

Maiden Holdings, Ltd.
Form 10-K
March 13, 2012

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2011

OR

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

For the Transition Period from _____ to _____

Commission File Number: 001-34042

MAIDEN HOLDINGS, LTD.

(Exact Name of Registrant As Specified in Its Charter)

Bermuda

98-0570192

(State or Other Jurisdiction of Incorporation or
Organization)

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

131 Front Street

Hamilton HM 12, Bermuda

(Address of Principal Executive Offices and Zip Code)

(441) 298-4900

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Shares, par value \$0.01 per share

NASDAQ Global Select Market

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

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

Yes No

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

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

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
The aggregate market value of voting and non-voting common shares held by non-affiliates of the registrant as of June 30, 2011 (the last business day of the registrant’s most recently completed second fiscal quarter) was approximately \$471.0 million based on the closing sale price of the registrant’s common shares on the NASDAQ Global Select Market on that date.

As of March 7, 2012, 72,221,999 common shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A with respect to the annual general meeting of the shareholders of the registrant scheduled to be held on May 2, 2012 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Special Note About Forward-Looking Statements

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

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

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

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

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

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Item 1. Business.

General Overview

We are a Bermuda-based holding company, primarily focused on serving the needs of regional and specialty insurers in the United States and Europe by providing innovative reinsurance solutions designed to support their capital needs. We also provide customized reinsurance solutions internationally to clients in support of programs we design and implement for original equipment automobile manufacturers (“OEM’s”). We specialize in reinsurance solutions that optimize financing by providing coverage within the more predictable and actuarially credible lower layers of coverage and/or reinsuring risks that are believed to be lower hazard, more predictable and generally not susceptible to catastrophe claims. Our tailored solutions include a variety of value added services focused on helping our clients grow and prosper. Our principal operating subsidiaries in Bermuda and the United States are rated “A-” (Excellent) with a stable outlook by A.M. Best Company (“A.M. Best”), which rating is the fourth highest of 16 rating levels, and BBB+ (Good) with a stable outlook by Standard & Poor’s, which is the sixth highest of 21 rating levels. Our common shares trade on the NASDAQ Global Market under the symbol “MHLD.”

We provide reinsurance through our wholly owned subsidiaries, Maiden Reinsurance Company (“Maiden US”) and Maiden Insurance Company Ltd. (“Maiden Bermuda”) and have operations in the United States and Bermuda. On a more limited basis, Maiden Specialty Insurance Company (“Maiden Specialty”), a wholly owned subsidiary of Maiden US, provides primary insurance on a surplus lines basis focusing on non-catastrophe property and inland marine. Maiden Bermuda does not underwrite any primary insurance business. Internationally, we provide reinsurance-related services through Maiden Global Holdings Ltd. (“Maiden Global”) and its subsidiaries. Maiden Global primarily focuses on providing branded auto and credit life insurance products through its insurer partners to retail customers in the European Union and other global markets, which also produce reinsurance programs which are underwritten by Maiden Bermuda. Certain international credit life business is also written directly by Maiden Life Försäkrings AB (“Maiden LF”), a wholly owned subsidiary of Maiden Holdings, as part of Maiden Global’s service offerings.

Since our founding in 2007, we have entered into a series of significant strategic transactions that have transformed the scope and scale of our business while keeping our low volatility, low-catastrophe risk profile intact. These transactions have increased our net premiums written to in excess of \$1.7 billion while strengthening our capital in order to extend our business platform both in the U.S. and internationally and include:

• Entering into a quota share reinsurance agreement with AmTrust Financial Services, Inc. (“AmTrust”) in 2007 (the “AmTrust Quota Share”);

• Acquiring and expanding the reinsurance operations of GMAC Insurance from GMACI Holdings, LLC in 2008 (the “GMAC Acquisition”);

• Completing a private placement of trust preferred securities of approximately \$260.1 million in 2009 (the “TRUPS Offering”);

• Entering into a quota share reinsurance agreement with American Capital Acquisition Corporation (“ACAC”) in 2010 (the “ACAC Quota Share”);

• Acquiring the majority of the reinsurance-related infrastructure, assets and liabilities of U.K.-based GMAC International Insurance Services, Ltd. (“GMAC IIS”) in 2010 (the “IIS Acquisition”); and

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Completing a public debt offering of \$107.5 million in June 2011 ("Senior Notes Offering") and repurchasing a like amount of the junior subordinated debt in July 2011. These debt securities trade on the New York Stock Exchange under the symbol "MHNA."

