



MAIDEN HOLDINGS, LTD

2016 FINANCIAL CONDITION REPORT

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I. Overview

I.I. EXECUTIVE SUMMARY

KEY FIGURES—MAIDEN HOLDINGS, LTD. (GROUP) December 31, 2016

Economic Balance Sheet

Assets	5,128,883
Technical Provisions	3,195,342
Other Liabilities	254,569
Statutory Economic Capital and Surplus	1,678,972

Eligible Capital to Meet the Group Enhanced Capital Requirement (ECR)

Tier 1 Capital	1,530,853
Tier 2 Capital	38,474
Tier 3 Capital	110,000
Total Capital	1,679,327

Eligible Capital to Meet the Group Minimum Solvency Margin (MSM)

Tier 1 Capital	1,530,853
Tier 2 Capital	38,474
Tier 3 Capital	—
Total Capital	1,569,327

Capital Requirements

Enhanced Capital Requirement (ECR)	946,882
Minimum Margin of Solvency (MSM)	437,299

Coverage Ratios

Group Enhanced Capital Requirement Ratio (ECR)	177%
Group Minimum Margin of Solvency Ratio (MSM)	359%

KEY FIGURES—MAIDEN REINSURANCE LTD. (CLASS 3B) December 31, 2016

Economic Balance Sheet

Assets	4,493,602
Technical Provisions	2,746,083
Other Liabilities	252,190
Statutory Economic Capital and Surplus	1,495,329

Eligible Capital to Meet the Enhanced Capital Requirement (ECR) and Minimum Solvency Margin (MSM)

Tier 1 Capital	1,489,795
Tier 2 Capital	5,534
Total Capital	1,495,329

Capital Requirements

Enhanced Capital Requirement (ECR)	793,561
Minimum Margin of Solvency (MSM)	342,871

Coverage Ratios

Enhanced Capital Requirement Ratio (ECR)	188%
Minimum Margin of Solvency Ratio (MSM)	436%

1.2. INTRODUCTION

Maiden Holdings, Ltd. (“Maiden” or the “Company” or the “Group”) is a Bermuda-based holding company. We provide reinsurance through two wholly owned subsidiaries: Maiden Reinsurance Ltd. (“Maiden Bermuda”) and Maiden Reinsurance North America Inc. (“Maiden US”).

As a Bermuda-registered holding company, the Bermuda Monetary Authority (“BMA”) is the Group’s regulator under the Bermuda Group Solvency Framework. The BMA requires the Group to monitor its Group solvency capital requirement under which the Group provides a solvency return in accordance with Group Solvency Self-Assessment Framework (“GSSA”) including an assessment of the Group’s Bermuda Solvency Capital Requirement (“BSCR”).

Maiden Bermuda was incorporated under the laws of Bermuda on June 29, 2007 and is licensed as a Class 3B insurer by the Bermuda Monetary Authority to write all classes of general business insurance and reinsurance. To date, Maiden Bermuda has only written reinsurance business with this license.

This Financial Condition Report (FCR) has been prepared to assist reinsurance clients and other stakeholders to understand the capital position under this framework. Where legal entity specific information is not provided separately in the following document, the group documentation is representative of the legal entity.

2. Business and Performance

2.1. NAME OF THE INSURANCE GROUP AND INSURER

GROUP—MAIDEN HOLDINGS, LTD.
INSURER—MAIDEN REINSURANCE LTD.

2.2. SUPERVISOR

The BMA is our Group supervisor and Insurance supervisor and can be contacted as follows:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton, Bermuda

Tel: (441) 295 5278
Fax: (441) 292 7471

2.3. APPROVED AUDITORS

GROUP REPORTING

The consolidated Maiden Holdings, Ltd. accounts are audited by BDO USA, LLP, our approved group auditor, who can be contacted as follows:

BDO USA, LLP
100 Park Avenue
New York, NY 10017

Tel: (212) 885 8000
Fax: (212) 697 1299

Refer to Section 7 Subsequent Events for disclosure on changes to the approved group auditor subsequent to December 31, 2016.

INSURER U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“U.S. GAAP”) REPORTING

The Maiden Reinsurance Ltd. U.S. GAAP accounts are audited by BDO USA, LLP, our approved auditor, who can be contacted as follows:

BDO USA, LLP
100 Park Avenue
New York, NY 10017

Tel: (212) 885 8000
Fax: (212) 697 1299

Refer to Section 7 Subsequent Events for disclosure on changes to the approved auditor subsequent to December 31, 2016.

INSURER STATUTORY REPORTING

The Maiden Reinsurance Ltd. statutory balance sheet, statutory income statement and statutory statement of capital are audited by Arthur Morris & Company Limited., our approved statutory auditor, who can be contacted as follows:

Arthur Morris Group of Companies
Century House
16 Par La Ville Road
Hamilton HM08
Bermuda

Phone: (441) 292 7478
Fax: (441) 295 4164

Refer to Section 7 Subsequent Events for disclosure on changes to the approved statutory auditor subsequent to December 31, 2016.

2.4. OWNERSHIP DETAILS

GROUP OWNERSHIP

Maiden Holdings, Ltd. is an SEC registrant and our common shares are publicly traded on the NASDAQ Global Select Market exchange under the symbol “MHLD”. The information required by this item is incorporated by reference from the information responsive thereto in the sections in the 2017 Proxy Statement captioned “Security Ownership of Certain Beneficial Owners”, “Equity Compensation Plan Information” and “Security Ownership of Management”. For a copy of the 2017 proxy statement refer to our website at: www.maiden.bm/sec_filings.

INSURER OWNERSHIP

All shares issued and outstanding for Maiden Reinsurance Ltd. are owned by Maiden Holdings, Ltd., a company incorporated in Bermuda.

¹ We have entered into a series of capital transactions for Senior Notes and Preference Shares that trade on the New York Stock Exchange and NASDAQ Global Select Market. Refer to our latest Form 10-K filing for further details.

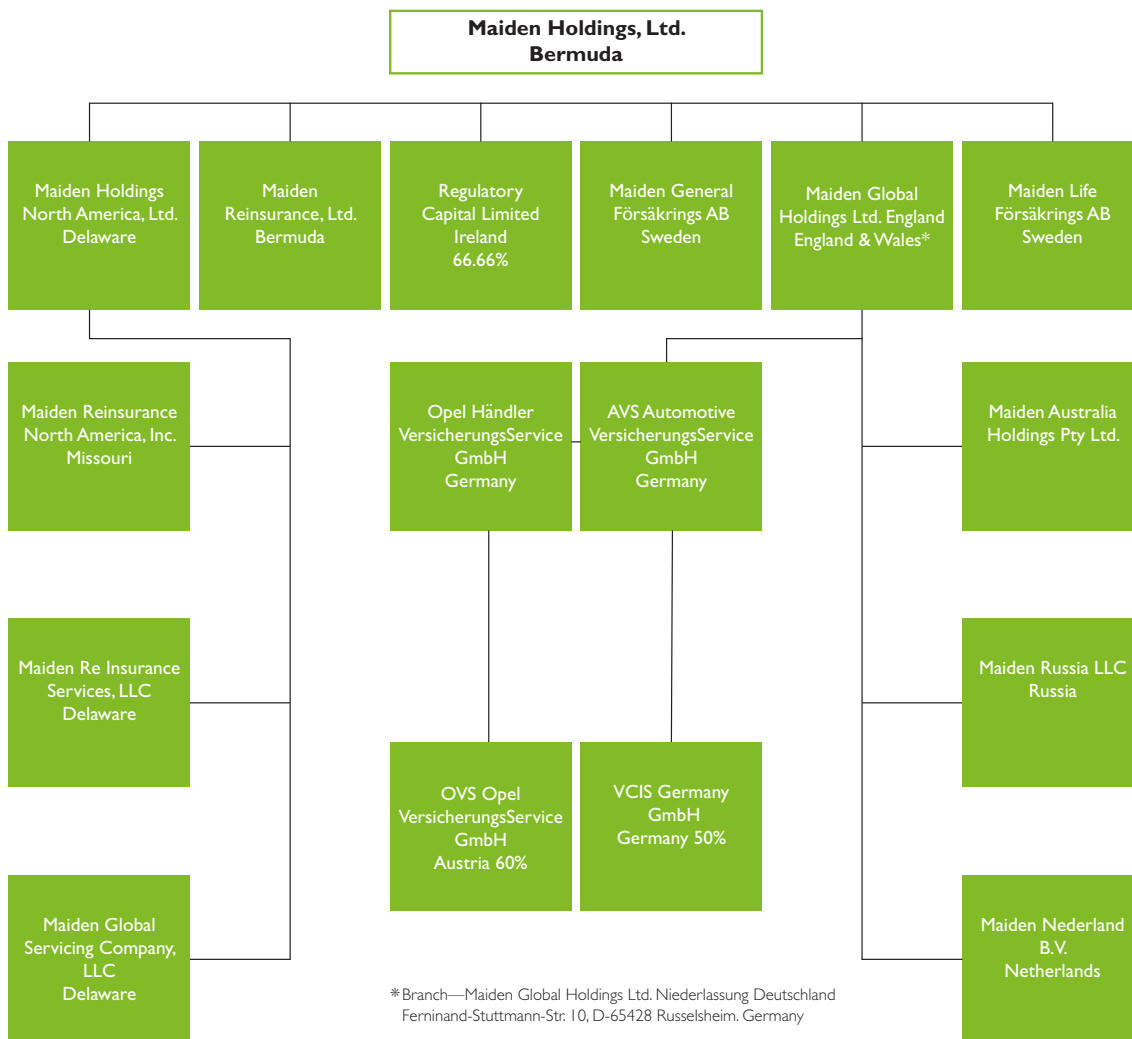
2.5. MAIDEN BACKGROUND AND GROUP STRUCTURE CHART

Maiden is a Bermuda-based holding company, primarily focused on serving the needs of regional and specialty insurers in the United States, Europe and select other global markets by providing innovative reinsurance solutions designed to support their capital needs.

Maiden specializes in reinsurance solutions that optimize financing and risk management by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Reinsurance offerings include but are not limited to, workers' compensation, personal and commercial auto, commercial property, commercial general liability, accident and health and European hospital liability. Within these lines, we offer coverage on both quota-share and excess-of-loss bases.

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

The structure of the Group is shown in the diagram below:



2.6. MAIDEN BUSINESS BY SEGMENT AND GEOGRAPHICAL REGION

2.6.1. MAIDEN GROUP

Our business consists of two reportable segments: Diversified Reinsurance and AmTrust Reinsurance. Our Diversified Reinsurance segment consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located, primarily in the U.S. and Europe. Our AmTrust Reinsurance segment includes all business ceded by AmTrust Financial Services, Inc. and its subsidiaries ("AmTrust") to Maiden Bermuda, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share.

AMTRUST REINSURANCE

Our AmTrust Reinsurance segment includes all business ceded to Maiden Bermuda from AmTrust, primarily the AmTrust Quota Share and the European Hospital Liability Quota Share. For additional information on our reinsurance transactions with AmTrust refer to our Form 10-K for the year ending December 31, 2016.

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

- Small commercial business insurance, which includes U.S. workers' compensation, commercial package and other property and casualty insurance products;
- Specialty risk and extended warranty coverage for consumer and commercial goods and custom designed coverages, such as accidental damage plans and payment protection plans offered in connection with the sale of consumer and commercial goods, in the U.S., United Kingdom ("U.K.") and certain other global markets, European Hospital Liability; and
- Specialty program which includes package products, general liability, commercial auto liability, excess and surplus lines programs and other specialty commercial property and casualty insurance to a narrowly defined, homogeneous group of small and middle market companies.
- **AmTrust Reinsurance Agreement:** Multi-year quota share reinsurance agreement with a Bermuda subsidiary of AmTrust that inceptioned in 2007 and provides strategic footing for predictable long-term revenues and profitable growth. We originally reinsured 40% of AmTrust's written premium, net of reinsurance with unaffiliated reinsurers, relating to all lines of business entered into by AmTrust since the effective date of the Reinsurance Agreement. Within this quota share agreement, we have the option to reinsure additional programs, in addition to the original lines of business entered into by AmTrust since the effective date of the Reinsurance Agreement. As AmTrust has expanded into new lines of business, we have selectively added some of those lines and opted not to participate in others. Consequently our share of AmTrust's gross premiums written has declined below 40% over time. This contract is renewed through June 30, 2019.
- **European Hospital Liability Quota Share:** On April 1, 2011, Maiden Bermuda entered into the European Hospital Liability Quota Share with two AmTrust European subsidiaries to cover those entities' general liability and medical liability business in Europe, in particular, Italy and France. This agreement has been renewed through March 31, 2018. Effective January 1, 2012, the Company's maximum limit of liability is 40% of €10 million, previously 40% of €5 million, per original claims for any one original policy. Effective July 1, 2016, the contract was further amended such that Maiden Bermuda assumes from AmTrust Europe Limited ("AEL") 32.5% of the premium and losses of all policies written or renewed on or after July 1, 2016 until June 30, 2017 and 20% of all policies written or renewed on or after July 1, 2017.

DIVERSIFIED REINSURANCE

Our Diversified Reinsurance segment consists of a portfolio of predominantly property and casualty reinsurance business focusing on regional and specialty property and casualty insurance companies located, primarily in the U.S. and Europe. We de-emphasize lines of business such as professional liability, which we consider more volatile, and we do not offer traditional catastrophe reinsurance on a stand-alone basis. We occasionally provide limited catastrophe coverage to clients that purchase other reinsurance from us.

- **Maiden US:** Business written by Maiden US, provides reinsurance for regional and specialty insurers that focus on personal auto, homeowners, commercial auto, commercial multiple peril, general liability, commercial property, workers compensation insurance and boiler and machinery. Both treaty and facultative reinsurance are provided on a quota share and excess of loss basis and 40% of this business is ceded to Maiden Bermuda (effective January 1, 2017 35% ceded).
- **Maiden Reinsurance Ltd. International Portfolio:** Internationally, through Maiden Global, Maiden works with original equipment automobile manufacturers and related credit providers to design and implement personal auto, credit life and warranty insurance programs.
- **Maiden Life Försäkrings AB (“Maiden LF”):** Maiden LF is licensed to underwrite direct insurance for Class 1a—Life Insurance and Class 1b—Supplementary Insurance to Class 1a. Maiden LF is domiciled in Sweden however coverage is provided throughout Europe under the “Provision of Freedom of Services.” Products underwritten by Maiden LF fall into one of the following categories:
 - Credit related insurance in which the benefits are life, accident, sickness, permanent total disability, hospitalization and critical illness in respect of loans or mortgage finance
 - Other credit related insurance products, such as debt deferment, bill protection unrelated to finance or stand-alone income protection
 - Personal accident products.
- **Maiden General Försäkrings, AB. (“Maiden GF”):** Maiden GF is licensed to underwrite direct insurance for Class 16—other financial loss. Maiden GF was incorporated in Sweden on October 13th, 2016.

