Greenlight Capital Re, Ltd.
Form S-1/A
May 09, 2007
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As filed with the Securities and Exchange Commission on May 9, 2007

Registration No. 333-139993

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

AMENDMENT NO. 4 TO FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Greenlight Capital Re, Ltd.

(Exact name of registrant as specified in its charter)

Cayman Islands (State or other jurisdiction of incorporation or organization)	6331 (Primary Standard Industrial Classification Number)	Not Applicable (IRS Employer Identification No.)

802 West Bay Road, The Grand Pavilion
Grand Cayman, KY1-1205
Cayman Islands
Telephone: (345) 745-4573
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Corporation Service Company
1133 Avenue of the Americas
Suite 3100
New York, New York 10036-6710
Telephone: (212) 299-5600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)]	Amount of Registration Fee
Class A Ordinary Shares, par value $.10	$175,000,000	$ 18,725[(2)]

(1) In accordance with Rule 457(o) under the Securities Act, the number of shares being registered and the proposed maximum offering price per share are not included in this table.

(2) Previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated May 9, 2007

Preliminary Prospectus

10,250,000 shares

Class A Ordinary Shares

Greenlight Capital Re, Ltd., or Greenlight Re, is making an initial public offering of its Class A Ordinary Shares. No public market currently exists for the Class A Ordinary Shares. Greenlight Re is offering all of the Class A Ordinary Shares offered by this prospectus. In addition, simultaneously with and contingent upon the completion of this offering and certain other conditions, Greenlight Re, in a concurrent private placement, will sell and David Einhorn, Chairman of our Board of Directors, will purchase $50.0 million of our Class B Ordinary Shares at a price per share equal to the initial public offering price.

We have applied to have our Class A Ordinary Shares included for quotation on the Nasdaq Global Select Market under the symbol ''GLRE.'' We anticipate that the initial public offering price will be between $16.00 and $18.00 per share.

Investing in our Class A Ordinary Shares involves risks. See ''Risk Factors'' beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to us before expenses	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 1,537,500 Class A Ordinary Shares from us on the same terms and conditions as set forth above if the underwriters sell more than 10,250,000 Class A Ordinary Shares in the offering.

None of the Securities and Exchange Commission, state securities regulators, the Cayman Islands Monetary Authority nor any other governmental or regulatory body in the Cayman Islands has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is unlawful.

The underwriters expect to deliver the Class A Ordinary Shares to purchasers against payment on or about , 2007.

LEHMAN BROTHERS UBS Investment Bank

CITI DOWLING & PARTNERS SECURITIES FOX-PITT, KELTON

, 2007

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You should rely only on the information contained in this prospectus. Neither we nor any underwriter or agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any underwriter or agent is making an offer to sell our Class A Ordinary Shares in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A Ordinary Shares.

Statements contained in this prospectus as to the contents of any contract or other document are not complete, and in each instance we refer you to the copy of the contract or document filed as an exhibit to the registration statement of which the prospectus constitutes a part, each of those statements being qualified in all respects by this reference.

Until , 2007 (25 days after the date of this prospectus), all dealers that buy, sell or trade our Class A Ordinary Shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside of the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

No invitation is being made to the public in the Cayman Islands to subscribe for the Class A Ordinary Shares.

Greenlight Re is our trademark. Other trademarks and trade names appearing in this prospectus are the property of their respective holders.

Greenlight Capital Re, Ltd. is incorporated under the laws of the Cayman Islands as an exempted company limited by shares. We were formed in July 2004. Our subsidiary, Greenlight Reinsurance,

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Ltd., is incorporated under the laws of the Cayman Islands as an exempted company limited by shares and has been granted an unrestricted Class B Insurers License from the Cayman Islands Monetary Authority, or CIMA, under the terms of the Insurance Law (as revised) of the Cayman Islands, or the Law. Our principal executive offices are located at 802 West Bay Road, The Grand Pavilion, Grand Cayman, KY1-1205, Cayman Islands. Our telephone number is (345) 745-4573. Our website address is www.greenlightre.ky. The information contained in, or accessible through, our website is not part of this prospectus.

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SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A Ordinary Shares. You should carefully read the entire prospectus, including ‘‘Risk Factors’’ and our financial statements and related notes, before you decide whether to invest in our Class A Ordinary Shares. References to ‘‘we,’’ ‘‘our,’’ ‘‘our company,’’ ‘‘us,’’ ‘‘Greenlight Re,’’ or ‘‘the Com refer to Greenlight Capital Re, Ltd. and our wholly-owned subsidiary, Greenlight Reinsurance, Ltd., unless the context dictates otherwise. References to our ‘‘Ordinary Shares’’ refers collectively to our Class A Ordinary Shares and Class B Ordinary Shares. References to our ‘‘Articles’’ refer to the third amended and restated memorandum and articles of association of Greenlight Re. Investing in our Class A Ordinary Shares involves risks. See ‘‘Risk Factors.’’ For your convenience, we have included a glossary beginning on page G-1 of selected reinsurance terms. All dollar amounts referred to in this prospectus are in U.S. dollars unless otherwise indicated. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Greenlight Capital Re, Ltd.

Company Overview

We are a Cayman Islands-based specialty property and casualty reinsurer with a reinsurance and investment strategy that we believe differentiates us from our competitors. Our goal is to build long-term shareholder value by selectively offering customized reinsurance solutions, in markets where capacity and alternatives are limited, that we believe will provide favorable long-term returns on equity. We manage our investment portfolio according to a value-oriented philosophy, in which we take long positions in perceived undervalued securities and short positions in perceived overvalued securities.

Our reinsurance strategy is to build a portfolio of select frequency and severity contracts with a focus on contracts customized to meet client needs that are not being met in the traditional reinsurance marketplace. Frequency contracts contain a potentially large number of small losses from multiple events and severity contracts contain the potential for significant losses from one event. We have established a senior team of generalist underwriters and actuaries to operate our reinsurance business. We believe that our generalist underwriting capabilities, together with our customized underwriting approach:

- allow us to deploy our capital opportunistically in a variety of property and casualty lines of business;
- enable us to be the lead underwriter on a majority of the premium we write;
- allow us to better understand our risks and exposures; and
- allow us to structure many of our contracts in such a way that our clients participate in the loss experience of the underlying risks, which should align their interests with ours.

