired AFS fixed maturity securities (i) for which the Company has the intent to sell the security or (ii) it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery and (iii) for those securities which have a credit loss. In assessing whether a credit loss exists, the Company compares the present value of the cash flows expected to be collected from the security with the amortized cost basis of the security.

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In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into (i) the amount of the total impairment related to the credit loss and (ii) the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total OTTI related to all other factors is recognized in other comprehensive income. In periods after the recognition of OTTI on the Company's AFS fixed maturity securities, the Company accounts for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the other-than-temporary impairment recognized in earnings. For fixed maturity securities in which OTTI was recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be amortized into net investment income.

The Company recognized \$2.4 million of OTTI through earnings for the year ended December 31, 2014 (2013 and 2012 - \$nil).

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 at December 31, 2014 of \$87.3 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, 2014.

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## 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,	2014	2013	2012	
	(\$ in Millions)			
Gross premiums written	\$2,507.4	\$2,204.2	\$2,001.0	
Net premiums written	\$2,458.1	\$2,096.3	\$1,901.3	
Net premiums earned	\$2,251.7	\$2,000.9	\$1,803.8	
Other insurance revenue	13.4	14.2	12.9	
Net loss and loss adjustment expenses	(1,498.3 )	(1,349.6 )	(1,262.3 )	
Commission and other acquisition expenses	(659.3 )	(556.6 )	(492.1 )	
General and administrative expenses	(45.7 )	(45.0 )	(43.6 )	
Total underwriting income	61.8	63.9	18.7	
Other general and administrative expenses	(17.2 )	(13.7 )	(10.2 )	
Net investment income	117.2	91.4	81.2	
Net realized gains on investments	1.2	3.6	1.9	
Net impairment losses recognized in earnings	(2.4 )	—	—	
Accelerated amortization of junior subordinated debt discount and issuance cost	(28.2 )	—	—	
Amortization of intangible assets	(3.3 )	(3.8 )	(4.4 )	
Foreign exchange and other gains	4.2	2.8	1.6	
Interest and amortization expenses	(29.6 )	(39.5 )	(36.4 )	
Income tax expense	(2.2 )	(1.9 )	(2.2 )	
Net Income	101.5	102.8	50.2	
Income attributable to noncontrolling interests	(0.1 )	(0.1 )	(0.1 )	
Dividends on preference shares	(24.3 )	(14.8 )	(3.6 )	
Net income attributable to Maiden common shareholders	\$77.1	\$87.9	\$46.5	
Ratios				
Net loss and loss adjustment expense ratio*	66.1	% 67.0	% 69.5	%
Commission and other acquisition expense ratio**	29.1	% 27.6	% 27.1	%
General and administrative expense ratio***	2.8	% 2.9	% 2.9	%
Expense ratio****	31.9	% 30.5	% 30.0	%
Combined ratio*****	98.0	% 97.5	% 99.5	%

\* Calculated by dividing net loss and LAE 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.

Following a revision to our segment structure, the results of operations of the former NGHC Quota Share segment and the remnants of the E&S business have been included in "Other" category, and all prior periods presented herein have been reclassified to conform with the current year presentation.





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Net Income

Comparison of Years Ended December 31, 2014 and 2013

Net income attributable to Maiden common shareholders for the year ended December 31, 2014 was \$77.1 million compared to \$87.9 million for the same period in 2013. The factors that contributed to this net decrease were as follows:

redemption of the Company's Junior Subordinated Debt which resulted in a non-recurring, non-cash charge of \$28.2 million, which represents the accelerated amortization of original issue discount and write-off of issuance costs associated with the Junior Subordinated Debt. Excluding this non-recurring, non-cash charge, net income attributable to Maiden common shareholders increased by 19.8% for the year ended December 31, 2014, compared to the same period in 2013;

decrease in underwriting income of \$2.1 million due to elevated loss reserve estimates on the personal lines automobile business and adverse loss development relating to Superstorm Sandy in our Other category, comprised of our former segment NGHC Quota Share and the remnants of our E&S business, both of which are in run-off, respectively. Excluding the business included in the Other category, underwriting income improved by 32.9% due to a combination of continued premium growth from both of our reportable segments and a lower combined ratio on our AmTrust Reinsurance segment. However, these improvements were slightly offset by a marginally higher combined ratio in our Diversified Reinsurance segment; and

increase in dividends paid on preference shares of \$9.5 million due to the dividends on the Preference Shares - Series B being paid for the full year. The Preference Shares - Series B were issued on October 1, 2013.

The decreases above, were offset by the following:

growth in investment income of \$25.8 million due primarily to a 19.0% increase in our average invested assets along with an improvement in our overall portfolio yields for the year ended December 31, 2014 compared to the same period in 2013; and

net reduction in interest expense of \$9.9 million primarily due to the redemption of the Junior Subordinated Debt in the first quarter of 2014, which previously incurred an annual interest charge of \$21.4 million. This reduction was partially offset by the interest expense incurred by the Company on the 2013 Senior Notes issued on November 25, 2013, which has an annual interest charge of \$11.9 million.

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.

The following is a discussion on the results of our operations for the years ended December 31, 2014, 2013 and 2012:

Net Premiums Written

Comparison of Years Ended December 31, 2014 and 2013

Net premiums written increased by \$361.8 million, or 17.3%, for the year ended December 31, 2014 compared to the same period in 2013. The increase in net premiums written was primarily the result of strong growth in business written in both the AmTrust Reinsurance and the Diversified Reinsurance segments.

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The tables below compare net premiums written by our reportable segments, reconciled to the total net premiums written, for the years ended December 31, 2014 and 2013:

For the Year Ended December 31,	2014		2013		Change in			
	Total (\$ in Millions)	% of Total	Total (\$ in Millions)	% of Total	\$ (\$ in Millions)	%		
Diversified Reinsurance	\$850.0	34.6	% \$763.4	36.4	% \$86.6	11.4	%	
AmTrust Reinsurance	1,610.5	65.5	% 1,169.9	55.8	% 440.6	37.7	%	
Total - reportable segments	2,460.5	100.1	% 1,933.3	92.2	% 527.2	27.3	%	
Other	(2.4	) (0.1	)% 163.0	7.8	% (165.4	) (101.5	)%	
Total	\$2,458.1	100.0	% \$2,096.3	100.0	% \$361.8	17.3	%	

The increase in net premiums written in our AmTrust Reinsurance segment for the year ended December 31, 2014 compared to the same period in 2013 reflects AmTrust's continued expansion through continued organic growth and improved rate levels, particularly in its U.S. workers' compensation business as well as additional premiums written related to acquisitions. Net premiums written in our Diversified Reinsurance segment increased by \$86.6 million, or 11.4%, for the year ended December 31, 2014 compared to the same period in 2013, primarily due to growth in the business written by Maiden US.

Comparison of Years Ended December 31, 2013