GROSS AND NET PREMIUM WRITTEN BY BUSINESS SEGMENT FOR THE REPORTING PERIOD

For the Year Ended December 31, 2016	Diversified Reinsurance	AmTrust Reinsurance	Total²
Gross premiums written	824,341	2,006,646	2,831,348
Net premiums written	766,119	1,888,428	2,654,952

For the Year Ended December 31, 2015	Diversified Reinsurance	AmTrust Reinsurance	Total²
Gross premiums written	776,852	1,885,974	2,662,825
Net premiums written	734,781	1,779,334	2,514,116

For further discussion on the Company's performance results, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

NET PREMIUM WRITTEN BY GEOGRAPHICAL REGION FOR THE REPORTING PERIOD

Region	2016	2015
Net premiums written—North America	2,280,232	2,038,444
Net premiums written—Other (predominantly Europe)	374,720	475,672
Net premiums written—Total	2,654,952	2,514,116

²In addition to our reportable segments, the total results include operations of the former National General Holding Corporation (“NGHC”) Quota Share segment and the remnants of the U.S. excess and surplus business.

2.6.2. MAIDEN REINSURANCE LTD.

GROSS AND NET PREMIUM WRITTEN BY BUSINESS SEGMENT FOR THE REPORTING PERIOD

For the Year Ended December 31, 2016	Diversified Reinsurance	AmTrust Reinsurance	Total
Gross premiums written	369,068	2,006,646	2,375,714
Net premiums written	328,365	1,888,428	2,216,793

For the Year Ended December 31, 2015	Diversified Reinsurance	AmTrust Reinsurance	Total
Gross premiums written	346,291	1,885,974	2,232,265
Net premiums written	312,375	1,779,334	2,091,709

NET PREMIUM WRITTEN BY GEOGRAPHICAL REGION FOR THE REPORTING PERIOD

Region	2016	2015
Net premiums written—North America	1,958,310	1,756,784
Net premiums written—Other (predominantly Europe)	258,483	334,925
Net premiums written—Total	2,216,793	2,091,709

2.7. MAIDEN'S PERFORMANCE OF INVESTMENTS & MATERIAL INCOME & EXPENSES FOR THE REPORTING PERIOD

2.7.1. MAIDEN GROUP

PERFORMANCE OF INVESTMENTS FOR THE REPORTING PERIOD

Our funds are invested primarily in liquid, investment-grade fixed income securities which are designated as either available-for-sale or held to maturity. Maiden covers its technical provisions with, primarily, investment grade fixed income securities. The return on investments for the reporting period was as follows:

	Net Investment Income 2016	Realized gains 2016	Net Investment Income and Realized Gains 2016
Asset-backed securities	7,334	276	7,610
U.S. Treasury bonds	181	—	181
U.S. agency bonds—mortgage-backed	38,939	226	39,165
Corporate Bonds and Non-U.S. government and supranational bonds	97,928	5,722	103,650
Municipal bonds	2,629	—	2,629
	147,011	6,224	153,235
Investment Manager Fees	(6,925)	—	(6,925)
Other investments	118	550	668
Cash and cash equivalents	3,328	—	3,328
Loan to related party	2,360	—	2,360
	145,892	6,774	152,666

NET INVESTMENT INCOME

Net investment income was derived from the following sources:

	2016	2015
Fixed maturities	147,011	132,394
Cash and cash equivalents	3,328	2,578
Loan to related party	2,360	1,865
Other	118	312
	152,817	137,149
Investment expenses	(6,925)	(6,057)
Net investment income	145,892	131,092

NET REALIZED GAINS ON INVESTMENT

	2016	2015
Available-for-sale fixed maturities	6,224	2,306
Other investments	550	192
Net realized gains on investments	6,774	2,498

NET UNREALIZED (LOSSES) GAINS

	2016	2015
Available-for-sale fixed maturities	(33,976)	(54,776)
Held to maturity	13,923	(8,868)
Other investments	3,003	996
Total net unrealized (losses) gains	(17,050)	(62,648)

MATERIAL INCOME AND EXPENSES FOR THE REPORTING PERIOD

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.

Our expenses consist largely of net loss and loss adjustment expense ("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 or recoverables from reinsurers;
- change in outstanding loss or case reserves. Case reserves are established for losses that have been reported to us, and not yet paid, less the portion that can be recovered from reinsurers. We establish case reserves based on information from the ceding company, reinsurance intermediaries, and when appropriate, consultations with independent legal counsel; and
- change in IBNR reserves, which are reserves established by us for changes in the values of claims that have occurred but have not yet been reported to us and include a provision for additional development on case reserves. 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.

Maiden Holdings, Ltd.
2016 FINANCIAL CONDITION REPORT
(In thousands of U.S. dollars, unless stated otherwise)

Income/Expense Type	For the Twelve Months Ended December 31, 2016	For the Twelve Months Ended December 31, 2015
Other insurance revenue	10,817	11,512
Net loss and loss adjustment expenses	(1,819,906)	(1,633,570)
Commission and other acquisition expenses	(773,664)	(724,197)
Segment General and administrative expenses	(38,577)	(38,328)
Corporate General and administrative expenses	(28,407)	(26,544)
Interest and debt, amortization expenses	(30,518)	(29,063)
Foreign exchange and other gains, net	11,612	7,753

For further discussion on the Company's performance results, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

2.7.2. MAIDEN REINSURANCE LTD.

PERFORMANCE OF INVESTMENTS FOR THE REPORTING PERIOD

	Income YTD 2016	Realized gains YTD 2016	Net Investment Income and Realized Gains 2016
Asset-backed securities	6,987	276	7,263
U.S. Treasury bonds	38	—	38
U.S. agency bond—mortgage-backed	26,497	226	26,723
Corporate Bonds and Non-U.S. government and supranational bonds	75,113	3,512	78,625
Municipal bonds	2,524	—	2,524
	111,159	4,014	115,173
Investment Manager Fees	(5,266)	—	(5,266)
Other investments	—	448	448
Cash and cash equivalents	2,781	—	2,781
Funds withheld	14,099	—	14,099
Loan to related party	2,360	—	2,360
	125,133	4,462	129,595

NET INVESTMENT INCOME

Net investment income was derived from the following sources:

	2016	2015
Fixed maturities	111,159	97,444
Cash and cash equivalents	2,781	2,285
Funds withheld	14,099	13,692
Loan to related party	2,360	1,865
	130,399	115,286
Investment expenses	(5,266)	(4,373)
Net investment income	125,133	110,913

NET REALIZED GAINS ON INVESTMENT

	2016	2015
Available-for-sale fixed maturities	4,014	1,862
Other investments	448	192
Net realized gains on investments	4,462	2,054

NET UNREALIZED (LOSSES) GAINS

	2016	2015
Available-for-sale fixed maturities	(43,637)	(40,815)
Held-to-maturity	13,923	(8,868)
Other investments	1,169	1,091
Total net unrealized (losses) gains	(28,545)	(48,592)

MATERIAL INCOME AND EXPENSES FOR THE REPORTING PERIOD

Income/Expense Type	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Net loss and loss adjustment expenses	(1,497,944)	(1,327,366)
Commission and other acquisition expenses	(697,805)	(653,519)
General and administrative expenses	(8,091)	(7,900)
Foreign exchange gains	11,802	7,238

2.8. ANY OTHER MATERIAL INFORMATION

None to report.

3. Governance Structure

3.1. BOARD AND SENIOR EXECUTIVES

3.1.1. BOARD AND SENIOR EXECUTIVE STRUCTURE, ROLE, RESPONSIBILITIES AND SEGREGATION OF RESPONSIBILITIES.

3.1.1.1. MAIDEN GROUP

Maiden's Board of Directors ("Board") and Audit Committee are fully engaged in establishing and maintaining an ethical and appropriate control environment and have significant influence over the organization. Our Board has established an appropriate number of committees, including the Audit, Compensation, and Nominating and Corporate Governance Committees to ensure that the Board fully discharges its responsibilities and stewardship of the Company in an acceptable fashion.

Each of these Committees reports to the full Board and our Board has provided our Chief Executive Officer ("CEO") with the requisite authority and reporting guidelines to ensure those directives are both carried out and monitored by our Board accordingly. Please refer to the following sections on our Board and these individual committees for further information on their specific charters and roles in contributing to Maiden's control environment.

The Board of Directors exists as an independent governing body providing oversight for management's activities. The existing committees are sufficient in subject matter and membership to adequately deal with important issues. Management regularly keeps the Board of Directors apprised of significant issues and events. The Board of Directors meets as warranted, but at least quarterly. At its regular meetings, the independent Board members have the option to meet in executive session without the CEO or any other executive officers present. There are three committees within the Board, namely:

- The Audit Committee generally meets at least four times a year; the meeting includes a session with both the internal and external auditors, independent of management;
- The Nominating and Corporate Governance Committee meets at least annually or as warranted; and
- The Compensation Committee meets at least annually or as warranted.

The Board of Directors (and Committees), through their normal oversight role, discuss business risks. The Board and Board committees have Bye-Laws, Corporate Governance Guidelines and charters that describe the structure, purpose and membership of the board and each of the committees. For further details on the Company's Bye-Laws and Corporate Governance Documents please refer to our website at www.maiden.bm/governance.

Board Independence

Messrs. Lyons, Neff and Nigro are "independent directors" under the rules of the NASDAQ Global Select Market ("NASDAQ") and the New York Stock Exchange ("NYSE"). NASDAQ and the NYSE rules require that a majority of the Board of Directors be independent, and we are in compliance with this requirement. The independent directors hold separate executive sessions without senior management quarterly and more frequently on an ad hoc basis, and neither the chairman, chief executive officer (the "CEO") nor any member of management, at any level, attended any of the executive sessions of the independent directors.

Lead Independent Director

The role of the Lead Independent Director is to preside at executive sessions of the independent directors. Our Lead Independent Director is Steven Nigro.

Board Committees

The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees are required to be independent directors under the criteria established by applicable laws, rules and regulations.

The above duties and responsibilities are documented in the Corporate Governance Guidelines.

Audit Committee

The Audit Committee consists of independent directors, as that term is defined under applicable rules of the SEC and NASDAQ. The Audit Committee has at least one member who qualifies as an “audit committee financial expert” as defined in the rules of NASDAQ and the SEC. The Audit Committee operates pursuant to the Audit Committee Charter, which includes mandate for oversight over financial reporting and internal control. The Charter gives the Audit Committee the authority and responsibility for monitoring the integrity of the financial statements, the independent auditor’s qualifications and independence, performance of the independent auditors and compliance with legal and statutory requirements. The Audit Committee’s responsibilities also include appointing (subject to shareholder ratification), reviewing, determining funding for and overseeing the independent auditors and their services. The Charter also gives the Audit Committee broader authority to fulfill its obligations under SEC requirements, such as:

- Reviewing and approving all related party transactions for actual or potential conflict of interest situations on an ongoing basis;
- Reviewing and discussing with appropriate members of management and the independent auditors the audited financial statements, related accounting and auditing principles, practices and disclosures;
- Reviewing and discussing the audited annual and un-audited quarterly financial statements prior to the filing of such statements;
- Establishing procedures for the receipt, retention and treatment of any complaints received regarding accounting, internal controls, financial statements or accounting policies;
- Reviewing and discussing reports from independent auditors on all critical accounting policies and practices used in the financial statements; and
- Obtaining reports from management and internal auditors that the Company complies with applicable legal requirements and the Code and advising the Board of Directors thereon, and monitoring the adequacy of established operating and internal controls as reported by management and the independent and/or internal auditors. (Control No. 164 & 165)

Compensation Committee

The Compensation Committee consists of independent directors, as that term is defined under applicable rules of the SEC and NASDAQ. The Compensation Committee operates pursuant to a charter and meets as warranted, but at least annually. The Compensation Committee is responsible for the following:

- Reviewing and approving corporate and individual goals and objectives relevant to the compensation of the CEO and other named executive officers;
- Evaluating the performance of the CEO and other executive officers and, based on that evaluation, together with other independent directors, determining the base salary and bonus of the CEO and other executive officers;
- Reviewing related party transactions involving compensatory practices;
- Establishing and administering equity-based compensation under the 2007 Share Incentive Plan and any other incentive plans, and
- Making recommendations to the Board of Directors regarding non-employee director compensation. (Control No. 169)

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of independent directors, as that term is defined under applicable rules of the SEC and NASDAQ. The Nominating and Corporate Governance Committee operates pursuant to a charter. The Nominating and Corporate Governance Committee meets at least annually and is responsible for assisting the Board of Directors in the areas outlined below. The Nominating and Corporate Governance Committee is responsible for the following:

- Establishing the criteria for membership of the Board of Directors;
- Reviewing periodically the structure, size and composition of the Board of Directors and making recommendations as to any necessary adjustments;
- Identifying individuals qualified to become directors for recommendation to the Board of Directors;

- Identifying and recommending for appointment to the Board of Directors, directors qualified to fill any vacancies on the Board of Directors;
- Having sole authority to select, retain and terminate any consultant or search firm and related fees hired to identify director candidates; and
- Considering matters of corporate governance, developing and recommending to the Board a set of corporate governance principles and the Code, as well as recommending and Board modifications thereto.

Senior Executives

The senior management team includes, among others, Arturo M. Raschbaum, President and CEO, Karen L. Schmitt, CFO, Thomas H. Highet, President of Maiden Reinsurance North America, Patrick J. Haveron, Executive Vice President and President of Maiden Reinsurance Ltd., Lawrence F. Metz, Executive Vice President, General Counsel and Secretary, and Maxwell F. Reid, President of Maiden Global Holdings, Ltd.

3.1.1.2. MAIDEN REINSURANCE LTD.

Maiden Bermuda's Board of Directors is the ultimate decision making body of Maiden Bermuda except for matters reserved for the shareholders of Maiden Bermuda. The Board is responsible for setting appropriate strategies and policies, and for providing suitable prudential oversight of the insurer's risk management and internal controls framework, regardless of the extent to which associated activities and functions are delegated or outsourced.

There is clear and effective oversight of executive management of Maiden Bermuda by the Maiden Bermuda Board and by the Board at the group level. The responsibility for setting the objectives and strategies for Maiden Bermuda is allocated to the respective executive management, with group wide oversight helping to align the objectives and strategies with those adopted at a group level.

The Maiden Bermuda Board has authorized executive management to negotiate the related party transactions subject to review and approval by the Maiden Holdings, Ltd. Audit Committee.

The Maiden Bermuda Board is comprised of five directors, four executive directors including the Chairman and one non-executive director from an affiliate company. The board of directors meet in Bermuda at a minimum of quarterly and conduct the following activities: set strategic direction, determine the risk appetite, make strategic decisions about new and/or changes to products, lines of business or markets and assess and manage capital solvency.