In addition to underwriting customized contracts, we may also, from time to time, participate in traditional reinsurance programs that we believe will provide us with favorable returns on equity. We intend to underwrite contracts only where we believe we can model, analyze and monitor our risks effectively. Our underwriters are responsible for contracts from origination until final disposition, including underwriting, pricing, servicing, monitoring and claims processing. We anticipate that this integrated approach will translate to superior contract management, better client service and superior economic returns over the long term.

Our investment strategy, like our reinsurance strategy, is designed to maximize returns over the long term while minimizing the risk of capital loss. Unlike the investment strategy of many of our competitors, which invest primarily in fixed-income securities either directly or through fixed-fee

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arrangements with one or more investment managers, our investment strategy is to invest in long and short positions primarily in publicly-traded equity and corporate debt securities exclusively through a third-party investment advisor that is compensated with both an annual fee and upon the performance of our portfolio. As of March 31, 2007, 96.4% of our investments in securities was invested in publicly-traded equity securities primarily traded on exchanges in North America and Western Europe. DME Advisors, LP, or DME Advisors, our investment advisor, is a value-oriented investment advisor that analyzes companies' available financial data, business strategies and prospects in an effort to identify undervalued and overvalued securities. DME Advisors is controlled by David Einhorn, the Chairman of our Board of Directors and the president of Greenlight Capital, Inc. DME Advisors has the contractual right to manage substantially all of our investable assets until December 31, 2009, and is required to follow our investment guidelines and to act in a manner that is fair and equitable in allocating investment opportunities to us. However, it is not otherwise restricted with respect to the nature or timing of making investments for our account. The returns on our investment portfolio for the years ended December 31, 2005 and 2006 and the three months ended March 31, 2007 were 14.2%, 24.4% and (4.2)%, respectively. We note that past performance is not necessarily indicative of future results.

We measure our success by long-term growth in book value per share, which we believe is the most comprehensive gauge of the performance of our business. Accordingly, our incentive compensation plans are designed to align employee and shareholder interests. Compensation under our cash bonus plan is based on the ultimate underwriting returns of our business measured over a multi-year period, rather than premium targets or estimated underwriting profitability for the year in which we initially underwrote the business.

We began underwriting business in April 2006, once our senior underwriting team and infrastructure were in place. In August 2006, we received an A– (Excellent) financial strength rating with a stable outlook from A.M. Best & Co. Inc., or A.M. Best, which is the fourth highest of 15 ratings A.M. Best issues. This rating reflects the rating agency's opinion of our financial strength, operating performance and ability to meet obligations and it is not an evaluation directed toward the protection of investors or a recommendation to buy, sell or hold our Class A Ordinary Shares.

For the year ended December 31, 2006, we generated earned premiums of $26.6 million, net investment income of $58.5 million, net income of $57.0 million and incurred losses of $9.7 million, of which $4.7 million were paid. As of December 31, 2006, we had total shareholders' equity of $312.2 million. For the three months ended March 31, 2007, we generated earned premiums of $20.9 million, net investment loss of $14.4 million, net loss of $13.1 million and incurred losses of $9.0 million, of which none were yet paid. As of March 31, 2007, we had total shareholders' equity of $299.7 million.

Our combined ratio, which is the sum of our composite ratio and our internal expense ratio, for the three-month period ended March 31, 2007 and the year ended December 31, 2006 was 94.1% and 109.6%, respectively. The composite ratio is the ratio of underwriting losses incurred, loss adjustment expenses and acquisition costs, excluding general and administrative expenses, to premiums earned. The internal expense ratio is the ratio of all general and administrative expenses to premiums earned. For example, a combined ratio of 109.6% signifies a loss of $0.096 per dollar of premiums earned. The reported combined ratio of 109.6% is high due to general and administrative expenses incurred in connection with the start-up of our reinsurance operations. We expect our internal expense ratio to decrease significantly as we continue to expand our underwriting activities.

Given our limited operating history, the results set forth in the preceding two paragraphs should not be relied upon as a basis for evaluating the potential success of our business strategy.

How We Are Different from Traditional Reinsurers

Our operations are designed to capitalize on inefficiencies that we perceive in the traditional approach to underwriting. We believe that we conduct our business differently from traditional reinsurers in multiple ways, including:

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- we focus on offering select, customized reinsurance solutions rather than pursuing and participating in broadly-available traditional opportunities;
- we aim to build a reinsurance portfolio with favorable ultimate economic results measured after all loss payments have been made rather than focusing on interim results when losses may be incurred but not yet reported or paid;
- we seek to act as the lead underwriter on a majority of the premium we underwrite rather than focusing on taking a minority participation;
- we employ experienced generalist underwriters rather than underwriters who focus on specific lines of business;
- we implement a ‘‘cradle to grave’’ service philosophy where the same individual underwrites and administers each reinsurance contract rather than separating underwriting and administrative duties;
- we compensate our management with a bonus structure largely dependent on our underwriting results over a multi-year period rather than annual metrics;
- we employ a value-oriented investment strategy and invest in long and short positions of equity and corporate debt securities rather than investing predominantly in fixed-income securities; and
- we have a long-term exclusive investment advisory agreement that compensates the advisor with both an annual fee and a performance compensation fee rather than a flat fee.

Because our underwriting and investment strategies differ from other participants in the property and casualty reinsurance market, you may not be able to directly compare our business or prospects with those of other property and casualty reinsurers. Our results from financial accounting period to period may vary significantly and may not be as predictable as many of our competitors’. However, we believe that our operational differences, particularly our focus on writing select, customized contracts, which we believe will allow us to better manage our underwriting risks, and our value-oriented investment strategy, which has the potential to generate higher rates of return than traditional fixed-income strategies, will enable us to generate, over the long term, returns on equity superior to those of traditional reinsurers.