Additional information on the AmTrust Quota Share and the ACAC Quota Share can be found in this section of the Annual Report Form 10-K captioned "Our Operating Segments." Please also see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K along with Note 4 to our Consolidated Financial Statements for additional information about the IIS Acquisition. Note 8 to our Consolidated Financial Statements contains information about the TRUPS Offering, the completion of the Senior Notes Offering and the repurchase of the junior subordinated debt.

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Business Strategy

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

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

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

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

Our future results, and our ability to generate our targeted return on capital, may be impacted by risks and trends set forth in Item 1A, “Risk Factors,” and elsewhere in this Annual Report on Form 10-K.

Our Principal Operating Subsidiaries

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

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

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

Maiden Specialty, a wholly owned subsidiary of Maiden US and an indirect wholly owned subsidiary of Maiden NA, underwrites primary insurance on a surplus lines basis.

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

Maiden Global, a wholly owned subsidiary, operates as a reinsurance services and holding company. Maiden Global is organized under the laws of England and Wales and formed in July 2010.

Opel Händler VerisicherungsService GmbH (“OVS”), previously known as GMAC VersicherungsService GmbH (“Maiden VS”), is organized under the laws of Germany, operates as an insurance producer in Germany and is an

indirect subsidiary of Maiden Global. On September 1, 2011, in exchange for a 10% interest in Maiden VS, we entered into cooperation agreements with VDOH Wirtschaftsdienst GmbH (“Opel Dealer Association”) in Germany and the German auto manufacturer Opel. We also renamed Maiden VS to “Opel Händler VerisicherungsService GmbH” on that date as well.

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

Our Operating Segments

We operate through three business segments: (i) Diversified Reinsurance; (ii) AmTrust Quota Share Reinsurance; and (iii) ACAC Quota Share.

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 in the United States

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and Europe. This segment includes the book of assumed reinsurance business purchased in the GMAC Acquisition and the IIS Acquisition. The business associated with the GMAC Acquisition is underwritten by Maiden US and Maiden Specialty. The business associated with the IIS Acquisition is underwritten by Maiden Bermuda, which also underwrites business independent of the business associated with the IIS Acquisition, the AmTrust Quota Shares and ACAC Quota Share.

Our AmTrust Quota Share Reinsurance segment consists of the business ceded to us pursuant to our Quota Share Reinsurance Agreement (the “Master Agreement”) with AmTrust and, commencing April 1, 2011, business ceded to us under a separate one-year 40% quota share agreement (the “European Hospital Liability Quota Share”) with AmTrust Europe Limited and AmTrust International Underwriters Limited to cover those entities medical liability business in Europe, substantially all of which is in Italy.

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

Financial data relating to our three segments is included in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Note 3 to our Consolidated Financial Statements included in this Annual Report on Form 10-K. The net premiums written and earned in each segment for the years ended December 31, 2011, 2010 and 2009 were as follows:

	For the Year Ended December 31, 2011		2010		2009			
	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total	Net Premiums Written (\$ in Millions)	% of Total		
Diversified Reinsurance	\$798.0	46.3	% \$554.1	45.1	% \$658.0	63.9	%	
AmTrust Quota Share Reinsurance	669.3	38.8	% 468.0	38.1	% 372.4	36.1	%	
ACAC Quota Share	256.2	14.9	% 205.7	16.8	% —	—	%	
Total	\$1,723.5	100.0	% \$1,227.8	100.0	% \$1,030.4	100.0	%	

	For the Year Ended December 31, 2011		2010		2009			
	Net Premiums Earned (\$ in Millions)	% of Total	Net Premiums Earned (\$ in Millions)	% of Total	Net Premiums Earned (\$ in Millions)	% of Total		