3.1.2. REMUNERATION POLICY AND PRACTICES

Details of the Group's remuneration policy, including details on the compensation committee membership, activities, our remuneration strategy, and tables showing the remuneration details of Maiden's directors and officers may be found beginning on page 13 of the 2017 Definitive Proxy Statement. Maiden's corporate policy provides a fixed base salary and benefit plans as well as an annual variable compensation amount comprised of aggregate incentive bonuses which are performance based. Additionally, the CEO received share-based compensation and named officers and other senior leaders receive performance-based stock grants aligned with Maiden's long-term core business objectives. The Lead Independent Director organizes and leads the Compensation Committee in its annual review of the CEO's performance as set forth in its charter. The Board reviews the Compensation Committee's report in order to ensure, among other matters, that the CEO is providing leadership for the Company.

Maiden Bermuda's remuneration policy follows the Group's corporate policy.

3.1.3. SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR MEMBERS OF THE INSURANCE GROUP, THE PARENT BOARD AND ITS SENIOR EXECUTIVES

We do not have any qualified or non-qualified defined benefit plans. The Company provides pension benefits to eligible employees principally through various defined contribution plans sponsored by the Company which vary for each subsidiary.

3.1.4. MATERIAL TRANSACTIONS WITH SHAREHOLDER CONTROLLERS, PERSONS WHO EXERCISE SIGNIFICANT INFLUENCE, THE PARENT BOARD OR ITS SENIOR EXECUTIVES

3.1.4.1. MAIDEN GROUP

The information required by this item is incorporated by reference from the information responsive thereto in the sections in the 2017 Proxy Statement captioned "Certain Relationships and Related Transactions".

Refer to the Form 10-K for the year ending December 31, 2016 Consolidated Statements of Changes in Shareholders' Equity and Note 13 Shareholders' Equity for dividends declared and paid on Preference Shares and Common Shares and repurchases of common shares.

3.1.4.2. MAIDEN REINSURANCE LTD.

During the year ended December 31, 2016, dividends from Maiden Bermuda to Maiden Holdings, Ltd. were \$445,000.

3.2. FITNESS AND PROPRIETY REQUIREMENTS

3.2.1. DESCRIPTION OF THE FIT AND PROPER PROCESS IN ASSESSING THE PARENT BOARD, MAIDEN BERMUDA BOARD AND SENIOR EXECUTIVES

The role of the Nominating and Corporate Governance Committee is to ensure that the Board and its committees are appropriately constituted to meet their legal obligations to the shareholders and the Company. Members of the Board are appointed based on the individuals' work experience and qualifications. The Lead Independent Director is charged to direct an annual self-evaluation of the Board to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee is to review the performance of the Board, its various committee and management at least annually.

The Group board approved Fit and Proper Procedures in November 2016 which apply to the Parent Board and Maiden Bermuda. The procedures identify who is in scope, how fitness and propriety will be assessed for both new board members and on an on-going basis and the procedures for self-assessment and ongoing requirements for skills, knowledge and expertise.

The assessment of individual's fitness and propriety include:

- Ability to perform their function (as demonstrated by the person's qualification, experience, knowledge, skills);
- Attributes of good character, diligence, honesty, integrity and judgement;
- Not disqualified by law from performing their role in the Company or providing a service to the Company;
- No conflict of interest.

Individuals in scope of the procedures have an ongoing duty to adhere to the fit and proper requirements and adhere to the conduct standards as applicable. Upon nomination to a position the nominating committee ensures that identified individuals meet Maiden's fit and proper criteria, including but not limited to external verification process and internal assessment. Individuals are required to self-certify to these criteria in an annual Reputation and Character Questionnaire.

3.2.2. DESCRIPTION OF THE PROFESSIONAL QUALIFICATIONS, SKILLS, AND EXPERTISE OF THE PARENT BOARD AND ITS SENIOR EXECUTIVES

Board of Directors

The following were members of the Parent Board as elected at the 2017 Annual General Meeting:

Barry D. Zyskind

Chairman of the Board of Directors—Non-Executive Director

Mr. Zyskind is the non-executive Chairman of the board of directors. Mr. Zyskind also serves as the President, Chief Executive Officer and Chairman of AmTrust Financial Services Inc. and Non-Executive Chairman of National General Holdings Corp. Prior to joining AmTrust, Mr. Zyskind was an investment banker at Janney Montgomery Scott LLC in New York. Mr. Zyskind received an M.B.A. from New York University's Stern School of Business in 1997.

Yehuda L. Neuberger
Non-Executive Director

Elected 2008. Mr. Neuberger currently is a private equity investor, investing across a broad spectrum of companies. Mr. Neuberger also serves in a leadership and board capacity with numerous, large not-for-profit organizations. Between December 2001 and December 2013, Mr. Neuberger held various senior leadership positions (including Executive Vice President and Director) at American Stock Transfer & Trust Company, LLC. Prior to joining AST in 2001, Mr. Neuberger practiced as an attorney with the law firm of Weil, Gotshal & Manges. Mr. Neuberger is a graduate of Johns Hopkins University and Harvard Law School.

Steven H. Nigro
Lead Independent Non-Executive Director

Elected 2007. Mr. Nigro has over 32 years of experience in financial services and specializes in corporate and structured finance in the insurance industry. In September 2012, Mr. Nigro became the Managing Partner of TAG Financial Institutions Group, an affiliate of The Alberleyn Group. From 2011–12, Mr. Nigro was the Managing Director and head of the Financial Services Practice at Allegiance Capital Corporation. Prior to joining Allegiance, Mr. Nigro co-founded Pfife Hudson Group, an investment bank specializing in corporate finance, structured finance and asset management with a specialty in the insurance industry. Mr. Nigro previously served as a managing director at Rhodes Financial Group, LLC and Hales & Company, both financial advisory firms catering exclusively to the insurance industry. Prior to joining Hales & Company, he was Chief Financial Officer and Treasurer of Tower Group, Inc., an insurance holding company, where he was responsible for financial and regulatory management, strategic planning and corporate finance. Mr. Nigro began his career with Arthur Young and Co. and is a Certified Public Accountant in New York. Mr. Nigro received his B.A. from SUNY-Albany in 1982.

- Member of the Audit Committee
- Committee Chair of the Compensation Committee
- Member of the Nominating Committee

Simcha G. Lyons
Independent Non-Executive Director

Elected 2007. Since 2005, Mr. Lyons has served as a senior advisor to the Ashcroft Group, LLC of Washington, D.C., a strategic consulting firm founded by the former Attorney General of the United States, John Ashcroft. In addition, Mr. Lyons has been the chairman of Lyons Global Insurance Services, LLC since 2009. Since 2003, he has also served as chairman of Lyons Global Advisors Ltd., a political consulting firm. Prior to 2002, Mr. Lyons was Vice-Chairman of Raskas Foods of St. Louis, Missouri.

- Member of the Audit Committee
- Member of the Compensation Committee
- Committee Chair of the Nominating Committee

Raymond M. Neff
Independent Non-Executive Director

Elected 2007. Since 1999, Mr. Neff has served as President of Neff & Associates, Inc. and Insurance Home Office Services, LLC. He previously worked at the FCCI insurance Group from 1986-1999, most recently as president and CEO from 1987 to 1999. He was previously Chairman of the Board of the Florida Workers' Compensation Joint Underwriting Association. Mr. Neff has held various positions at the Department of Labor and Employment Security and the Department of Insurance for the State of Florida. Mr. Neff has previously worked at an insurance consulting group, a multi-line insurance agency and the Department of Insurance for the State of Michigan. Mr. Neff received his B.S. degree in Mathematics and Accounting from Central Michigan University, and his M.A. in Actuarial Science from the University of Michigan. Mr. Neff is a Member of the American Academy of Actuaries and an Associate of the Society of Actuaries.

- Committee Chair of the Audit Committee
- Member of the Compensation Committee
- Member of the Nominating Committee

Senior Executives

Arturo M. Raschbaum

President and Chief Executive Officer

Arturo M. Raschbaum, Chairman, has been a director of Maiden Reinsurance Ltd. since 2009. Mr. Raschbaum also has been President and Chief Executive Officer of Maiden Holdings, Ltd. since November 2008, a director of Maiden Global Holdings since 2010. Mr. Raschbaum is also a director of several of Maiden Holdings, Ltd.'s other wholly owned subsidiaries. From 1994 to 2008, Mr. Raschbaum held several leadership positions with GMAC Insurance Holdings, including president of GMAC Insurance and president of GMAC RE and its predecessors. Mr. Raschbaum holds a BBA from the University of Texas at El Paso and attended the Stanford University Executive Program. Mr. Raschbaum services on the board of governors of the Property Casualty Insurers Association of America, and also serves on the Board of Advisors of the RAND Institute for Civil Justice.

Karen L. Schmitt

Chief Financial Officer

Karen L. Schmitt, has been a director of Maiden Reinsurance Ltd. since May 2014. Ms. Schmitt also has served as Chief Financial Officer and Executive Vice President of Maiden Holdings, Ltd. since May 2014, and previously served as President of Maiden Reinsurance North America and Maiden Specialty Insurance Company from 2009 to 2014. Ms. Schmitt is also a director of Regulatory Capital Limited since 2015 as well as several of Maiden Holdings, Ltd.'s other subsidiaries. From 1999 to 2008, Ms. Schmitt served in various capacities at GMAC RE, including most recently as Chief Operating Officer. Prior to 1999, Ms. Schmitt held positions as Chief Actuary and Senior Vice President at TIG Holdings, Vice President of American Reinsurance, and various positions at Prudential Property and Casualty. Ms. Schmitt holds an M.B.A. from the Wharton School of the University of Pennsylvania and a Bachelor of Science in Actuarial Science from Lebanon Valley College. She is a Fellow of both the Casualty Actuarial Society and the Canadian Institute of Actuaries, a Member of the American Academy of Actuaries, a Chartered Financial Consultant (ChFC), and a Chartered Enterprise Risk Analyst (CERA).

Patrick J. Haveron

President, Maiden Reinsurance Ltd.

Patrick J. Haveron, has been a director of Maiden Reinsurance Ltd. since May 2014 and is also President of Maiden Reinsurance Ltd. since February 2014. Mr. Haveron has served as Executive Vice President of Maiden Holdings, Ltd. since 2010, and previously served as President of Maiden Global Servicing Company, LLC. From 2004-2009, Mr. Haveron was President and Chief Executive Officer of Preserver Group, Inc., a publicly-traded property and casualty insurer, after having served in a variety of financial and executive leadership roles since 1988. Mr. Haveron was also Senior Vice President and Chief Operating Officer of Tower Group, Inc., a publicly-traded property and casualty insurer, from 2007-2009 after its acquisition of Preserver in 2007. Mr. Haveron has previously served on the board of governors of the Property Casualty Insurers Association of America and is a graduate of the University of Scranton.

Thomas H. Highet

President, Maiden Reinsurance North America

Mr. Highet has served as President of Maiden Reinsurance North America since May 2014. Mr. Highet, who joined Maiden Re (formerly GMAC RE) in 1988, has over 30 years of reinsurance experience. He previously held positions with PMA Re, Metropolitan Re and AFIA. Mr. Highet graduated from Stevens Institute of Technology with a Bachelor of Science Degree. He is an Associate of the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

Maxwell F. Reid
President of Maiden Global Holdings, Ltd.

Maxwell F. Reid joined Maiden in 2010 and has served as President of Maiden Global Holdings (UK) since May 2013. From 1999—2010 Mr. Reid held leadership positions with General Motors Captive and GMAC Insurance, having previously worked at Eagle Star and Zurich Insurance. Mr. Reid holds a BA from London University, is a UK Chartered Insurer and attended the London Business School Executive Program. Mr. Reid is the chairman of Maiden General Försäkrings and Maiden Life Försäkrings, Sweden and also serves on the board of the German and Australian businesses.

Lawrence F. Metz
Executive Vice President, General Counsel and Secretary

Lawrence F. Metz, has been a director of Maiden Reinsurance Ltd. since 2010. Mr. Metz has also been a Senior Vice President, General Counsel and Secretary of Maiden Holdings, Ltd. since June 2009 (Mr. Metz was promoted from Senior Vice President to Executive Vice President in February 2016) and a director of Maiden Global Holdings since 2010. From 2007–2009, Mr. Metz served as Vice President, General Counsel—US Operations and Assistant Secretary of AmTrust. From 2004–2007, Mr. Metz served as Vice President, General Counsel and Secretary of Conversion Services International, Inc., a publicly-traded provider of information management and business process optimization solutions. Mr. Metz holds a B.S. from the University of Wisconsin—Madison and a J.D. from Fordham University School of Law, and is a member of the New Jersey State Bar Association and the New York State Bar Association. Mr. Metz serves as the Chair of the Legal Subcommittee of the Legal and Government Affairs Committee of the Property Casualty Insurers Association of America, and also serves on the Board of Advisors of the RAND Center for Corporate Ethics and Governance.

3.2.3. DESCRIPTION OF THE PROFESSIONAL QUALIFICATIONS, SKILLS, AND EXPERTISE OF THE MAIDEN BERMUDA BOARD AND ITS SENIOR EXECUTIVES

Board of Directors

The following were members of the Maiden Board as elected at the 2017 Annual General Meeting:

Arturo M. Raschbaum
Chairman and Executive Director

Karen L. Schmitt
Executive Director

Patrick J. Haveron
Executive Director

Lawrence F. Metz
Non-Executive Director

David A. Lamneck
Executive Director

David A. Lamneck, has served as Senior Vice President and Chief Underwriting Officer of Maiden Reinsurance Ltd. since July 2009. From 1999 to 2009, Mr. Lamneck served in several underwriting and account executive roles with the Company and GMAC RE. Previously, Mr. Lamneck held underwriting and management positions with General Re and Swiss Re. Mr. Lamneck is a graduate of Ohio State University.

Senior Executives

Patrick J. Haveron
President, Maiden Reinsurance Ltd.

David A. Lamneck
Chief Underwriting Officer

Michael J. Tait
Chief Financial Officer, Maiden Reinsurance, Ltd.

Mr. Tait serves as the Chief Financial Officer and Principal Representative of Maiden Reinsurance, Ltd., as well as the Chief Accounting Officer and Senior Vice President of Maiden Holdings, Ltd. He joined Maiden Holdings in November 2007. Prior to Maiden Holdings, Mr. Tait served as the Chief Financial Officer of Marsh's Global Captive Solutions Group and Marsh Management Services (Bermuda) Limited. Mr. Tait received his degree in Business Administration from the University of Dundee, Scotland in 1981 and is a member of the Institute of Chartered Accountants of Scotland.