Market Trends and Opportunities

Extended periods of competitive pricing, increases in reserves, rating downgrades, higher than expected losses and rating agency changes in capital requirements for certain lines of business historically have caused capacity shortages in certain product lines in the property and casualty industry. These capacity shortages have created considerable cyclical increases in pricing and changes in terms and conditions that are significantly more favorable for reinsurers as clients may not be able to identify or locate reinsurers that are willing or able to reinsure their underwriting risks.

During the year ended December 31, 2006, we wrote $74.2 million of premiums from nine contracts that ranged in size from $0.5 million to $58.1 million. During the three-month period ended March 31, 2007, we wrote $38.1 million of gross premiums and wrote seven new contracts that ranged in size from $0.1 million to $14.2 million of gross premiums. Although a majority of these contracts have a one-year term, we expect to pay losses on many of these contracts for a number of years. These reinsurance contracts provide coverage of casualty risks that cover a single event but may affect multiple casualty policies, or casualty clash risks, and homeowners’, property catastrophe and marine risks. We anticipate that we will see attractive opportunities in casualty clash, homeowners’, medical malpractice, workers’ compensation, property catastrophe and marine lines in 2007. We believe that these lines of business will present us with opportunities for the following reasons:

- a limited number of reinsurers underwrite casualty clash reinsurance;

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- in certain states, including Florida, a number of insurers are reducing their homeowners' writings, creating opportunity for the remaining insurers that, in turn, will require more reinsurance to mitigate their overall exposure;
- legislation in certain states, including tort reform and workers' compensation regulation, has resulted in attractive opportunities for medical malpractice and workers' compensation reinsurance; and
- there continues to be significant demand for property catastrophe and marine reinsurance.

Of the $38.1 million in gross premiums written in the three-month period ended March 31, 2007 and the $74.2 million in gross premiums written in 2006, 86.3% and 78.3% was frequency business and 13.7% and 21.7% was severity business, respectively. Our reinsurance coverage of homeowners', health, property catastrophe, medical malpractice and casualty clash accounted for 39.4%, 37.3%, 12.4%, 9.6% and 1.3%, respectively, of our premiums written in the first quarter of 2007. Our reinsurance coverage of homeowners', property catastrophe, casualty clash and marine risks accounted for 78.3%, 13.3%, 5.9% and 2.5%, respectively, of our premiums written in 2006. Approximately 86.6% of our premiums written as of March 31, 2007 were written for risks located in the United States. Approximately 39.4% of the premiums written were written for homeowners' coverage in Florida, which excludes catastrophe events that cause industry insured losses of $25 million or more.

We may also underwrite other lines of business, such as commercial auto and general liability, although we do not believe that we will see many attractive opportunities in these lines for the foreseeable future as there are many reinsurers currently competing for this type of business.

We intend to continue to monitor market conditions so as to be positioned to participate in future underserved or capacity-constrained markets as they arise and offer products that we believe will generate favorable returns on equity over the long term. Accordingly, our underwriting results and product line concentrations in any given period may not be indicative of our future results of operations.

Our Competitive Strengths

We believe we distinguish ourselves as follows:

- Focus on Customized Products. We focus on offering customized reinsurance solutions at times and in markets where capacity and alternatives are limited. In particular, we focus on business that is difficult for brokers to place, that is not already sold by brokers or that requires an innovative underwriting approach.
- Focus on Economic Results. Our goal is to achieve attractive economic returns on every reinsurance contract we underwrite by focusing on our expected return on equity over the life of the contract, which may span many years. We do not measure our economic success with respect to a contract in any given accounting period but rather after the final loss payments on the contract are made, which could be a number of years beyond the term of the contract.
- Non-traditional Investment Approach. We employ a non-traditional investment approach that has the potential to generate higher rates of return than traditional fixed-income strategies and

take long positions in perceived undervalued securities and short positions in perceived overvalued securities in an effort to maximize investment returns while minimizing the risk of capital loss in both up and down markets. The returns on our investment portfolio for the years ended December 31, 2005 and 2006 and the three-month period ended March 31, 2007 were 14.2% 24.4% and (4.2)%, respectively.

- Alignment of Management and Shareholder Interests. Our management incentive compensation plans are designed to align management and employee interests with those of our shareholders over the long term. Most of our cash bonus plan payments each year will be deferred for a multi-year period to reflect actual underwriting results as they develop.

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- Experienced Management and Underwriting Team with Well-Established Market Relationships. Our management team has a broad range of relevant skills, experiences and relationships in the reinsurance industry.
- Financial Strength. We currently have no debt in our capital structure and have an A− (Excellent) financial strength rating with a stable outlook from A.M. Best, which is the fourth highest of 15 ratings A.M. Best issues. This rating reflects the rating agency's opinion of our financial strength, operating performance and ability to meet obligations and is not an evaluation directed toward the protection of investors or a recommendation to buy, sell or hold our Class A Ordinary Shares.

Risks That Could Impact Our Business and Competitive Strengths

In addition to the risks described in ''Risk Factors'' on page 12, we face the following risks that could impact our business and competitive strengths:

- Our Operating Results will Fluctuate from Period to Period. Our operating results will fluctuate from financial accounting period to period and our short-term results of operations may not be indicative of our long-term prospects.
- We Have a Limited Operating History and Are Different from Traditional Reinsurers. We have a limited operating history and established competitors with greater resources may make it difficult for us to effectively market our products or offer our products at a profit. Accordingly, our future performance is difficult to predict. In addition, because our underwriting and investment strategies differ from other participants in the property and casualty reinsurance market, you may not be able to compare our business or prospects with those of traditional property and casualty reinsurers.
- There is Uncertainty With Respect to the Establishment of Reserves. As a relatively new reinsurer focused on sizeable transactions and on being the lead underwriter on a majority of premium, our estimation of reserves may be less reliable than the reserve estimations of reinsurers with a greater volume of business of smaller transactions and an established loss history.
- Our Non-traditional Investment Approach May Subject Us to Greater Risks than Traditional Fixed-Income Strategies. DME Advisors' value-oriented investment strategy is more volatile and presents greater risks than traditional fixed-income investment strategies. In addition, making long equity investments in an up or rising market may increase the risk of not generating profits on these investments and we may incur losses if the market declines. Similarly, making short equity investments in a down or falling market may increase the risk of

not generating profits on these investments and we may incur losses if the market rises. Our investment portfolio is likely to be more volatile than traditional fixed-income portfolios that produce stable streams of income and the risk of loss is greater when compared with other reinsurance companies.

