

THE DEDICATED FINANCIAL TRUST



Maiden Re

- **Ratings:**
 - A.M. Best rating of A- (Excellent) with a stable outlook
 - S&P rating of BBB+ with a stable outlook
- **Maiden Holdings Limited, as of September 30, 2011:**
 - Year to Date Net Written Premium of \$1.3 Billion
 - Total Assets of \$3.3 Billion
 - Shareholders Equity of \$767 MM
 - Total Capital of \$1.0 Billion

Reinsurance Risk

All reinsurance agreements create financial risk:

No protection for delinquent claim payments



Non-admitted assets

Reinsurer withdrawals



Delinquent and disputed payments

Any regulatory supervision



Significant delays in claim payments

Weak reinsurer rating



Increased capital charge by AM Best

The Dedicated Financial Trust

- Each active treaty client* will be offered an independently managed trust to secure case loss reserves, IBNR and unearned premiums, net of open balances
- Objectives:
 - Provide the best security in the market
 - Reduce risk for our clients
 - Create peace of mind

* Subject to a \$1,000,000 minimum threshold

Key Features

- Funded with high quality, short-term assets to ensure liquidity
- Refreshed quarterly to reflect changes in outstanding liabilities
- Trust assets monitored and maintained by an independent asset manager and trustee
- Asset values are reviewed monthly and adjusted within 30 days if a decrease in values causes the balance to drop below the required funding level
- Withdrawals permitted for undisputed balances outstanding beyond 90 days

Key Features (cont'd)

- Interest credited to claims in dispute from the date of initial disagreement
- IBNR determined by reinsurer but can be challenged by insurer
- Non-cancelable until all liabilities are extinguished*
- All fees associated with the trust are absorbed by Maiden Re

* Maiden Re retains the option to discontinue trust if outstanding liabilities fall below \$250,000; all assets would transfer to beneficiary

Funding Level Determination

- The outstanding liabilities as of the Measurement Date will be provided to the ceding company by Maiden Re
- If the ceding company's booked liability is equal to or less than 110% of Maiden Re's number, Maiden Re's number will prevail
 - If difference is greater than 10%, supporting evidence needs to be produced
 - Exception available if difference does not exceed 10%, but the disputed amount is greater than 10% of ceding company's surplus
 - Any disputes will be settled by an independent third party

Withdrawal of Assets

- Ceding company can withdraw assets by executing the Withdrawal Notice
 - Must include Maiden Re's obligations that are to be satisfied with the assets
 - Further, ceding company must certify that:
 1. Claim has been submitted to Maiden Re
 2. Maiden Re has not disputed the claim 90 days from receiving proof of loss
 3. Claim is covered by the reinsurance contract
 4. Maiden Re has failed to pay
 5. It is not a duplicate payment
- Cash payments are made within 5 business days

Process for Clients Meeting Threshold*

- Maiden Re to provide reserve levels as of initial Measurement Date
- Ceding company has opportunity to challenge funding amount
- Amendment of current and prior reinsurance contracts to reflect existence of trust
- Execute trust agreement
- Transfer custodial control of assets to State Street Bank
- State Street provides notification of asset transfer and balance

* \$1,000,000 minimum outstanding liabilities

Trust Maintenance

- Outstanding liabilities and the market value of the trust assets are reviewed on quarterly Measurement Dates
- Trust funding level revised as needed
- Claims are paid through normal operations – trust assets are only depleted for claims when requested by the beneficiary for non-paid items
- Trust assets change based on outstanding liabilities and remain active until all liabilities have been extinguished*

* Maiden Re retains the option to discontinue trust if outstanding liabilities fall below \$250,000; all assets transfer to beneficiary

The Dedicated Financial Trust Advantages

- Unparalleled reinsurance security through full collateralization of all liabilities
- Maximum accountability to ensure that claims are processed fairly and promptly
- Maximum transparency in the insurer/reinsurer relationship
- Strongest security available in the domestic reinsurance market
- Balances protected in the event of a downgrade, sale, merger, or other unforeseen event
- Rating Agency Impact Is Favorable