3.3. RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT

3.3.1. DESCRIPTION OF THE GROUP'S RISK MANAGEMENT PROCESS AND PROCEDURES

Maiden's ERM involves a pro-active holistic enterprise-wide view of all risks and their associated risk appetite and tolerances to ensure that they are fully aligned with the Company's objectives and strategies, and reflects the quality, competencies and capacity of people, technology and capital. Risk management is under the direction of our ERM Committee, rather than a single Chief Risk Officer. The ERM Committee is made up of senior executives from all facets of the Company, including the business units and corporate areas (financial, actuarial, capital management). The ERM Committee monitors and oversees the risk environment and provides direction for the activities to mitigate, to an acceptable level, the most significant and material risks that may adversely affect the Company's ability to achieve its goals. The Committee facilitates a culture of continuous improvement of the Company's capabilities around managing its strategic risks. Due to our corporate structure we have a group ERM Committee that makes decisions on the management of risks facing the group as a whole, rather than by legal entity. This structure facilitates effective communication regarding risk management throughout the organization. Where required either due to local regulatory or business needs, subsidiaries also have a local risk committee. Maiden's ERM program is designed to achieve the following:

- Establish a process to assess strategies and business decisions on a risk/reward basis;
- Establish a risk governance structure with clearly defined roles and responsibilities;
- Identify and assess all material risks from internal and external sources;
- Manage risks within Maiden's risk appetite; and
- Effectively review and report major loss events.

Maiden's ERM framework reflects the 'three lines of defense' approach to risk management, which involves risk owners having responsibility for identifying and managing risks, the ERM Committee providing global tools and policies, and internal audit performing independent reviews. The Maiden Board of Directors has overall responsibility for oversight of the ERM program.

The key roles and responsibilities of the Board and Management are summarized below.

Audit Committee of the Board of Directors ("Audit Committee"): Board Oversight with Regard to ERM

- Discuss Risk Management philosophy and risk appetite
- Understand ERM practices
- Review Portfolio of risks in relation to risk appetite
- Be appraised of most significant risk and related responses
- Risk culture

CEO/CFO: Responsible for Strategic Direction and Internal Environment

- Risk culture
- Integrity and ethical values
- Commitment to competence
- Management philosophy and operating style
- Assignment of authority and responsibility
- Objective setting

ERM Committee: Responsible for Internal Environment

- Risk appetite
- Integrity and ethical values
- Commitment to competence
- Objective setting
- Event identification
- Risk assessment and response
- Risk modeling
- Capital management
- Risk related performance
- Measurement
- Control activities
- Information and communication
- Monitoring

Management: Responsible for Internal Environment—Business Unit Level

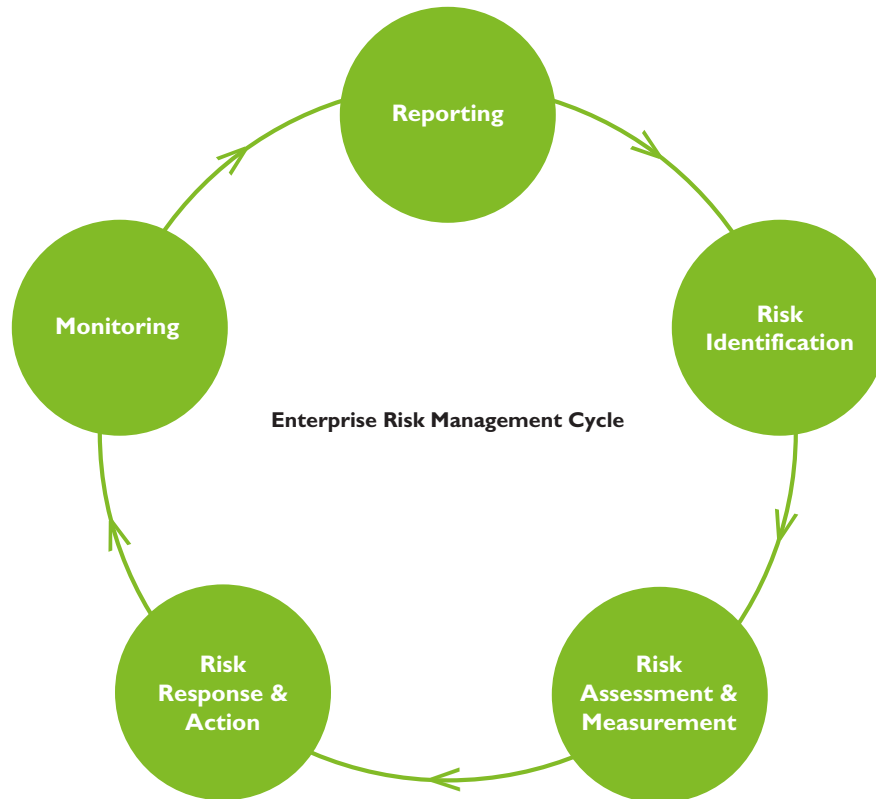
- Event identification
- Risk assessment
- Risk response
- Control activities
- Information and communication
- Monitoring

ERM is an on-going process. The Board and Senior Management set the tone for enterprise risk management in the Company. The ERM Committee establishes Maiden's risk appetite and how risks are identified, measured and managed. The ERM Committee gives a presentation on ERM to the Audit Committee of the Board quarterly.

Maiden has a strong risk management culture set by the tone at the top, the CEO, which is then established entity wide through various processes and controls which focus on our risk exposures. Maiden continually develops, reviews, and enhances these processes which we believe to be necessary to achieve our business strategies and objectives within our risk management practice.

Maiden's ERM process consists of five primary steps, as indicated in Figure 1. We ensure that our ERM process and risks are re-evaluated and updated on an on-going basis to reflect new information and experiences so that all significant risks are appropriately identified and addressed and that any material risks are not overlooked.

FIGURE 1: Enterprise Risk Management Cycle



There is involvement from all Maiden employees and risk owners are required to assist with the identification of risks, creation of appropriate responses to risks, and maintain them within the risk appetite and tolerances that the ERM Committee believes are necessary to achieve our business strategies and objectives.

The ERM Committee focuses primarily on identifying interactions among our primary categories of risk, developing metrics to assess our overall risk appetite, establishing appropriate risk parameters and tolerances, monitoring those tolerances, establishing and determining actions, if deemed necessary, in the event of a tolerance breach, performing ongoing risk assessment and continually reviewing factors that may impact our organizational risk. Maiden's internal audit department assesses the adequacy and effectiveness of our risk management framework and mitigating controls and coordinates risk-based audits to evaluate and address risk within targeted areas of our business.

Risk Appetite

Our focus on low-volatility exposures allows efficient use of our capital. We aim to deliver long-term, non-catastrophe reinsurance solutions, primarily to regional and specialty property and casualty insurers. We provide lower or "working" layer reinsurance support focusing on the more predictable and actuarially credible segments of our clients' reinsurance programs. This focus helps us avoid the volatility associated with severity events such as natural catastrophes and mitigates the impact of market cycles by developing long-term solutions for our clients.

We target lines of business which are inherently less volatile and use reinsurance structures which complement our focus, such as quota share and low attaching and low limit excess of loss contracts. We also use loss responsive features, where appropriate, to further limit volatility. On the asset side of the balance sheet, the vast majority of our investments are high quality, investment grade instruments.

Business decisions, from the level of an individual account to corporate strategy and business planning, are quantitatively and qualitatively evaluated. Decision making reflects a dynamic collaborative multi-disciplined approach.

We seek long-term client relationships and intend to be the client's most significant provider of reinsurance for their non-catastrophe, lower volatility business needs. Our actions are deliberative and taken with strong consideration of our stakeholders and the marketplace.

Tolerances

Maiden sets group tolerances for capital, catastrophe exposure, investments, reserves, underwriting and operational risk. Risk tolerances are quantitative expressions of the aggregate amount of risk the Company is willing to accept.

3.3.2. DESCRIPTION OF INTEGRATION OF MAIDEN'S RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT SYSTEMS INTO INSURANCE GROUP OPERATIONS

Our risk management framework and solvency self-assessment is integrated with our insurance group operations. Maiden has integrated risk management into the strategy-setting process, the setting of business objectives, decision making, budget process and management of risk.

- **Risk appetite is approved by the Board.** The board has overall responsibility for oversight of the ERM program.
- **ERM framework reflects “three lines of defense” approach, which involves risk owners having responsibility for identifying and managing risks, the ERM Committee providing global tools and policies, and internal audit performing independent reviews.** Risks are identified, assessed along with mitigating controls and procedures and updates and changes in risk assessments are reported to the Board quarterly. Membership of the ERM committee includes cross-functional business unit leaders and ensures strong communication and reporting on risk across multiple levels and across the organization. The risk management framework includes controls and processes in place throughout the organization which are reviewed by Internal Audit for effectiveness.
- **Maiden's key strategic objectives are the result of a planned and explicit process with the Board that drives expected and prospective capital levels.** We prepare a detailed set of financial projections including balance sheets, income statements, cash flow projections and capital levels based on the objectives of producing a portfolio of reinsurance business with relatively low volatility.
- **We evaluate every material business transaction for expected volatility and continually monitor the catastrophe exposure of our reinsurance portfolio.** The capital levels that would be necessary to support our business projections are continually updated for changes in our projections. Management uses a combination of the internal model required capital and regulatory and rating agency capital models to ensure projected growth is supported by adequate capital. The internal model is calibrated at a 99.0% Tail Value-at-Risk (TVaR) on a time horizon of one year of future volume.
- **Maiden monitors its capital adequacy across all models at a quarterly frequency through its Capital Dashboard.** These models along with a number of additional modeling tools are instrumental in strategic decision-making on risk adjusted pricing targets, understanding the relative risk across lines/layers of the business written, assessing the impact of growth in expansionary lines, testing changes in investment strategy and evaluating reinsurance and other capital structures among other uses.
- **Solvency Self-Assessment involves a range of business functions.** Contributors to the GSSA span all functions within Maiden: Accounting, Actuarial, Capital Management, Claims, Finance, Human Resources, Internal Audit, Legal and Compliance, Risk Management and Underwriting. These areas are actively involved in the ERM function through recommending risk limits that are within Maiden's risk appetite, monitoring risk, reporting out to the risk register and to the ERM Committee.

3.3.3. DESCRIPTION OF THE RELATIONSHIP BETWEEN SOLVENCY SELF-ASSESSMENT, SOLVENCY NEEDS, AND CAPITAL AND RISK MANAGEMENT SYSTEMS OF THE INSURANCE GROUP

The Solvency Self-Assessment is our perspective of the capital resources (CISSA Capital) necessary to achieve our business strategies and remain solvent given our risk profile. Our solvency self-assessment identifies and measures all material risks, includes results of stress and scenario testing on business plans and capital resources, and identifies contingent sources of capital support.

For those risks that Maiden measures through its internal model, premium, reserve and catastrophe risk, Maiden incorporates its internal approach to cross risk diversification through correlations. Catastrophe risk is integrated into reserve and premium risk. Its integration is necessary due to assumed structures applying to non-catastrophe and catastrophe losses combined.

For the purpose of this self-assessment, Maiden has defaulted to the BSCR for credit, market and also operational risk. As a result, a modified BSCR cross risk diversification formula addresses diversification of insurance risk as a whole and the other remaining risks.

In 2015, Maiden's internal capital model was validated by an external party. The scope of the validation included underwriting risk model segmentation, premium and reserve risk methodology and assumptions, diversification assumptions, stress testing and results. Maiden's underwriting risk capital model was determined to be actuarially sound with reasonable assumptions and results.

3.3.4. DESCRIPTION OF THE SOLVENCY SELF-ASSESSMENT APPROVAL PROCESS INCLUDING THE LEVEL OF OVERSIGHT AND INDEPENDENT VERIFICATION BY THE PARENT BOARD AND SENIOR EXECUTIVES

The Maiden Holdings, Ltd. Board of Directors, and the Audit Committee, are ultimately responsible for integrity of the GSSA and the internal capital model (ICM) that is used to determine the GSSA. The responsibilities of the Board include:

- Approve governance and policies with respect to oversight (proper management and controls) and reliance on the GSSA/ICM;
- Approve use of GSSA/ICM within the business;
- Provide strategic direction of the GSSA/ICM;
- Ensure design and operations of the GSSA/ICM are aligned with the risk profile and operations of Maiden;
- Ensure outputs aligned with use;
- Ensure there is a formal assessment and approval process before any changes to the GSSA/ICM are implemented; and
- Review, challenge and certify GSSA/ICM results.

Maiden's ERM Committee reports to Audit Committee of the Board of Directors and is responsible to:

- Review capital estimation for adequacy and reasonableness;
- Review capital methodologies for reasonableness and appropriateness;
- Oversee development, implementation, maintenance and adherence to applicable policies and standards of practice;
- Approve methodology, major changes in methodology, ICM validation assignments;
- Finalize GSSA/ICM results for approval by the board;
- Ensure sufficient and appropriate resource to develop, monitor, and maintain GSSA/ICM; and
- Ensure adequate reporting to the Board and feedback loop between the Capital Management function, the ERM Committee and the Board of Directors with respect on compliance with ICM governance.

The ERM Committee may assign applicable members of the Committee to assume this role.

The Capital Management function is responsible for the day-to-day responsibilities relating to the ICM and reports to the Maiden CFO and ERM Committee and has the following mandate:

- Ensures approved ICM/GSSA methodology are in place and operation of model;
- Ensures that executive management is aware of material risks identified in the modeling;
- Ensure feedback loop to ERM Committee;
- Amend and refine ICM/GSSA to ensure appropriateness of design and operation and use of ICM/GSSA results;
- Set process flow, recommend governance and policy, document, test and validate ICM/GSSA; and
- Inform ERM Committee about performance and recommend development and improvement needs.

The Internal Audit Function is responsible for confirming compliance with:

- ICM governance procedures, Maiden model risk policy (upon adoption);
- Internal and external model documentation requirements;
- Operational control processes (change control, version control, audit trials);
- Key financial control procedure; and
- Security and integrity of data, software platforms, infrastructure used by the ICM/GSSA.

3.4. INTERNAL CONTROLS

3.4.1. DESCRIPTION OF THE INTERNAL CONTROLS SYSTEM

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the internal controls. In practice the oversight and management of the internal controls involves participation of the Board, the Audit Committee, senior management, Finance, Compliance, Legal, various committees and Internal Audit.

The Company has created and maintained key policies and procedures surrounding risk management and its internal controls framework that identify operating and oversight responsibilities for identifying and reporting material deficiencies and fraud. The policies and procedures also identify key internal controls that establish sound accounting and financial reporting procedures. The Company has implemented internal controls to ensure that our modeling, underwriting, claims processing, financial reporting and information technology systems and applications mitigate fraud, comply with regulatory requirements and meet the needs of our clients. Primary responsibility for day-to-day oversight of the internal controls framework lies with senior management and control owners. Responsibility and accountability are promoted throughout the organization by ensuring that all controls are assigned to an individual who is aware of their role, which is documented in the Company's internal control matrix.