- Loss of Key Personnel Could Delay or Prevent Us from Implementing Our Strategy. If we lose or are unable to retain our senior management and other key personnel and are unable to attract qualified personnel, our ability to implement our business strategy could be delayed or hindered, which, in turn, could significantly and negatively affect our business.
- We Depend upon DME Advisors to Implement Our Investment Strategy. We depend upon DME Advisors to implement our investment strategy. Accordingly, the diminution or loss of the services of DME Advisors or DME Advisors' principals could significantly affect our business.

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- Our A.M. Best Rating Potentially is Subject to Downgrade. Our rating is subject to periodic review by A.M. Best and may be revised downward or revoked at its sole discretion. If A.M. Best downgrades or withdraws our A− (Excellent) rating we could be severely limited or prevented from writing any new reinsurance contracts, which would significantly and negatively affect our ability to implement our business strategy.

Our Strategy

We seek to maximize sustainable long-term growth in book value by pursuing the following strategies:

- Selectively Underwrite Reinsurance Risks. We employ a strict underwriting discipline in an attempt to identify and select reinsurance opportunities with favorable returns on equity before we commit our capital. We intend to develop a portfolio of select, customized frequency and severity contracts of property and casualty lines of business that we believe are underserved or are capacity constrained and where each transaction is important to both our client and us. Our goal is to produce superior long-term growth in book value per share, rather than pursuing short-term premium production targets.
- Operate as a Lead Underwriter on the Majority of the Premium We Underwrite. We have a strong preference to be the lead underwriter of a majority of the premium we underwrite, which we believe allows us to influence the pricing, terms and conditions of the business we write and, accordingly, better enables us to meet or exceed our targeted return on equity.
- Manage Capital Prudently. We intend to manage our capital prudently with respect to our underwriting and capital financing activities. Our underwriting activities are centralized, subject to written underwriting guidelines and regularly reviewed by the Underwriting Committee of our Board of Directors. Additionally, DME Advisors' investment activities on our behalf are subject to our investment guidelines and regularly reviewed by our Board of Directors. We believe our strategy to monitor and manage our capital will enable us to maintain our A− (Excellent) rating from A.M. Best.
- Employ a Differentiated Investment Approach. We manage our investment portfolio pursuant to a value-oriented philosophy and invest primarily in long and short positions in publicly-traded securities that we believe will achieve higher rates of return over the long term than traditional fixed-income investment strategies that are employed by most reinsurers and designed to produce stable streams of income.
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Maintain a Centralized Operating Structure. We believe that our centralized management structure allows us to identify and quickly respond to market opportunities and should allow us to capitalize on attractive opportunities more efficiently than our competitors and provide superior client service.

Additional Risks Relating to Our Business and This Offering

In addition to the risks described in ‘‘—Risks That Could Impact Our Business and Competitive Strengths,’’ the maintenance of our competitive strengths, the implementation of our business strategy and our future results of operations and financial condition are subject to a number of risks and uncertainties. We discuss in detail factors that could adversely affect our actual results and performance, as well as the successful implementation of our business strategy, under the heading ‘‘Risk Factors’’ beginning on page 12. Before you invest in our Class A Ordinary Shares, you should carefully consider all of the information in this prospectus, including matters set forth under the heading ‘‘Risk Factors’’ including:

- Cyclicality of the Reinsurance Market May Affect the Industry’s and Our Profitability. The property and casualty reinsurance industry is cyclical and subject to unpredictable

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developments which may affect the industry’s and our profitability. These include trends of courts granting increasingly larger awards for certain damages, natural disasters, fluctuations in interest rates, changes in laws, changes in the investment environment that affect market prices of investments, inflationary pressures and other events that affect the size of premiums or losses companies and primary insurers experience.
- We Are Dependent upon Letter of Credit Facilities. Certain of our clients require us to obtain letters of credit or provide other collateral through funds withheld or trust arrangements as the jurisdictions in which they are incorporated will not permit them to take credit on their statutory financial statements without us posting a letter of credit or providing other collateral. The inability to renew, maintain or increase our letter of credit facility will significantly limit the amount of reinsurance we can write and may require us to modify our investment strategy. If we fail to renew, maintain or increase our letter of credit facilities, our ability to implement our business strategy could be significantly and negatively affected. We have established a $200.0 million letter of credit facility. As of March 31, 2007, $65.6 million in letters of credit were issued.
- Exposure to Natural and Man-made Disasters May Expose Us to Significant Claims. Our reinsurance operations expose us to claims arising out of unpredictable catastrophic events, such as hurricanes, hailstorms, tornados, windstorms, severe winter weather, earthquakes, floods, fires, explosions, volcanic eruptions and other natural and man-made disasters. Claims from catastrophic events could cause substantial volatility in our financial results and could have a material adverse effect on our financial condition and results of operations. As of March 31, 2007, our property catastrophe and casualty clash contracts accounted for 12.4% and 1.3% of our premiums written, respectively.
- We May Not Qualify for an Exemption from the Investment Company Act. We rely upon an exception under the Investment Company Act for a company organized and regulated as a foreign insurance company primarily and predominantly engaged in the reinsurance business. If this exception were deemed inapplicable, we would have to register under the Investment Company Act as an investment company, and as a result we likely would not be permitted to

operate our business in the manner in which we currently operate.

- We May be Deemed to be a Passive Foreign Investment Company. Significant adverse tax consequences could result to our shareholders if either Greenlight Re or Greenlight Reinsurance, Ltd. is characterized as a passive foreign investment company, or PFIC. The determination is factual in nature and conducted annually, and we cannot assure you that we will not currently or in the future be characterized as a PFIC. We believe that we were a PFIC in 2006, 2005 and 2004. We do not believe, although we cannot assure you, that we will be a PFIC for 2007 or any future taxable year.

