

GREENLIGHT CAPITAL RE, LTD.
Form 10-Q
May 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 001-33493

GREENLIGHT CAPITAL RE, LTD.
(Exact Name of Registrant as Specified in Its Charter)

CAYMAN ISLANDS
(State or Other Jurisdiction of Incorporation or
Organization)

N/A
(I.R.S. Employer Identification No.)

65 MARKET STREET
SUITE 1207, CAMANA BAY
P.O. BOX 31110
GRAND CAYMAN
CAYMAN ISLANDS
(Address of Principal Executive Offices)

KY1-1205
(Zip Code)

(345) 943-4573
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

Class A Ordinary Shares, \$0.10 par value	30,285,572
Class B Ordinary Shares, \$0.10 par value (Class)	6,254,949 (Outstanding as of April 29, 2011)

GREENLIGHT CAPITAL RE, LTD.

TABLE OF CONTENTS

	Page
PART I — FINANCIAL INFORMATION	
Item 1.	1
<u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2011 (unaudited) and December 31, 2010</u>	1
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	2
<u>Condensed Consolidated Statements of Shareholders' Equity for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	3
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 (unaudited)</u>	4
<u>Notes to the Condensed Consolidated Financial Statements (unaudited)</u>	5
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 2.	18
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	27
Item 3.	27
<u>Controls and Procedures</u>	29
Item 4.	29
PART II — OTHER INFORMATION	
	29
<u>Legal Proceedings</u>	29
Item 1.	29
Item 1A.	29
<u>Risk Factors</u>	29
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
Item 2.	29
<u>Defaults Upon Senior Securities</u>	30
Item 3.	30
<u>Removed and Reserved</u>	30
Item 4.	30
<u>Other Information</u>	30
Item 5.	30
Item 6.	30
<u>Exhibits</u>	30
<u>SIGNATURES</u>	

[Return to table of contents](#)

PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

March 31, 2011 and December 31, 2010

(expressed in thousands of U.S. dollars, except per share and share amounts)

	March 31, 2011 (unaudited)	December 31, 2010 (audited)
Assets		
Investments		
Debt instruments, trading, at fair value	\$ 2,912	\$ 15,610
Equity securities, trading, at fair value	897,429	839,921
Other investments, at fair value	197,461	196,490
Total investments	1,097,802	1,052,021
Cash and cash equivalents	37,029	45,540
Restricted cash and cash equivalents	938,173	977,293
Financial contracts receivable, at fair value	26,700	28,701
Reinsurance balances receivable	109,421	109,567
Loss and loss adjustment expenses recoverable	14,580	11,976
Deferred acquisition costs, net	87,090	87,389
Unearned premiums ceded	7,809	7,424
Notes receivable	15,367	14,205
Other assets	2,557	3,886
Total assets	\$ 2,336,528	\$ 2,338,002
Liabilities and shareholders' equity		
Liabilities		
Securities sold, not yet purchased, at fair value	\$ 636,675	\$ 726,737
Financial contracts payable, at fair value	12,648	22,746
Due to prime brokers	401,474	273,071
Loss and loss adjustment expense reserves	219,709	186,467
Unearned premium reserves	227,630	234,983
Reinsurance balances payable	18,845	20,164
Funds withheld	24,562	22,887
Other liabilities	9,331	11,786
Total liabilities	1,550,874	1,498,841
Shareholders' equity		
Preferred share capital (par value \$0.10; authorized, 50,000,000; none issued)	—	—
Ordinary share capital (Class A: par value \$0.10; authorized, 100,000,000; issued and outstanding, 30,285,572 (2010: 30,200,835):		3,646
Class B: par value \$0.10; authorized, 25,000,000; issued and outstanding, 6,254,949 (2010: 6,254,949))	3,654	
Additional paid-in capital	486,566	485,555
Non-controlling interest in joint venture	34,222	45,758
Retained earnings	261,212	304,202

Total shareholders' equity	785,654	839,161
Total liabilities and shareholders' equity	\$ 2,336,528	\$ 2,338,002

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

[Return to table of contents](#)

GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

For the three months ended March 31, 2011 and 2010
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended March 31,	
	2011	2010
Revenues		
Gross premiums written	\$ 100,739	\$ 66,887
Gross premiums ceded	(3,476)	(578)
Net premiums written	97,263	66,309
Change in net unearned premium reserves	7,894	(10,993)
Net premiums earned	105,157	55,316
Net investment loss	(36,176)	(16,831)
Other income (expense), net	(261)	(154)
Total revenues	68,720	38,331
Expenses		
Loss and loss adjustment expenses incurred, net	65,725	29,135
Acquisition costs, net	42,121	16,910
General and administrative expenses	4,999	5,147
Total expenses	112,845	51,192
Net loss before non-controlling interest and income tax expense	(44,125)	(12,861)
Non-controlling interest in loss of joint venture	1,136	479
Net loss before income tax expense	(42,989)	(12,382)
Income tax expense	(1)	(9)
Net loss	\$ (42,990)	\$ (12,391)
Loss per share		
Basic	\$ (1.19)	\$ (0.34)
Diluted	\$ (1.19)	\$ (0.34)
Weighted average number of ordinary shares used in the determination of:		
Basic	36,118,963	35,949,107
Diluted	36,118,963	35,949,107

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

[Return to table of contents](#)

GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

For the three months ended March 31, 2011 and 2010
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended March 31,	
	2011	2010
Ordinary share capital		
Balance – beginning of period	\$ 3,646	\$ 3,632
Issue of Class A ordinary share capital, net of forfeitures	8	10
Balance – end of period	\$ 3,654	\$ 3,642
Additional paid-in capital		
Balance – beginning of period	\$ 485,555	\$ 481,449
Issue of Class A ordinary share capital	—	32
Share-based compensation expense, net of forfeitures	1,011	885
Balance – end of period	\$ 486,566	\$ 482,366
Non-controlling interest		
Balance – beginning of period	\$ 45,758	\$ 30,597
Non-controlling interest withdrawal from joint venture	(10,400)	(601)
Non-controlling interest in loss of joint venture	(1,136)	(479)
Balance – end of period	\$ 34,222	\$ 29,517
Retained earnings		
Balance – beginning of period	\$ 304,202	\$ 213,560
Net loss	(42,990)	(12,391)
Balance – end of period	\$ 261,212	\$ 201,169
Total shareholders' equity	\$ 785,654	\$ 716,694

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

[Return to table of contents](#)

GREENLIGHT CAPITAL RE, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the three months ended March 31, 2011 and 2010
(expressed in thousands of U.S. dollars, except per share and share amounts)

	Three months ended March 31,	
	2011	2010
Cash provided by (used in)		
Operating activities		
Net loss	\$ (42,990)	\$ (12,391)
Adjustments to reconcile net loss to net cash provided by operating activities		
Net change in unrealized gains and losses on investments and financial contracts	24,373	13,877
Net realized (losses) gains on investments and financial contracts	(1,332)	6,361
Foreign exchange gains on restricted cash and cash equivalents	5,395	2,233
Non-controlling interest in loss of joint venture	(1,136)	(479)
Share-based compensation expense	1,011	885
Depreciation expense	56	56
Net change in		
Reinsurance balances receivable	146	(23,382)
Loss and loss adjustment expenses recoverable	(2,604)	(929)
Deferred acquisition costs, net	299	(2,225)
Unearned premiums ceded	(385)	1,609
Other assets	1,273	1,467
Loss and loss adjustment expense reserves	33,242	8,893
Unearned premium reserves	(7,353)	9,384
Reinsurance balances payable	(1,319)	(2,615)
Funds withheld	1,675	901
Other liabilities		