Annually the Company reviews its Entity Level Control policy that identifies and outlines the Company's risk management practices and internal controls framework. Supporting the Entity Level are flow-charted procedures that identify key internal controls over financial accounting and reporting. These flow charts along with the Underwriting and Claims Guidelines evidence duties and responsibilities, decision making authority and procedures, segregation of duties and internal monitoring and reporting.

In addition to the above referenced documents, the Company has created and maintained, as needed, additional corporate policies that include, but not limited to, the Ethics Hotline, the Employee Handbook, the Code of Business Conduct and Ethics, the Insider Trading and Outside Investments Policy, the Maiden Global Fraud Prevention and Detection Policy and Maiden Information Governance.

3.4.2. DESCRIPTION OF HOW THE COMPLIANCE FUNCTION OF THE INSURANCE GROUP IS EXECUTED

The compliance function is responsible for identifying, measuring, monitoring, and reporting compliance risk across the insurance group and developing and implementing strategies for mitigating material compliance risks.

The Company has a Compliance Department that reports to the General Counsel. The Compliance Department is required to periodically report to the Maiden Holdings, Ltd. Audit Committee regarding the Company's material compliance with applicable legal requirements and the Company's Code of Business Conduct and Ethics. The Compliance Department is charged with monitoring and evaluating its compliance with policies and procedures and external laws and regulations. The Board and Senior Management ensure that the Compliance Department has prominent status in the Company and appropriate authority, independence, access and resources.

The Compliance Department develops and maintains corporate policies, including but not limited to, the Ethics Hotline, the Employee Handbook, the Code of Business Conduct and Ethics, the Insider Trading and Outside Investments Policy, the Maiden Global Fraud Prevention and Detection Policy, Global Sanction Program, Global Outsourcing Policy, and Maiden Information Governance.

The Company has appointed Regional Compliance Representatives who are responsible for monitoring local legal and regulatory requirements as well as reporting changes and/or compliance issues. The VP Compliance meets with the Regional Compliance Representatives on a routine basis to discuss any emerging issues.

To ensure all risks are captured, the VP Compliance will receive periodic updates from Regional Compliance Representatives of any changes to applicable legal and regulatory requirements.

Regional Compliance Representatives are required to keep a current listing of all applicable regulations requiring compliance. Regional Compliance Representatives are responsible for the early identification and reporting to VP Compliance of any of the following:

- a. External reporting requirements
- b. Changes in regulatory requirements
- c. Change in local laws

The Group Compliance Department monitors trends and changes in regulations and is responsible for ensuring there are adequate policies and procedures that prevent and detect breaches of legal and regulatory requirements. Regional Compliance Representatives will periodically report any concerns or potential violations, breaches or non-compliance with applicable legal and regulatory requirements. If there is a material breach, the VP Compliance or the General Counsel should be notified immediately.

3.5. INTERNAL AUDIT

The Internal Audit Department's ("IAD") mission is to provide independent, objective assessment of the Company's system of internal control and underlying business processes, their responsibilities are outlined in the Internal Audit Department Charter.

In addressing its mission, the primary objectives of the IAD are:

- To assist the Board of Directors, management and employees in the effective discharge of their respective responsibilities by providing analyses, testing, recommendations, counsel and information concerning the adequacy and effectiveness of the Company's internal control structure; to address the safeguarding of assets, compliance with applicable laws and regulations and achievement of management's operational objectives; and
- To promote effective business processes to internal control at a reasonable cost.

Internal Audit employs the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) Framework for defining, evaluating, testing and reporting on the Company’s policies, processes and information systems. As defined by COSO, internal control is a process, affected by the Company’s Board of Directors, management and other employees, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations (including safeguarding of assets);
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Internal control consists of five interrelated components. They are derived from the way in which management runs a business, and are integrated into the management process. The components are:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communication; and
- Monitoring.

The scope of IAD’s annual plans, the planning and execution of each project and reporting of each and its results are conducted under this framework.

The IAD has full, free and unrestricted access to all activities, records (in both paper and electronic format), property and personnel necessary to accomplish the stated purpose. Documents and information given to IAD are handled by IAD in the same prudent manner as by those employees normally accountable for them, with stringent regard for safekeeping and confidentiality.

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, IAD is independent of the activities it audits. The IAD does not have direct responsibility for, nor authority over, any of the activities reviewed and does not engage in activities which would normally be reviewed by external auditors. This directive does not preclude IAD’s proactive involvement with management in planning processes, committees or special assignments that have been approved by both the Chief Financial Officer and the Audit Committee to the Board of Directors of the Company.

The IAD review and appraisal process does not in any way relieve other persons in the Company of the responsibilities assigned to them. Responsibility for complying with policies and procedures as well as correcting deficiencies rests with the respective employees and management.

The IAD’s ultimate responsibility is to provide the Audit Committee with information necessary to execute its responsibility. The Vice President of Internal Audit reports directly to the Audit Committee Chairman and administratively to the CFO. The Audit and Committee reviews and concurs in the appointment, replacement, reassignment or dismissal of the VP of internal Audit. This organizational structure is designed to allow the IAD to be independent and to effectively accomplish its purpose.

Scope:

The scope of the IAD’s responsibilities encompasses all systems, processes, operations, functions and activities of the Company. In assessing the adequacy and effectiveness of the Company’s internal control structure, the IAD:

- Assesses financial and operating information and the means used to initiate, authorize, record, process and report such information to validate the reliability and integrity of the process;
- Review policies, plans, procedures, laws and regulations that could have a significant impact on the processes subject to audit to determine whether the Company is in overall compliance;
- Review the means to safeguard assets as well as the adequacy and effectiveness of applicable policies and practices;
- Appraise the economy and efficiency with which processes are executed resources are employed; and
- Review operations and programs to ascertain whether results are consistent with established objectives.

Responsibilities of the Internal Audit Department:

The IAD:

- Conducts work in accordance with the Standards for the Professional Practice of Internal Auditing and Code of Ethics promulgated by the Institute of Internal Auditors as well as other professional auditing standards that may be applicable;
- Annually develops and executes an audit plan that is reviewed and approved by the Audit Committee;
- Provides management with a preliminary written report of the results and recommendations of each audit, analyses, review or investigation performed. Final reports will contain management's response to recommendations and will be distributed to the Chairman of the Audit Committee and applicable members of management;
- Follow up on management's response to IAD's recommendations to determine if agreed upon internal control improvements have been implemented. Reports of management's action will be distributed to the Audit Committee;
- Coordinates audit efforts with independent or external auditors as well as any examinations performed by regulatory agencies;
- Investigates known or suspected acts of fraud involving Company funds, property and employees in coordination with the General Counsel;
- Follows up on all external auditor or regulatory reports and recommendations;
- Conducts special projects or studies as requested by the Audit Committee; and
- Meets with the Audit Committee at least quarterly to discuss the audit plan activities and findings. Identify significant departures from the approved audit plan and reasons. Every quarter submit a report to the Audit Committee summarizing the results of audit activities and identifying significant audit findings and recommendations.

3.6. ACTUARIAL FUNCTION

Maiden's Actuarial Function consists of a Chief Actuary, 13 full-time credentialed actuaries, 1 part-time credential actuary, 3 full-time students and 1 part-time resource. This is in addition to credentialed actuaries that work outside of the actuarial department. The Actuarial Function reports to the CFO.

Maiden's Chief Actuary is responsible for:

- reviewing and approving assumptions, methods and models that are used in determining the technical provisions;
- reviewing and approving internal standards for actuarial valuation processes, internal controls, and documentation used for such technical provisions;
- coordinating calculating the technical provisions and assessing the adequacy and quality of data used;
- communicating the technical provision to the Board and informing the board of the adequacy of the calculation; and
- contributing to the GSSA process, in particular to the GSSA and Eligible Capital Requirement (ECR) calculations.

The Reserve Committee reviews management's best estimate of reserves on a quarterly basis and is comprised of actuaries and other senior members of management.

The technical provisions are reviewed by the Chief Financial Officer, Chief Executive Officer and Board. The approved Group Actuary provides an opinion as to the adequacy of the Group's and Maiden Bermuda's technical provision. The approved Group Actuary is an independent third party, Ronald Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA.

3.7. OUTSOURCING

3.7.1. DESCRIPTION OF THE INSURANCE GROUP'S OUTSOURCING POLICY AND INFORMATION ON ANY KEY OR IMPORTANT FUNCTIONS THAT HAVE BEEN OUTSOURCED

Maiden has a Global Outsourcing policy that is issued and owned by the Legal Department. The objective of the policy is that all material outsourcing arrangements must allow the Company to:

- maintain understanding and control of all aspects of the outsourced function;
- allow respective regulators to monitor the Company's compliance with jurisdictional laws and regulations;
- demonstrate the ability to measure a service provider's performance; and
- ensure that a service provider has sufficient disaster recovery functions, such that the Company's audit obligations, stability and integrity, cannot be affected by failures of the service provider.

Material Outsourcing is defined as the outsourcing of a key function, where the outsourcing is material to the Company's risk profile. A key function could include the provision of a critical service, process or technology to the overall business objectives. A Material Outsourcing arrangement includes the outsourcing of all or a material amount of the functions of underwriting, actuarial, risk management, compliance or internal audit. As of the date of this assessment we have no material outsourcing agreements.

The following is a list of criteria that must be complied with by the Relationship Manager for all new outsourcing agreements and existing material outsourcing agreements:

- a. The service provider has the capacity and resources to perform the outsourced functions in a reliable, correct and punctual manner;
- b. No conflicts of interest exist that may affect the provision of the outsourced service. Should the service provider be a related party, the Audit Committee is required to approve the terms;
- c. The existence of a formal outsourcing agreement between the Company and the service provider, specifically covering the rights and obligations of both the Company and the service provider (see "Outsourcing Agreement", below); and
- d. Provision that local data protection law is complied with under the terms of the outsourcing agreement. Specifically, this should govern information exchange between the Company and service provider.

For new outsourcing agreements entered into after adoption of this policy, the following is required.

- e. Timely notification—to Company management and Legal—that a particular function is to be outsourced, including authorization to use the nominated service provider and the terms of their specific outsourcing agreement. Notification to regulatory bodies where required in accordance with local legislation.

In addition to standard contract provisions, the contract for outsourcing agreements should include the following:

1. A clear description of the receivables, timelines, deliverables, and legal responsibilities of the service provider under the agreement, detailing the responsibilities accepted by the service provider and those retained by the Company;
2. The requirement of the service provider to comply with all applicable laws and any other guidelines designated by the Company;
3. Provision for monitoring and oversight of the service provider so that any necessary corrective measure can be taken. This would include:
 - a. access to books, records and information relevant to the outsourced activity; and
 - b. right to conduct audits on the service provider whether by the Company's internal or external auditors, or by external specialists appointed by the Company.

Maiden has one material outsourcing agreement, an asset management agreement with All Insurance Management Limited ("AllIM"), a wholly owned subsidiary of AmTrust, pursuant to which AllIM has agreed to provide investment management services to the Company. AllIM provides investment management services for a quarterly fee of 0.0375% if the average value of the account for the previous calendar quarter is greater than \$1 billion. The agreement may be terminated upon 30 days written notice by either party.

3.7.2. DESCRIPTION OF INSURANCE GROUP'S MATERIAL INTRA-GROUP OUTSOURCING

The insurance group centralizes some of its administrative processes. Within the Maiden Group there are service companies that provide accounting, information technology, human resources and other administrative services to other subsidiaries.

Maiden Re Insurance Services, LLC operates as a managing general agent and underwriter for Maiden Reinsurance North America Inc.

3.7.3. OTHER MATERIAL INFORMATION

No other material information to report.

4. Risk Profile

Maiden's Identification and Assessment of Its Material Risks

Consistent with our ERM framework, we have a "ground up" and "top down" approach to identifying and assessing the most material risks that could adversely affect Maiden's capital and financial position. Maiden categorizes its risks in accordance with its ERM Framework. Risks are rated in terms of impact (or severity) and likelihood (or probability), both on an inherent basis and a residual basis. The ERM committee assigns each defined Top Risk an "owner" who is required to develop and maintain mitigation strategies for each Top Risk as well as engage in a dialogue with Maiden's ERM Committee. Maiden's key risks are identified below.

Current Risk Rating				
Risk Category	Risk Scale			Rationale
	LOW	TOLERABLE	HIGH	
Insurance		●		Majority of Maiden's portfolio has a low volatility profile, but material deviation of performance from expected is a key risk.
Market		●		Portfolio is sensitive to interest rates, which can be impacted by governmental policies, economic and political conditions.
Strategic		●		Includes risk of rating downgrade, ability to react to changes in market demand, and ability to access additional capital as needed.
Credit (Investments)	●			Financial loss due to a drop in a credit instrument's rating, mitigated by investment guidelines and conservative strategy.
Credit (Non-Investment)	●			Minimal exposure due to highly rated retro partners and limited use of reinsurance. Offsets for settlement in reinsurance contracts.
Operational	●			Increasing cyber risk and regulatory requirements, mitigated by strong controls and monitoring in key areas.
	LOW	TOLERABLE	HIGH	
RISK ASSESSMENT				

4.1. MATERIAL RISKS, MITIGATION AND MONITORING

The key risks to Maiden due to the nature of our business relate to insurance activities. Insurance risk is comprised of underwriting risk, catastrophe risk and reserving risk.

A. Underwriting Risk

While the overwhelming majority of Maiden's underwriting portfolio is low volatility, material deviation of performance from expected is a key risk. Specific risks that could unfavorably affect Maiden's performance and erode capital include:

- Insufficient premiums to cover future incurred losses due to inaccurate pricing, inappropriate risk selection, or both;
- Pressure on prices due to place in insurance cycle, the inability to renew existing accounts or write new accounts at appropriate pricing;
- Acceptance of risks outside of Maiden's risk appetite, underwriting guidelines or deviation from prescribed pricing targets could deliver results with different performance or volatility than expected;
- Losses from terrorism events may exceed our expectations.

Underwriting Risk Management

Internal underwriting controls are established by our underwriting executives who are the Chief Underwriting Officer of Maiden Bermuda, and the President of Maiden US, working in close coordination with our CEO, our CFO and the President of Maiden Bermuda. Underwriting authority is delegated to the managers in each business segment and to underwrite in accordance with prudent practice and an understanding of each underwriter's capabilities. In accordance with our underwriting guidelines, underwriting authorities are delegated to underwriting teams as well as individual underwriters. Our targeted performance goals and guidelines are regularly reviewed by management to reflect changes in market conditions, interest rates, capital requirements and market-expected returns.

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

- we will underwrite and accept only those risks we know and understand;
- we will perform our own independent pricing and risk review on all risks we accept; and
- we will accept only those risks that are expected to earn an appropriate risk-adjusted return on capital.