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The Offering

Issuer	Greenlight Capital Re, Ltd.
Class A Ordinary Shares offered	10,250,000 shares
Underwriters' option to purchase additional shares	1,537,500 shares
Number of Class A Ordinary Shares to be outstanding after this offering	28,291,023 Class A Ordinary Shares
Class B Ordinary Shares to be sold in the concurrent private placement (assuming a purchase price of $17.00 per share)	2,941,176 Class B Ordinary Shares
Listing	Nasdaq Global Select Market
Trading symbol	GLRE
Use of proceeds	We estimate net proceeds to us from this offering to be approximately $160.1 million, based upon an assumed initial offering price of $17.00 per Class A Ordinary Share, representing the midpoint of the offering range set forth on the cover of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses. Additionally, we will receive $50 million of proceeds from the sale of Class B Ordinary Shares in the concurrent private placement at a price per share equal to the initial public offering price. We presently intend to contribute substantially all of the net proceeds of this offering and the concurrent private placement to Greenlight Reinsurance, Ltd. to increase the underwriting capacity of its reinsurance operations. See ''Use of Proceeds.''
Dividend policy	We currently do not expect to pay any dividends on our Ordinary Shares. See ''Dividend Policy.''
Voting rights	Except as described herein with regard to adjustments of the aggregate votes conferred by the Ordinary Shares of shareholders holding 9.9% or more of the total voting

power of our Ordinary Shares, holders of our Class A Ordinary Shares have one vote for each Class A Ordinary Share held by them and are entitled to vote on a noncumulative basis at all meetings of shareholders. Holders of our Class B Ordinary Shares are entitled to ten votes for each Class B Ordinary Share held by them, subject to the adjustments described above and a limitation on the maximum voting power of the Class B Ordinary Shares of 9.5%. See ''Description of Share Capital—Ordinary Shares—Voting General'' and ''Risk Factors—Provisions of our Articles may reallocate the voting power of our Class A Ordinary Shares and subject holders of Class A Ordinary Shares to SEC Compliance.''

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Except as otherwise indicated, all information contained in this prospectus:

- assumes the underwriters do not exercise their option to purchase additional Class A Ordinary Shares;
- excludes 1,131,000 of our Class A Ordinary Shares issuable upon the exercise of options outstanding as of May 1, 2007, at a weighted average exercise price of $11.85 per share issued under our 2004 stock incentive plan, as amended, or stock incentive plan;
- excludes 400,000 of our Class A Ordinary Shares issuable upon the exercise of share purchase options granted to First International Securities Ltd., or First International, a service provider, outstanding as of May 1, 2007, at an exercise price of $10.00 per share; and
- assumes an initial offering price of $17.00 per Class A Ordinary Share.

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Summary Financial Data

The following table sets forth our summary financial data for the three-month period ended March 31, 2007 and 2006 and the fiscal years ended December 31, 2006 and 2005 and the period from inception on July 13, 2004 to December 31, 2004. We were capitalized in August 2004 and commenced underwriting operations in April 2006. We derived the financial data for the years ended December 31, 2006 and 2005 and the period from July 13, 2004 to December 31, 2004 from our audited financial statements included elsewhere in this prospectus, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The financial data for the three-month periods ended March 31, 2007 and 2006 is derived from our unaudited financial statements included elsewhere in this prospectus. These historical results are not necessarily indicative of future results and the interim results are not necessarily indicative of our full-year performance. You should read the following summary financial data together with our audited financial statements and related notes included elsewhere in this prospectus and the information under ‘‘Selected Consolidated Financial Data’’ and ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations.’’

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Year Ended December 31, 2006	Year Ended December 31, 2005	Period from July 13, 2004 to December 31, 2004
	($ in thousands, except share, per share data and ratios)				
Summary Statement of Income Data:					
Net premiums written	$ 24,321	$ —	$ 74,151	$ —	$ —
Net premiums earned	20,921	—	26,605	—	—
Net investment (loss) income	(14,381)	17,196	58,509	27,934	9,636
Interest income on related party promissory note receivable	—	289	1,034	1,323	516
Total revenues	6,540	17,485	86,148	29,257	10,152
Loss and loss adjustment expenses incurred	8,988	—	9,671	—	—
Acquisition costs	7,712	—	10,415	—	—
General and administrative expenses	2,980	2,015	9,063	2,992	3,377
Total expenses	19,680	2,015	29,149	2,992	3,377
Net (loss) income	$ (13,140)	15,470	$ 56,999	$ 26,265	$ 6,775
(Loss) Earnings Per Share Data[1]:					
Basic	$ (0.61)	$ 0.73	$ 2.67	$ 1.24	$ 0.32
Diluted	(0.61)	$ 0.73	2.66	1.24	0.32
Weighted average number of Ordinary Shares					
Basic	21,558,915	21,227,222	21,366,140	21,226,868	21,225,000
Diluted	21,558,915	21,302,904	21,457,443	21,265,801	21,234,350
Selected Ratios (based on U.S. GAAP Statement of Income data):					
Loss ratio[2]	43.0%	—	36.4%	—	—
Acquisition cost ratio[3]	36.9%	—	39.1%	—	—
Internal expense ratio[4]	14.2%	—	34.1%	—	—
Combined ratio[5]	94.1%	—	109.6%	—	—

(1) Basic earnings per share is calculated by dividing net (loss) income by the weighted average number of shares outstanding for the period. For a period in which there is a net loss, stock options and unvested stock awards are excluded from the weighted average number of Ordinary Shares, when computing diluted earnings per share, since their inclusion would have been anti-dilutive for the period.

(2) The loss ratio is calculated by dividing loss and loss adjustment expenses incurred by net premiums earned.

(3) The acquisition cost ratio is calculated by dividing acquisition costs by net premiums earned.

(4) The internal expense ratio is calculated by dividing the general and administrative expenses by net premiums earned.

(5) The combined ratio is the sum of the loss ratio, acquisition cost ratio and the internal expense ratio.

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	As of March 31, 2007	As of December 31, 2006	2005
	($ in thousands, except share and per share data)		
Summary Balance Sheet Data:			
Fixed maturities, trading at fair value	$ 770	$ —	$ 238
Equity investments, trading at fair value	250,337	238,799	216,702
Other investments, at estimated fair value	8,655	4,723	2,271
Total investments in securities	259,762	243,522	219,211
Cash and cash equivalents	54,039	82,704	7,218
Restricted cash and cash equivalents	191,927	154,720	99,719
Loss and loss adjustment expense recoverable	2,753	—	—
Unearned premiums ceded	10,306	—	—
Total assets	563,577	518,608	327,935
Loss and loss adjustment expense reserves	16,717	4,977	—
Unearned premium reserves	61,262	47,546	—
Total liabilities	263,849	206,441	96,113
Total shareholders' equity	299,728	312,167	231,822
Adjusted book value(1)	$ 299,728	$ 312,167	$ 248,034
Ordinary shares outstanding:			
Basic	21,664,393	21,557,228	21,231,666
Diluted	23,195,393	23,094,900	22,175,000
Per Share Data:			
Basic adjusted book value per share(2)	$ 13.84	$ 14.48	$ 11.68
Diluted adjusted book value per share(3)	13.67	14.27	11.63

(1) Adjusted book value equals total shareholders' equity plus the aggregate principal outstanding on a promissory note from Greenlight Capital Investors, LLC, or GCI, issued in partial payment for 5,050,000 Class B Ordinary Shares, pursuant to the Securities Purchase Agreement dated August 11, 2004 between us and GCI. GCI repaid the outstanding principal amount of the promissory note on December 6, 2006.

(2) Basic adjusted book value per share is calculated by dividing adjusted book value by the number of shares issued and outstanding at the end of the period.

(3) Diluted adjusted book value per share is calculated by dividing the aggregate of adjusted book value and the proceeds from the exercise of options by the number of shares and share equivalents outstanding at the end of the period.

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RISK FACTORS

Investing in our Class A Ordinary Shares involves significant risks, including the potential loss of all or part of your investment. These risks could materially affect our business, financial condition and results of operations and cause a decline in the market price of our Class A Ordinary Shares. You should carefully consider all of the risks described in this prospectus, in addition to the other information contained in this prospectus, before you make an investment in our Class A Ordinary Shares.

Risks Relating to Our Business

Our results of operations will fluctuate from period to period and may not be indicative of our long-term prospects.

The performance of our reinsurance operations and our investment portfolio will fluctuate from period to period. Fluctuations will result from a variety of factors, including:

- reinsurance contract pricing;
- our assessment of the quality of available reinsurance opportunities;
- the volume and mix of reinsurance products we underwrite;
- loss experience on our reinsurance liabilities;
- our ability to assess and integrate our risk management strategy properly; and
- the performance of our investment portfolio.

In particular, we seek to underwrite products and make investments to achieve favorable return on equity over the long term. Our investment strategy to invest primarily in long and short positions in publicly-traded equity and corporate debt securities, is subject to market volatility and is likely to be more volatile than traditional fixed-income portfolios that are comprised primarily of investment grade bonds. In addition, our opportunistic nature and focus on long-term growth in book value will result in fluctuations in total premiums written from period to period as we concentrate on underwriting contracts that we believe will generate better long-term, rather than short-term, results. Accordingly, our short-term results of operations may not be indicative of our long-term prospects.

We are a start-up operation and there is limited historical information available for investors to evaluate our performance or a potential investment in our Class A Ordinary Shares.

We have limited operating history. We were formed in July 2004 but we did not begin underwriting reinsurance transactions until April 2006. As a result, there is limited historical information available to help prospective investors evaluate our performance or an investment in our Class A Ordinary Shares. In addition, in light of our limited operating history, our historical financial statements are not necessarily meaningful for evaluating an investment in our Class A Ordinary Shares. Because our underwriting and investment strategies differ from those of other participants in the property and casualty reinsurance market, you may not be able to compare our business or prospects to other property and casualty reinsurers.

In general, reinsurance and insurance companies in their initial stages of development present substantial business and financial risks and may suffer significant losses. They must develop business relationships, establish operating procedures, hire staff, install information technology systems, implement management processes and complete other tasks appropriate for the conduct of their intended business activities. In particular, our ability to implement our strategy to penetrate the reinsurance market depends on, among other things:

- our ability to attract clients;
- our ability to attract and retain personnel with underwriting, actuarial and accounting and finance expertise;
- our ability to maintain at least an A- (Excellent) rating from A.M. Best or a similar financial strength rating from one or more other ratings agencies;

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- our ability to evaluate the risks we assume under reinsurance contracts that we write;
- the risk of being deemed a passive foreign investment company or an investment company if we are unable to implement our business plan and are deemed to not be in the active conduct of an insurance business or to not be predominantly engaged in an insurance business. See ‘‘ – We are subject to the risk of possibly becoming an investment company under U.S. federal securities law’’ and ‘‘Certain U.S. Tax Considerations – Passive Foreign Investment Companies.’’

We cannot assure you that there will be sufficient demand for the reinsurance products we plan to write to support our planned level of operations, or that we will accomplish the tasks necessary to implement our business strategy. In addition, the business we have written to date is still not mature and may be subject to greater losses than we have anticipated. From April 2006, when we commenced our underwriting operations, through March 31, 2007, we have paid an aggregate of $4.7 million of losses.

Established competitors with greater resources may make it difficult for us to effectively market our products or offer our products at a profit.

The reinsurance industry is highly competitive. We compete with major reinsurers, many of which have substantially greater financial, marketing and management resources than we do. Competition in the types of business that we underwrite is based on many factors, including:

- premium charges;
- the general reputation and perceived financial strength of the reinsurer;
- relationships with reinsurance brokers;
- terms and conditions of products offered;
- ratings assigned by independent rating agencies;
- speed of claims payment and reputation; and
- the experience and reputation of the members of our underwriting team in the particular lines of reinsurance we seek to underwrite.

Additionally, although the members of our underwriting team have general experience across many property and casualty lines, they may not have the requisite experience or expertise to compete for all transactions that fall within our strategy of offering customized frequency and severity contracts at times and in markets where capacity and alternatives may be limited.