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

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

In limited cases, the risks assumed by us are partially reinsured with other third party reinsurers. Reinsurance ceded varies by segment and line of business based on a number of factors, including market conditions. The benefits of ceding risks include reducing exposure on individual risks and/or enhancing our capital position. Reinsurance ceded does not relieve the Company of its obligations to the policyholders. We remain liable to the extent that any reinsurance company fails to meet its obligations. In the event that one or more of the reinsurers are unable to meet their obligations under these reinsurance agreements, the Company would not realize the full value of the reinsurance recoverable balances.

B. Catastrophe Risk

While we do not write catastrophe reinsurance contracts, certain risks we reinsure are exposed to catastrophic loss events. Our tolerance is that our modeled one-in-250 year catastrophe occurrence loss must be less than 50% of our projected current year operating income and our annual aggregate loss must be less than 75% of our operating income. At December 31, 2016, our one-in-250 year catastrophe exposure on a per occurrence and aggregate basis is \$41.1 million and \$87.2 million, respectively, within these stated tolerances.

Catastrophe Risk Management

To achieve our catastrophe risk management objectives, we utilize commercially available modeling tools to quantify and monitor the various risks we accept. We have licensed catastrophe modeling software from one of the principal modeling firms, Applied Insurance Research ("AIR"). These software tools use exposure data provided by our ceding company clients to simulate catastrophic losses. We take an active role in the evaluation of these commercial catastrophe models, providing feedback to AIR to improve the efficiencies and accuracy of their models. We use modeling not only for the underwriting of individual transactions but also to optimize the total return and risk of our underwriting portfolio. We have high standards for the quality and levels of detailed exposure data provided by our clients and have an expressed preference for the most detailed location information available, including data at the zip code or postal code level or finer. Data output from the software described above is incorporated into our proprietary pricing models. Our proprietary systems include those for modeling risks associated with property catastrophe, property and U.S. workers' compensation business, various casualty and specialty pricing models. These systems allow us to monitor our pricing and risk on a contract by contract basis in each of our segments and business lines.

C. Reserving Risk

Reserving risk is the risk that loss and loss adjustment reserves are not sufficient to cover all of our policy obligations. Drivers include reporting lags inherent in reinsurance relationships, compounded by third party administrator lags in reporting to insurers, adequacy of ceding companies' claims estimates, future trends, unanticipated events, and normal volatility causing a range of uncertainty around where ultimate loss will land when all claims are closed and settled. Reserving risk includes potential time delays in being aware of significant developments or reserve deterioration from ceding companies. Any inaccurate assumptions used in the selection of the expected loss ratio, whether they be due to fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations, loss and exposure trends or underlying client pricing, could cause our initial reserve selections to be incorrect as the pricing expected loss ratio is used as the Expected Loss Ratio in our reserving process. We are primarily a frequency related reinsurer, and our risk is less related to swings in more volatile severity coverages.

Reserving Risk Management

Establishing adequate reserves for losses and loss expense constitutes a significant risk for the Company. We manage the risk inherent in estimating the Company's loss reserves in a variety of ways. Reserve reviews are performed on a quarterly basis by credentialed actuaries. As part of the reserving process, observations from the review are discussed with the production teams individually to allow for the discussion of account specific information that may be obtained by those managing the business. The reserves are reviewed and approved by a reserve committee. Loss provisions are reviewed and approved by senior management at the recommendation of reserving committees. The Company conducts operational and claims audits of ceding companies on a regular basis.

Our reserving process has been built to deliver the most accurate estimate possible based on the information available at the time. Maiden maintains a rigorous reserving process, reviewing the reserves of each account quarterly. The frequency

and depth of this process strengthens the quality of the reserve estimates and allows adjustments to be made quickly. For further discussion of the actuarial and statistical methods and assumptions used, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

D. Investment Risk

Investment risk includes the risk of loss in the Company's investment portfolio potentially caused by fluctuations in interest rates, credit spreads, foreign exchange rates and inflation on both assets and liabilities. As of December 31, 2016, Maiden's investment portfolio of \$4.7 billion consisted almost entirely of fixed income securities.

Our investment policy is an important component of our overall business model and is designed to preserve capital, provide significant liquidity, and produce sufficient investment income to sustain and grow net income while supporting our clients' needs. In order to limit the Company's credit risk exposure, the investment policy is to invest almost exclusively in high grade marketable fixed income securities, cash and cash equivalents and to achieve diversification through limits on holdings of individual securities. The Company monitors and manages exposure to asset types and economic sector. We manage interest rate risk by establishing and managing targets in the investment portfolio for duration, yield, and currency that support the Company's reinsurance liabilities. Foreign exchange risks are managed by holding cash and investments in foreign currencies where we have reinsurance liabilities that will be paid in those currencies. The Company is exposed to nominal equity risk and has a very limited equity portfolio.

The Company performs stress testing of the investment portfolio using stochastic scenarios to evaluate the investment portfolio risk and capital needs.

Investment risk includes liquidity risk, including the risk that the Group does not have sufficient liquid funds to pay losses as they become due. While our low volatility business model, combined with our very strong cash flow leave us less susceptible to events which require immediate access to funds, the inherent nature of insurance claims is such that unanticipated significant claims activity under our reinsurance policies, outside our historical experience, could potentially impact our liquidity at any time. We mitigate this risk by maintaining a portfolio of highly liquid fixed income securities in our available for sale portfolio and by keeping the duration of our assets reasonably close to the duration of our liabilities.

E. Operational Risks

Operational Risk includes the risk of loss from inadequate or failed internal processes, people, systems and/or external events. Operational risk also includes legal risks. These types of operational failures could negatively impact our reputation with customers, agents and brokers, shareholders, and regulators. The ERM Committee in collaboration with individual business units and risk owners are responsible for the identification, measurement, monitoring and reporting of operational risks. Operational risks are mitigated through strong process controls, training, business continuity planning, and board oversight. There are a number of policies and procedures in place throughout the organization that mitigate operating risk including the following but not limited to: Maiden Information Governance Policies, Business Continuity plan, Insider Trading and Outside Investment Policy, Code of Business Conduct and Ethics, Maiden Global Fraud Prevention and Detection Policy, Ethics Hotline, IT Policies, HR Policies, and controls over financial reporting.

Following are the categories Maiden view's and assesses operational risk:

- Business Process Risks includes data entry and data processing errors arising from application design misspecifications. Included in this category is the risk that models used in the business have errors embedded within, are incorrectly used, are changed without approval or become unfit for use;
- Business Continuity Risks includes risks that threaten or disrupt an insurer's continuous operations such as risks arising from natural and man-made hazards. This comprises business interruption that impacts the ability to access facilities or IT systems;
- Compliance Risks includes legal and regulatory breaches that could cause financial or reputational damage. This comprises compliance with SEC reporting requirements, stock exchange requirements, contractual agreements with third parties, tax regulations;
- Information Systems Risks includes unauthorized access to systems and data, data loss, utility disruptions, software and hardware failures, and inability to access information systems;

- Distribution Channels Risks includes inexperienced or incapable brokers/agents. The failure of insurance intermediaries to report information to the Company from cedants on a timely basis or errors in reporting information could result in business not being priced appropriately. Failure of these channels to forward premiums on a timely basis increases our credit risk;
- Fraud Risks includes intentional misconduct or unauthorized activities such as misappropriation of assets, information theft, forgery, and fraudulent claims;
- Human Resources Risks includes key person risk, unethical staff (not including fraud), inexperienced or incapable staff, training, retention, and communication failures. Any Code of Conduct breach by senior executives or employees could cause damage Maiden's/MRLs reputation or cause financial loss; and
- Outsourcing Risks includes communication failures between the outsourced role and Maiden management as well as incapable outsourcing partners. There could be a high replacement cost and loss of access to licensed systems if a material outsourcing arrangement terminates suddenly without adequate time to replace the service without causing a disruption to key processes.

4.2. MATERIAL RISK CONCENTRATIONS

A material risk concentration refers to an exposure with the potential to produce losses large enough to threaten a company's ability to remain solvent (or maintain its core operations).

The Company has concentrations of revenue. During 2016, our gross premiums written from AmTrust accounted for \$2,006,646 or 70.9% of our total gross premiums written. The assumed quota-share business from AmTrust provides substantial premium volume and underwriting income from a historically profitable company. The AmTrust treaty consists of U.S. workers' compensation, commercial package, specialty risk and extended warranty coverage, European hospital liability, package products, general liability, commercial auto liability, and excess and surplus lines programs. Despite this high concentration, net premiums written are well diversified by line of business and geography.

The Company has exposure to credit risk, as it relates to its business written through brokers if any, if the Company's brokers are unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms. 53.9% of Maiden's Diversified Reinsurance segment business is broker sourced for the year ended December 31, 2016.

The Company has exposure to credit risk as it relates to its reinsurance balances receivable and reinsurance recoverable on paid and unpaid losses. We are subject to the credit risk that AmTrust will fail to perform their obligations to pay interest on and repay principal of amounts loaned to AmTrust pursuant to its loan agreement with Maiden Bermuda, and to reimburse Maiden Bermuda for any assets or other collateral of Maiden that AmTrust's U.S. insurance company subsidiaries apply or retain, and income on those assets. The Company believes that credit risk related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process and monitoring of aged receivable balances. In addition, as the vast majority of its reinsurance agreements permit the Company the right to offset reinsurance balances receivable from clients against losses payable to them, the Company believes that the credit risk in this area is substantially reduced.

The Company requires its reinsurers to have adequate financial strength. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis.

The Company manages concentration of credit risk in the investment portfolio through issuer limitations and by monitoring sector exposures. The Company believes it bears minimal credit risk in its cash on deposit. The Company is not exposed to any significant credit concentration risk on its investments, excluding securities issued by the U.S. government and agencies which are rated AA+. Excluding U.S. Treasury or government sponsored agencies, Maiden has a policy that prohibits exposure to any single counterparty to a percentage of capital (range based on rating of issuer).

4.3. INVESTMENT IN ASSETS IN ACCORDANCE WITH THE PRUDENT PERSON PRINCIPLES OF THE CODE OF CONDUCT

The Prudent Person principle is defined by the Insurance (Group Supervision) Rules 2011 Section 12(2), which states the Group only assumes investment risks that it can properly identify, measure, monitor and control, taking into consideration its capital needs and resources, short-term and long-term sources and uses of funding liquidity, policyholder obligations and the protection of the interests of policyholders and beneficiaries.

The investment of our funds is designed to ensure safety of principal while generating current income. Accordingly, our funds are invested in liquid, investment-grade fixed income securities which are designated as either available for sale or held to maturity. Our investment policy is focused on diversification and capital preservation. Our tolerances requires us to invest approximately 90-95% of our investments in high grade marketable fixed income securities, cash and cash equivalents, with up to approximately 5-10% allowable in other securities which may include high-yield securities and equity securities. As of December 31, 2016, 96.5% of our investments are in high grade marketable fixed income securities and cash and cash equivalents. We attempt to maintain the duration of our fixed maturity investment portfolio combined with our cash and cash equivalents, both restricted and unrestricted, within a reasonable range of the duration of our loss reserves.

The Board of Directors has established investment policy guidelines. Quarterly, the Investment Committee reviews the Maiden investments to monitor whether they are in accordance with the established investment policy guidelines. The Investment Committee is responsible for reviewing and reporting to the Board of Directors on the administration, supervision and management of the investment program, and for recommending, where appropriate, changes to the Board of Directors for consideration. Their function specifically includes:

- Establishing investment policies and objectives;
- Ensuring senior management has an understanding of the Company's investment policies;
- Investment decisions are made within the guidelines provided by the Investment Committee; and
- Review and approve compliance testing results.

4.4. STRESS TESTING AND SENSITIVITY ANALYSIS

Maiden performs various stress testing and sensitivity analysis on current and projected capital.

Risk Type	Type of Test	Test Name	Event Specifics
Market Risk	Scenario Test	Interest Rate Cross Shocks	200 basis points ("BP") change on Maiden portfolio in one year
Market Risk	Scenario Test	Interest Rate Cross Shocks	400 BP change on Maiden portfolio over three year period (200/100/100)
Market /Credit Risk	Scenario Test	Credit Default	Application of historical worst case scenarios as provided by Standard & Poor's ("S&P")
Currency Risk	Reverse Stress Test	Currency reverse spread test	Identify level of currency movements that generate loss equal to BSCR currency capital requirement
Liquidity Risk	Reverse Stress	Negative operating cash flows	1) 100% business in run-off in one year 2) 100% run-off scenario, 50% adverse development on reserves and UPR, 30% increase in payout patterns in one year
Underwriting Risk	Scenario Test	Premium Growth Greater than Expected	Multiple
Underwriting and Reserve Risk	Scenario Test	Modification of various loss reserve development assumptions	Examples: Medical inflation beyond expected, Specific line of business deterioration of reserves, unfavorable underwriting cycle

Risk Type	Type of Test	Test Name	Event Specifics
Reserve Risk	Scenario Test	One year and multi-year reserve deterioration	
Reserve Risk	Scenario Test	Hypothetical law change	“Continuous trigger” allocates long term exposure claims to the various policies applicable to the insured loss
Catastrophe Risk	Scenario Test	Multiple sizeable catastrophe events	Various
Global Economic	Scenario Test	Economic Downturn—Various Countries	Economic downturn resulting in loss of car sales, withdrawal from market ultimately resulting in discontinuation of writings
Operational Risk	Scenario Test	External Cyber-terrorism events	Based on Ponemon Institute 2015 Cost of Data Breach Study, the average cost per record lost is \$154 and the average cost to resolve a data breach is \$3.8 million The cost of a breach is linear to the mean time to identify and contain the breach, the average time to identify breach is 178 days and 55 days to contain
Operational Risk	Scenario Test	Internal Cyber-terrorism events	
Operational Risk	Scenario Test	Business Disruption/ Business continuity and disaster recovery	

The stress testing is reviewed regularly and based on the latest results, management of Maiden believes that it has sufficient capital and liquidity to comply with the contractual obligations of the organization and regulatory requirements upon experiencing losses within its risk tolerance.

5. Solvency Valuation

5.1. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF EACH ASSET CLASS

Maiden has used the valuation principles outlined in the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011. The BMA’s Economic Balance Sheet (“EBS”) valuation principles state that the EBS shall be produced on a consolidated basis in line with GAAP principles adopted by the insurance group, as notified and agreed by the Authority.

The assets are fair-valued in accordance with U.S. GAAP principles. For cases where U.S. GAAP principles permit both a fair value model and a non-economic valuation model for valuing an asset or liability, the insurance group shall apply the fair value model. For cases where the GAAP principles do not require an economic valuation the insurance group shall fair value the asset or liability using the following hierarchy of high level principles of valuation of assets and liabilities:

- (a) Quoted market prices in active markets for the same or similar assets or liabilities must be used whenever possible;
- (b) Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;

- (c) If there are no quoted market prices in active markets available, mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input, should be used; and
- (d) Maximum use must be made of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimizing the use of unobservable inputs.

The material classes of assets on the Group Statutory Return used to calculate the Group's solvency capital, the Group Statutory balance sheet values, the Group's U.S. GAAP financial statement values, and the valuation method used are summarized in the table below:

Balance	EBS Valuation basis	U.S. GAAP Valuation basis
Fixed Income Securities		
Available-for-sale U.S. government-sponsored agency securities; U.S. Treasuries, non-U.S. government and supranational obligations; commercial mortgage-backed securities ("CMBS"); collateralized loan obligations ("CLO"); corporate and municipal bonds	<p>Fair value. The fair values of U.S. treasury bonds are based on quoted market prices in active markets. The fair values of agency MBS are determined using the spread above the risk-free yield curve.</p> <p>Non-U.S. government and supranational obligations are generally priced by independent pricing services. The Pricing Service may use current market trades for securities with similar quality, maturity and coupon. If no such trades are available, the Pricing Service typically uses analytical models which may incorporate spreads, interest rate data and market/sector news.</p> <p>Asset-backed securities (CMBS and CLO) are priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation.</p> <p>Corporate bonds are generally priced by independent pricing services. The spreads are sourced from broker/dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers.</p> <p>The fair values of municipal bonds are generally priced by independent pricing services. The pricing services typically use spreads obtained from broker-dealers, trade prices and the new issue market.</p>	Fair value.
Held-to-maturity U.S. corporate bonds	Fair value. Corporate bonds are generally priced by independent pricing services. The spreads are sourced from broker/dealers, trade prices and the new issue market. Where pricing is unavailable from pricing services, the Company obtains non-binding quotes from broker-dealers.	Amortized cost.
Other Investments	Fair value. The fair values of the investments in limited partnerships are determined by the fund manager based on recent filings, operating results, balance sheet stability, growth and other business and market sector fundamentals.	Fair value.

Balance	EBS Valuation basis	U.S. GAAP Valuation basis
Cash and cash equivalents (Includes money markets and invested cash with a maturity of under 90 days when purchased. Includes restricted cash.)	Fair value. Cash equivalents consist of investments in money market funds and short-term investments with an original maturity of 90 days or less and are stated at cost, which approximates fair value.	Stated at cost which approximates fair value.
Funds Held	Fair value.	Carried at cost.
Investment Income Due and Accrued	Fair value.	Carried at cost.
Advances to Affiliates	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Accounts Receivable and Premium Receivable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Reinsurance Balances Receivable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Sundry Assets—Loan Receivable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Insurance and Reinsurance Balances Payable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Commissions, Expenses, Fees, and Taxes Payable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.

For further discussion on the Company's valuation techniques used to determine fair value of the above balances, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

5.2. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF TECHNICAL PROVISION

Technical provisions are valued at an economic value using the best estimate of probability weighted cash flows, with an additional risk margin.

Cash flows included

Cash flows take into account all future cash in and out flows required to settle the insurance obligations attributable to the remaining lifetime of the policy. In particular, they include: (a) All claims payments expected to be made to policyholders, third party claimants; (b) All expenses that are expected to be incurred in servicing reinsurance obligations over their lifetime, including: (i) Claims management expenses; (ii) Acquisition costs; (iii) Administrative expenses; (iv) Investment management expenses; (v) Overhead costs associated with the above; (c) Any expected future premiums due after the valuation date; (d) Any expected salvage and subrogation recoveries (e) Any taxation payments which are, or are expected to be, charged to policyholders or are required to settle the insurance obligations; and (f) Any expected cash flows (both inwards and outwards) related to outwards reinsurance arrangements, making due allowance for any expected shortfall in amounts to be received due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute).

The remaining lifetime of the policy is defined to continue up to the point at which: (a) The insurance group is no longer required to provide coverage; (b) The insurance group has the right or the practical ability to reassess the risk of the particular policyholder and, as a result, can set a price that fully reflects that risk; and (c) The insurance group has the right or the practical ability to reassess the risk of the portfolio that contains the policy and, as a result can set a price that fully reflects the risk of that portfolio.

The best estimate provision is determined separately in respect of business for which claims have yet to occur (premium provisions) and for claims which have already occurred whether reported to the insurance group or not (loss and loss

expense provisions). Where Maiden has committed to write a policy with an inception date after the valuation date, and the terms of that policy cannot be changed unilaterally by Maiden, then that policy is included in the best estimate ("bound but not incepted" or BBNI business).

Assumptions underlying the calculation of technical provisions are based on current expected experience, using expert judgment where necessary, and reflects expected policyholder behavior and future management actions.

Reinsurance

The technical provision is calculated gross of reinsurance, with a separate assessment of amounts expected to be recovered from reinsurers consistent with the gross assessment.

Discount rate

Maiden uses the BMA's basic risk-free discount rate curve to discount all cash flows.

Risk Margin

The risk margin is calculated using the cost of capital method, and reflects the cost of holding an ECR level of capital in respect of insurance risk, credit risk, and operational risk. A 6% cost of capital rate is prescribed by the BMA to be used. The assessment covers the full period needed to run-off the insurance liabilities, and be discounted using the risk free discount curve.

5.2.1. MAIDEN GROUP

	December 31, 2016
	(in millions of U.S. dollars)
Best Estimate Loss and Loss Expense Provisions	2,655.3
Best Estimate Premium Provisions	59.2
Risk Margin	480.9
Technical provision	3,195.4

The discount included in the Best Estimate Loss and Loss Expense Provision is \$197.2 million.

5.2.2. MAIDEN REINSURANCE LTD.

	December 31, 2016
	(in millions of U.S. dollars)
Best Estimate Loss and Loss Expense Provisions	2,177.3
Best Estimate Premium Provisions	118.8
Risk Margin	450.1
Technical provision	2,746.2

The discount included in the Best Estimate Loss and Loss Expense Provision is \$154.3 million.

5.3. DESCRIPTION OF RECOVERABLES FROM REINSURANCE CONTRACTS

The EBS principles outlines that reinsurance recoverables are expected to be valued on a basis consistent with the insurance obligations. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. The balance is required to be adjusted for counterparty credit rating based on rating agency and default statistics. No adjustment was required for Maiden Group or Maiden Bermuda as of December 31, 2016 for counterparty credit ratings. The majority of reinsurance recoverables are rated by A.M. Best as A or higher. For further discussion on the Company's reinsurance recoverables, please refer to Note 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

5.3.1. MAIDEN GROUP

The table below summarizes the A.M. Best credit ratings of the Company's reinsurance counterparties at December 31, 2016:

	December 31, 2016
A or better	97.2%
B++ or worse	2.8%

5.3.2. MAIDEN REINSURANCE LTD.

The table below summarizes the A.M. Best credit ratings of the Company's reinsurance counterparties at December 31, 2016:

	December 31, 2016
A or better	100.0%

5.4. VALUATION BASES, ASSUMPTIONS AND METHODS TO DERIVE THE VALUE OF OTHER LIABILITIES

Similar to the valuation principles for assets, Maiden's liabilities follow the valuation principles outlined by the BMA in the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 which values liabilities at or on a fair value basis. Fair value of our Financial Liabilities does not take account of changes in Maiden's own credit risk on grounds of materiality. All other liabilities (with the exception of Senior Notes) are valued on a GAAP basis and settlements not expected to be settled within a year are discounted using the prescribed discount rates provided by the BMA as at December 31, 2016.

Balance	EBS Valuation basis	U.S. GAAP Valuation basis
Insurance and Reinsurance Balances Payable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Commissions, Expenses, Fees, and Taxes Payable	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.
Accounts Payable and Accrued Liabilities	Recorded at a fair value and balances due in more than one year have been discounted at the relevant risk free rate.	Carried at cost.

6. Capital Management

6.1. ELIGIBLE CAPITAL

6.1.1. MAIDEN'S CAPITAL MANAGEMENT POLICY AND PROCESS FOR CAPITAL NEEDS, HOW CAPITAL IS MANAGED AND MATERIAL CHANGES DURING REPORTING PERIOD

Maiden's primary capital management objectives are to maintain a strong capital base to support the development of our business and to meet regulatory and rating agency requirements at all times. Capital adequacy is reviewed at least quarterly on an actual and projected basis including scenario testing; more frequent reviews are conducted if there are major changes contemplated in any capital driver. Capital adequacy is discussed with the Board of Directors at every meeting and is managed on a three year time horizon.

Maiden will continue to grow capital through its profitable underwriting and strengthening operating results. Maiden has a variety of capital tools available as levers to address any needed changes. Maiden has access to both the debt and equity markets—we have conducted six separate public market transactions since 2011 with all receiving significant investor demand. Beginning in 2015 Maiden has used a retrocessional quota share agreement for capital support.

6.1.2. ELIGIBLE CAPITAL CATEGORIZED BY TIERS IN ACCORDANCE TO THE ELIGIBLE CAPITAL RULES

Insurance groups, Class 3B and 4 insurers are required to maintain statutory economic capital and surplus ("Regulatory Capital") for determination of regulatory available capital in accordance with a "3 tiered capital regime". All capital instruments are classified as either basic or ancillary capital which in turn are classified into one of three tiers (Tiers 1, 2 and 3) based on their "loss absorbency" characteristics. Under this regime, there are limits of Tier 1, Tier 2 and Tier 3 capital which may be used to satisfy the Class 3B and 4 insurers' and Group's MSM and ECR requirements. Eligible capital is subject to transitional arrangements as required under the Eligible Capital Rules.

6.1.2.1. MAIDEN GROUP

Summary of Regulatory Capital	December 31, 2016
	(in millions of U.S. dollars)
Tier 1 Basic Capital	1,278.4
Tier 1 Ancillary Capital—Senior Notes**	252.5
Tier 2 Basic Capital	38.5
Tier 3 Ancillary Capital—Senior Notes**	110.0
Total Group Regulatory Capital	1,679.4

**Capital instruments approved by the BMA to be grandfathered until 2026.

Tier 1 Basic Capital

The following table displays the components of Tier 1 Basic Capital held by Maiden Holdings, Ltd. as of December 31, 2016.

Tier 1 Basic Capital	December 31, 2016
	(in thousands of U.S. dollars)
Fully paid common share	873
Contributed surplus	749,256
Statutory Economic Surplus	256,334
Minority Interest	355
Preference Shares	315,000
Less: Treasury Shares	4,991
Less: Difference between encumbered assets for policyholder obligations and policyholder obligations, transferred to Tier 2 Basic Capital	38,474
Total Tier 1 Basic Capital	1,278,353

For further discussion on the components of Shareholders' Equity, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Senior Notes—Tier 1 and Tier 3 Ancillary Capital

On March 27, 2012, Maiden Holdings North America, Ltd. completed a public debt offering of 8% \$100.0 million principal amount senior notes due 2042 ("2012 Senior Notes") fully and unconditionally guaranteed by Maiden Holdings, Ltd. This debt is classified as Tier 1-ancillary capital and is grandfathered pursuant to section 6C of the Insurance Act 1978 until 2026.

On November 25, 2013, Maiden Holdings, Ltd. completed a public debt offering of 7.75% \$152.5 million principal amount senior notes due 2043 ("2013 Senior Notes"). This debt is classified as Tier 1-ancillary capital and is grandfathered pursuant to section 6C of the Insurance Act 1978 until 2026.

On June 14, 2016, Maiden Holdings, Ltd. completed a public debt offering of 6.625% \$110 million principal amount senior notes due 2046 ("2016 Senior Notes"). This debt is classified as Tier 3-ancillary capital and is grandfathered under Section 21 paragraph 10 of the Group Rules until 2026 as the 2016 Senior Notes do not meet the requirement that coupon payment on the instrument be cancellable or deferrable indefinitely upon breach (or if it would cause breach) in the enhanced capital requirement ("ECR"). The Group's ECR shall be subject to a regulatory capital add-on comprising three years of coupon payments on the 2016 Senior Notes accounting to \$21,862.

Preference Shares—Tier I Basic Capital

Maiden's Preference Shares Series A and Preference Shares Series C are classified as Tier-I Basic Capital. For further discussion on the Preference Shares, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Description of capital instrument	Date of issue	Maturity date (as applicable)	Value of capital instrument in thousands of U.S. dollars
Preference Shares Series A	August 22, 2012	Perpetual	150,000
Preference Shares Series C	November 25, 2015	Perpetual	165,000

Tier 2 Basic Capital

The excess of pledged assets that support policyholder obligations that are not available to all policyholders until the obligations of the underlying policyholders have been satisfied are classified as Tier 2 Basic Capital.

6.1.2.2. MAIDEN REINSURANCE LTD.

Description of the eligible capital categorized by tiers, in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement ("ECR") and the Minimum Margin of Solvency ("MSM") defined in accordance with section (I) (I) of the Act.

Summary of Regulatory Capital	December 31, 2016
	(in millions of U.S. dollars)
Tier 1 Basic Capital	1,489.8
Tier 2 Basic Capital	5.5
Total Regulatory Capital	1,495.3

Tier I Basic Capital

The following table displays the components of Tier I Basic Capital held by Maiden Reinsurance Ltd. as of December 31, 2016.

Tier I Basic Capital	December 31, 2016
	(in thousands of U.S. dollars)
Fully paid common shares	120
Contributed surplus	988,214
Statutory Economic Surplus	506,995
Less: Difference between encumbered assets for policyholder obligations and policyholder obligations, transferred to Tier 2 Basic Capital	5,533
Total Tier I Basic Capital	1,489,796

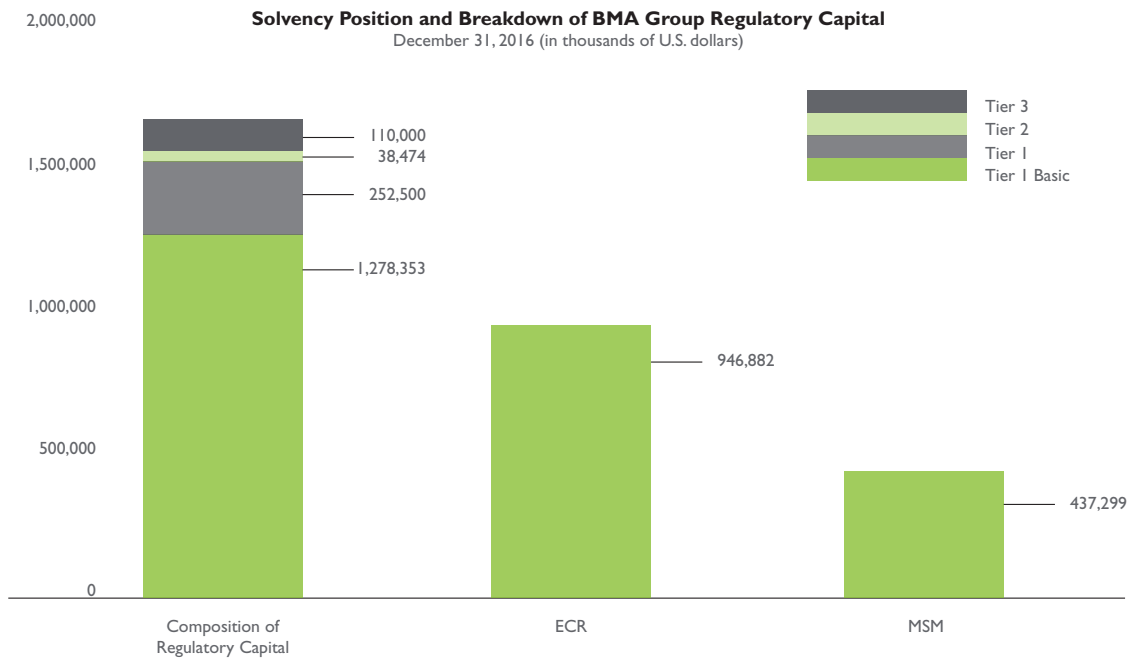
Tier 2 Basic Capital

The excess of pledged assets that support policyholder obligations that are not available to all policyholders until the obligations of the underlying policyholders have been satisfied are classified as Tier 2 Basic Capital.