Our competitors include ACE Limited, General Re Corporation, Hannover Re Group, Munich Reinsurance Company, PartnerRe Ltd., Swiss Reinsurance Company, Transatlantic Reinsurance Company and XL Capital Ltd., which are dominant companies in our industry. Although we seek to provide coverage where capacity and alternatives are limited, we directly compete with these larger companies due to the breadth of their coverage across the property and casualty market in substantially all lines of business. We also compete with smaller companies and other niche reinsurers from time to time.

We cannot assure you that we will be able to compete successfully in the reinsurance market. Our failure to compete effectively would significantly and negatively affect our financial condition and results of operations and may increase the likelihood that we may be deemed to be a passive foreign investment company or an investment company. See ‘‘ – We are subject to the risk of possibly becoming an investment company under U.S. federal securities law’’ and ‘‘Certain U.S. Tax Considerations – Passive Foreign Investment Companies.’’

Our losses may exceed our loss reserves, which could significantly and negatively affect our business.

Our results of operations and financial condition depend upon our ability to assess accurately the potential losses associated with the risks we reinsure. Reserves are estimates at a given time of claims

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an insurer ultimately expects to pay, based upon facts and circumstances then known, predictions of future events, estimates of future trends in claim severity and other variable factors. The inherent uncertainties of estimating loss reserves generally are greater for reinsurance companies as compared to primary insurers, primarily due to:

- the lapse of time from the occurrence of an event to the reporting of the claim and the ultimate resolution or settlement of the claim;
- the diversity of development patterns among different types of reinsurance treaties; and
- the necessary reliance on the client for information regarding claims.

As a relatively new reinsurer with a focus on being the lead underwriter on sizeable transactions and on a majority of premium we underwrite, our estimation of reserves may be less reliable than the reserve estimations of a reinsurer with a greater volume of business of smaller transactions and an established loss history. Actual losses and loss adjustment expenses paid may deviate substantially from the estimates of our loss reserves contained in our financial statements, to our detriment. If we determine our loss reserves to be inadequate, we will increase our loss reserves with a corresponding reduction in our net income in the period in which we identify the deficiency and such a reduction would negatively affect our results of operations. If our losses exceed our loss reserves, our financial condition may be significantly and negatively affected. As of March 31, 2007, our loss reserves totaled $16.7 million from seven of our 16 contracts.

The property and casualty reinsurance market may be affected by cyclical trends.

We write reinsurance in the property and casualty markets. The property and casualty reinsurance industry is cyclical. Primary insurers' underwriting results, prevailing general economic and market conditions, liability retention decisions of companies and primary insurers and reinsurance premium rates influence the demand for property and casualty reinsurance. Prevailing prices and available surplus to support assumed business influence reinsurance supply. Supply may fluctuate in response to changes in rates of return on investments realized in the reinsurance industry, the frequency and severity of losses and prevailing general economic and market conditions.

Continued increases in the supply of reinsurance may have consequences for the reinsurance industry generally and for us, including lower premium rates, increased expenses for customer acquisition and retention and less favorable policy terms and conditions.

Our reinsurance contracts bound in 2006 provide coverage of casualty clash, homeowners', property catastrophe and marine risks. We anticipate that we will see attractive opportunities in selected health, casualty clash, homeowners', medical malpractice, workers' compensation, property catastrophe and marine lines in 2007. We believe that these lines of business will present us with opportunities for the following reasons:

- a limited number of reinsurers underwrite casualty clash reinsurance;
- in certain states, a number of insurers are reducing their homeowners' writings and creating opportunity for the remaining insurers that will require more reinsurance;
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legislation in certain states, including tort reform and workers' compensation regulation, has resulted in attractive opportunities for medical malpractice and workers' compensation reinsurance; and

- there is significant demand for property and catastrophe and marine reinsurance.

We also may offer other lines of business, such as commercial auto and general liability, although we do not believe that we will see many attractive opportunities in these lines as there are many reinsurers currently competing for this type of business.

Unpredictable developments, including courts granting increasingly larger awards for certain damages, natural disasters (such as catastrophic hurricanes, windstorms, tornados, earthquakes and floods), fluctuations in interest rates, changes in the investment environment that affect market prices

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of investments and inflationary pressures, affect the industry's profitability. The effects of cyclicality could significantly and negatively affect our financial condition and results of operations.

A downgrade or withdrawal of our A.M. Best rating would significantly and negatively affect our ability to implement our business strategy successfully.

Companies, insurers and reinsurance brokers use ratings from independent ratings agencies as an important means of assessing the financial strength and quality of reinsurers. A.M. Best has assigned us a financial strength rating of A– (Excellent), which is the fourth highest of 15 ratings that A.M. Best issues. This rating reflects the rating agency's opinion of our financial strength, operating performance and ability to meet obligations. It is not an evaluation directed toward the protection of investors or a recommendation to buy, sell or hold our Class A Ordinary Shares. A.M. Best periodically reviews our rating, and may revise it downward or revoke it at its sole discretion based primarily on its analysis of our balance sheet strength, operating performance and business profile. Factors which may affect such an analysis include:

- if we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's initial rating;
- if unfavorable financial or market trends impact us;
- if our losses exceed our loss reserves;
- if we are unable to retain our senior management and other key personnel; or
- if our investment portfolio incurs significant losses.

If A.M. Best downgrades or withdraws our rating, we could be severely limited or prevented from writing any new reinsurance contracts which would significantly and negatively affect our ability to implement our business strategy.

While none of our reinsurance contracts written on or before March 31, 2007 provide the client with the right to terminate the agreement or require us to transfer premiums on a funds withheld basis if our A- (Excellent) A.M. Best rating is downgraded, we anticipate that some of our future contracts will contain such termination provisions.

If we lose or are unable to retain our senior management and other key personnel and are unable to attract qualified personnel, our ability to implement our business strategy could be delayed or hindered, which, in turn, could significantly and negatively affect our business.

Our future success depends to a significant extent on the efforts of our senior management and other key personnel to implement our business strategy. We believe there are only a limited number of available, qualified executives with substantial experience in our industry. In addition, we will need to add personnel, including underwriters, to implement our business strategy. We could face challenges attracting personnel to the Cayman Islands. Accordingly, the loss of the services of one or more of the members of our senior management or other key personnel, or our inability to hire and retain other key personnel, could delay or prevent us from fully implementing our business strategy and, consequently, significantly and negatively affect our business.