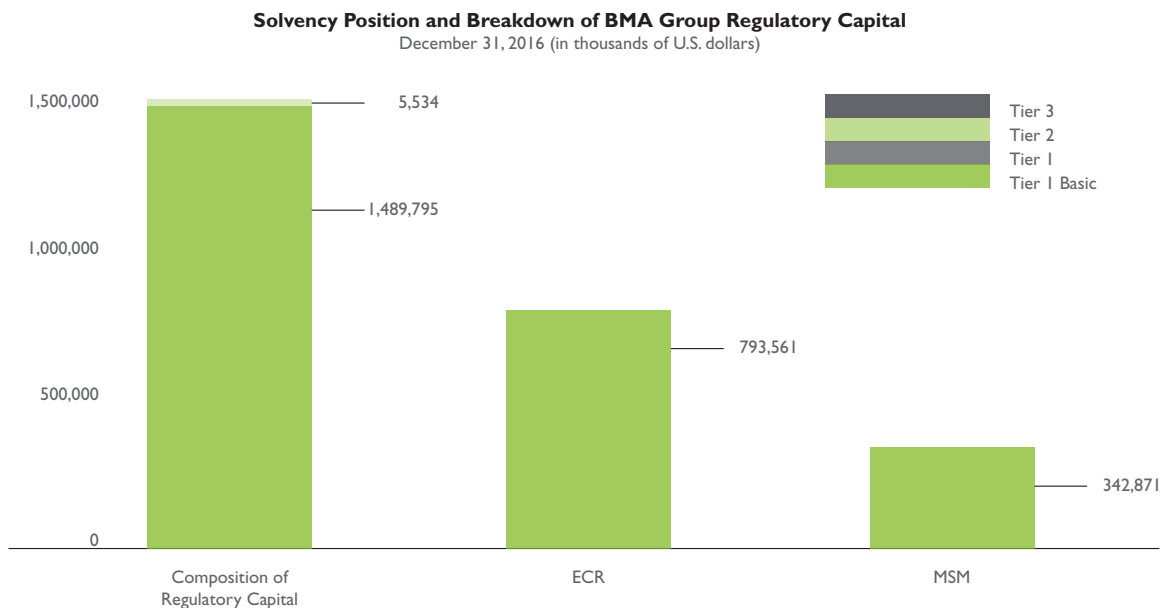
6.1.3. ELIGIBLE CAPITAL CATEGORIZED BY TIERS, IN ACCORDANCE TO THE ELIGIBLE CAPITAL RULES USED TO MEET ECR AND MSM REQUIREMENTS OF THE INSURANCE ACT

6.1.3.1. MAIDEN GROUP

At the end of the reporting period, the Company's Eligible Capital for its Minimum Margin of Solvency (MSM) and Enhanced Capital Requirement (ECR) was categorized as follows:



6.1.3.2. MAIDEN REINSURANCE LTD.



6.1.4. CONFIRMATION OF ELIGIBLE CAPITAL THAT IS SUBJECT TO TRANSITIONAL ARRANGEMENTS

6.1.4.1. MAIDEN GROUP

The Company has received approval for certain capital instruments as other fixed capital. The 2012 and 2013 Senior Notes are approved as Tier 1-ancillary capital. The approval of these capital instruments are grandfathered pursuant to section 6C of the Insurance Act. See further details under Section 7. Significant Events.

In June 2016 the Company issued \$110,000 aggregate principal amount of 6.625% notes maturing in 2046. The BMA approved the capital instruments as Tier-3 ancillary capital to be grandfathered under Section 21 paragraph 10 of the Group Rules until January 1, 2026 as the Senior Notes do not meet the requirement that coupon payment on the instrument be cancellable or deferrable indefinitely upon breach (or if it would cause breach) in the ECR. The Group's ECR shall be subject to a regulatory capital add-on comprising three years of coupon payments on the 2016 Senior Notes amounting to \$21,862.

6.1.4.2. MAIDEN REINSURANCE LTD.

Not applicable.

6.1.5. IDENTIFICATION OF ANY FACTORS AFFECTING ENCUMBRANCES ON THE AVAILABILITY AND TRANSFERABILITY OF CAPITAL TO MEET THE ECR

Maiden Bermuda uses trust accounts, loan to related party and letters of credit to meet collateral requirements—consequently, cash and cash equivalents and investments are pledged in favor of ceding companies in order to comply with relevant insurance regulations or contractual requirements. Maiden US also offers to its clients, on a voluntary basis, the ability to collateralize certain liabilities related to the reinsurance contracts it issues. Under these arrangements, Maiden retains broad investment discretion in order to achieve its business objectives while giving clients the additional security a collateralized arrangement offers.

The Company does not have any encumbered assets that are for purposes other than securing policyholder obligations.

6.1.6. IDENTIFICATION OF ANCILLARY CAPITAL INSTRUMENTS THAT HAVE BEEN APPROVED BY THE AUTHORITY

6.1.6.1. MAIDEN GROUP

Description of capital instrument	Date of issue	Maturity date (as applicable)	Date approved by the Authority	Value of capital instrument in thousands of U.S. dollars	Eligible capital tier
2012 Senior Notes*	March 27, 2012	March 27, 2042	April 17, 2014	100,000	Tier 1
2013 Senior Notes	November 25, 2013	December 1, 2043	April 17, 2014	152,500	Tier 1
2016 Senior Notes	June 14, 2016	June 14, 2026	January 23, 2017	110,000	Tier 3

*Refer to Section 7 Subsequent Events for disclosure of redemption of notes on June 27, 2017.

6.1.6.2. MAIDEN REINSURANCE LTD.

Maiden Bermuda has no ancillary capital instruments.

6.1.7. IDENTIFICATION OF DIFFERENCES IN SHAREHOLDERS' EQUITY AS STATED IN THE FINANCIAL STATEMENTS VERSUS AVAILABLE STATUTORY CAPITAL AND SURPLUS

6.1.7.1. MAIDEN GROUP

The following table identifies differences in the Total Maiden Shareholders' Equity as stated in the U.S. GAAP financial statements versus Available Statutory Economic Capital and Surplus ("Group Regulatory Capital").

December 31, 2016	(in millions of U.S. dollars)
Total Maiden Shareholders' Equity	1,360.8
Senior Notes—Principal amount	362.5
GAAP Capital (Including Senior Notes)	1,723.3
Adjustments	
Adjustments of technical provision (including Risk Margin)	456.2
Deferred commission and other acquisition expenses	(422.7)
Other balance sheet items	(77.4)
Group Regulatory Capital	1,679.4

6.1.7.2. MAIDEN REINSURANCE LTD.

The following table identifies differences in the Total Shareholders' Equity as stated in the U.S. GAAP financial statements versus Available Statutory Economic Capital and Surplus ("Regulatory Capital").

December 31, 2016	(in millions of U.S. dollars)
GAAP Capital	1,476.1
Adjustments	
Adjustments of technical provision (including Risk Margin)	406.1
Deferred commission and other acquisition expenses	(392.0)
Other balance sheet items	5.1
Regulatory Capital	1,495.3

6.2. REGULATORY CAPITAL REQUIREMENTS

6.2.1. ECR AND MSM REQUIREMENTS AT THE END OF THE REPORTING PERIOD

6.2.1.1. MAIDEN GROUP

Amount of the ECR and MSM at the end of the reporting period:	Amount
	(in thousands of U.S. dollars)
Minimum Margin of Solvency	437,299
Enhanced Capital Requirement	946,882

There have been no periods of non-compliance with the MSM or ECR.

6.2.1.2. MAIDEN REINSURANCE LTD.

Amount of the ECR and MSM at the end of the reporting period:	Amount
	(in thousands of U.S. dollars)
Minimum Margin of Solvency	342,871
Enhanced Capital Requirement	793,561

There have been no periods of non-compliance with the MSM or ECR.

6.2.2. IDENTIFICATION OF ANY NON-COMPLIANCE WITH THE MSM AND THE ECR

6.2.2.1. MAIDEN GROUP

There have been no periods of non-compliance with the MSM or ECR.

6.2.2.2. MAIDEN REINSURANCE LTD.

There have been no periods of non-compliance with the MSM or ECR.

6.2.3. DESCRIPTION OF THE AMOUNT AND CIRCUMSTANCES SURROUNDING THE NON-COMPLIANCE, THE REMEDIAL MEASURES AND THEIR EFFECTIVENESS

6.2.3.1. MAIDEN GROUP

Not applicable.

6.2.3.2. MAIDEN REINSURANCE LTD.

Not applicable.

6.2.4. WHERE THE NON-COMPLIANCE IS NOT RESOLVED, A DESCRIPTION OF THE AMOUNT OF THE NON-COMPLIANCE

6.2.4.1. MAIDEN GROUP

Not applicable.

6.2.4.2. MAIDEN REINSURANCE LTD.

Not applicable.

6.3. APPROVED INTERNAL CAPITAL MODEL

6.3.1. DESCRIPTION OF THE PURPOSE AND SCOPE OF THE BUSINESS AND RISK AREAS WHERE THE INTERNAL MODEL IS USED

6.3.1.1. MAIDEN GROUP

Not applicable—The Company has not applied to have its internal capital model approved to determine regulatory capital requirements.

6.3.1.2. MAIDEN REINSURANCE LTD.

Not applicable—Maiden Bermuda has not applied to have its internal capital model approved to determine regulatory capital requirements.

6.3.2. WHERE A PARTIAL INTERNAL MODEL IS USED, DESCRIPTION OF THE INTEGRATION WITH THE BSCR MODEL

Not applicable.

6.3.3. DESCRIPTION OF METHODS USED IN THE INTERNAL MODEL TO CALCULATE THE ECR

Not applicable.

6.3.4. DESCRIPTION OF AGGREGATION METHODOLOGIES AND DIVERSIFICATION EFFECTS

Not applicable.

6.3.5. DESCRIPTION OF THE MAIN DIFFERENCES IN THE METHODS AND ASSUMPTIONS USED FOR THE RISK AREAS IN THE INTERNAL MODEL VERSUS THE BSCR MODEL

Not applicable.

6.3.6. DESCRIPTION OF THE NATURE AND SUITABILITY OF THE DATA USED IN THE INTERNAL MODEL

Not applicable.

6.3.7. ANY OTHER MATERIAL INFORMATION

Not applicable.

7. Subsequent Events

GROUP REPORTING

Maiden Holdings, Ltd.'s Audit Committee decided at a March 16, 2017 meeting to appoint Deloitte Ltd. to serve as the independent registered public accounting firm of the Company for the annual audit for the 2017 fiscal year. On March 23, 2017, in view of the decision of the Company's Audit Committee to recommend the appointment of Deloitte Ltd. during its May 2017 annual general meeting of shareholders, the Company received written notice from its independent registered public accounting firm, BDO USA, LLP, that it is resigning as the Company's independent registered public accounting firm with immediate effect. As a result, the Audit Committee appointed Deloitte Ltd. as the Company's independent registered public accounting firm, which was ratified by the Company's shareholders. The ratification is subject to regulatory approval.

INSURER GAAP AND STATUTORY REPORTING

Maiden Reinsurance Ltd. recommended the appointment of Deloitte Ltd. as the independent accounting firm at the annual general meeting of shareholders for the year ended December 31, 2017. As a result of this decision, subsequent to the issuance of the audit opinion of the Company for the year ended December 31, 2016, BDO USA LLP agreed to resign as our approved GAAP auditor and Arthur Morris & Company Limited agreed to resign as our approved statutory auditor. Appointment of the new auditor is subject to regulatory approval.

The contact information for Deloitte Ltd. is as follows:

Corner House
20 Parliament Street
Hamilton, Bermuda

Phone: (441) 292 1500

Fax: (441) 292 0961

ELIGIBLE CAPITAL

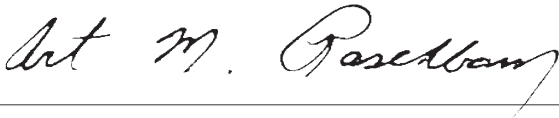
The 2012 Senior Notes classified as Tier 1 Eligible Capital were notified for redemption May 22, 2017, for a redemption date of June 27, 2017.

On June 15, 2017 Maiden Holdings, Ltd. issued \$150 million of its 6.7% Non-Cumulative Preference Shares, Series D, and is expected to be classified as Tier 2 Basic Capital that is not subject to transitional arrangements. Except in certain limited circumstances, the Preference Shares are not redeemable prior to June 15, 2022. On or after that date, subject to certain restrictions prior to June 15, 2027, the Company may redeem at its option, for cash, in whole or in part, the Preference Shares at a redemption price of \$25.00 per share plus declared and unpaid dividends, if any, to, but excluding, the date of redemption, without accumulation of any undeclared dividends. The Company listed the Preference Shares for trading on the New York Stock Exchange under the symbol "MHPRD."

The Company used the net proceeds from the offering to repay Maiden Holdings North America, Ltd.'s outstanding \$100.0 million aggregate principal amount of 8.00% notes due 2042, for continued support and development of the Company's reinsurance business and for other general corporate purposes.

DECLARATIONS

To the best of my knowledge and belief, the financial condition report fairly represents the financial condition of the insurance group in all material respects.



Arturo Raschbaum
Chief Executive Officer, Maiden Holdings, Ltd.

June 30, 2017

To the best of my knowledge and belief, the financial condition report fairly represents the financial condition of the insurance group in all material respects.



Karen Schmitt
Chief Financial Officer, Maiden Holdings, Ltd.

June 30, 2017



MAIDEN HOLDINGS, LTD

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