We do not currently maintain key man life insurance with respect to any of our senior management, including our Chief Executive Officer, Chief Financial Officer or Chief Underwriting Officer. If any member of senior management dies or becomes incapacitated, or leaves the company to pursue employment opportunities elsewhere, we would be solely responsible for locating an adequate replacement for such senior management and for bearing any related cost. To the extent that we are unable to locate an adequate replacement or are unable to do so within a reasonable period of time, our business may be significantly and negatively affected.

Our failure to maintain sufficient letter of credit facilities or to increase our letter of credit capacity on commercially acceptable terms as we grow could significantly and negatively affect our ability to implement our business strategy.

We are not licensed or admitted as a reinsurer in any jurisdiction other than the Cayman Islands. Certain jurisdictions, including the United States, do not permit insurance companies to take credit for

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reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements unless appropriate security measures are implemented. Consequently, certain clients will require us to obtain a letter of credit or provide other collateral through funds withheld or trust arrangements. When we obtain a letter of credit facility, we are customarily required to provide collateral to the letter of credit provider in order to secure our obligations under the facility. Our ability to provide collateral, and the costs at which we provide collateral, are primarily dependent on the composition of our investment portfolio.

Typically, letters of credit are collateralized with fixed-income securities. Banks may be willing to accept our investment portfolio as collateral, but on terms that may be less favorable to us than reinsurance companies that invest solely or predominantly in fixed-income securities. The inability to renew, maintain or obtain letters of credit collateralized by our investment portfolio may significantly limit the amount of reinsurance we can write or require us to modify our investment strategy.

As of March 31, 2007, we had a letter of credit facility, valid until October 11, 2007, from Citibank, N.A. in a maximum amount of $200 million of which $65.6 million had been issued. Citibank, N.A. has accepted our investment portfolio as collateral. In the event of a decline in the market value of our investment portfolio that results in a collateral shortfall, as defined in the letter of credit facility, we have the right, at our option, to reduce the outstanding obligations under the letter of credit facility, to deposit additional collateral or to change the collateral composition in order to cure the shortfall. The time that we have to cure a collateral shortfall varies depending on the severity of the shortfall. The time frame in which we must cure a shortfall varies from two hours to five days, depending on the applicable formula, as laid out in the hypothecation agreement of the letter of credit. Additionally, if the shortfall is not cured within the prescribed time period an event of default will immediately occur. We will be prohibited from issuing additional letters of credit until any shortfall is cured.

We may need additional letter of credit capacity as we grow, and if we are unable to renew, maintain or increase our letter of credit facility or are unable to do so on commercially acceptable terms we may need to liquidate all or a portion of our investment portfolio and invest in a fixed-income portfolio or other forms of investment acceptable to our clients and banks as collateral, which could significantly and negatively affect our ability to implement our business strategy.

The inability to obtain business provided from brokers could adversely affect our business strategy and results of operations.

A substantial portion of our business is primarily placed through brokered transactions, which involve a limited number of reinsurance brokers. Since we began underwriting operations in April 2006, we have placed all of our premiums written through brokers. To lose or fail to expand all or a substantial portion of the brokered business provided through one or more of these brokers, many of whom may not be familiar with our Cayman Islands jurisdiction, could significantly and negatively affect our business and results of operations.

We may need additional capital in the future in order to operate our business, and such capital may not be available to us or may not be available to us on favorable terms. Furthermore, our raising additional capital could dilute your ownership interest in our company and may cause the market price of the Class A Ordinary Shares to decline.

We may need to raise additional capital in the future through public or private equity or debt offerings or otherwise in order to:

- fund liquidity needs caused by underwriting or investment losses;
- replace capital lost in the event of significant reinsurance losses or adverse reserve developments;
- satisfy letters of credit or guarantee bond requirements that may be imposed by our clients or by regulators;
- meet applicable statutory jurisdiction requirements;

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- meet rating agency capital requirements; or
- respond to competitive pressures.

Additional capital may not be available on terms favorable to us, or at all. Further, any additional capital raised through the sale of equity could dilute your ownership interest in our company and may cause the market price of our Class A Ordinary Shares to decline. Additional capital raised through the issuance of debt may result in creditors having rights, preferences and privileges senior or otherwise superior to those of our Class A Ordinary Shares.

Our property and property catastrophe reinsurance operations may make us vulnerable to losses from catastrophes and may cause our results of operations to vary significantly from period to period.

Our reinsurance operations expose us to claims arising out of unpredictable catastrophic events, such as hurricanes, hailstorms, tornados, windstorms, severe winter weather, earthquakes, floods, fires, explosions, volcanic eruptions and other natural or man-made disasters. The incidence and severity of catastrophes are inherently unpredictable but the loss experience of property catastrophe reinsurers has been generally characterized as low frequency and high severity. Claims from catastrophic events could reduce our earnings and cause substantial volatility in our results of operations for any fiscal quarter or year and adversely affect our financial condition. Corresponding reductions in our surplus levels could impact our ability to write new reinsurance policies.

Catastrophic losses are a function of the insured exposure in the affected area and the severity of the event. Because accounting regulations do not permit reinsurers to reserve for catastrophic events until they occur, claims from catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could significantly and negatively affect our financial condition and results of operations.

We depend on our clients' evaluations of the risks associated with their insurance underwriting, which may subject us to reinsurance losses.

In some of our proportional reinsurance business, in which we assume an agreed percentage of each underlying insurance contract being reinsured, or quota share contracts, we do not expect to separately evaluate each of the original individual risks assumed under these reinsurance contracts. Therefore, we will be largely dependent on the original underwriting decisions made by ceding companies. We will be subject to the risk that the clients may not have adequately evaluated the insured risks and that the premiums ceded may not adequately compensate us for the risks we assume. We also do not expect to separately evaluate each of the individual claims made on the underlying insurance contracts under quota-share. Therefore, we will be dependent on the original claims decisions made by our clients. As of March 31, 2007, we have entered into one quota share contract. Our aggregate maximum possible loss under this contract is equal to 127.5% of earned premiums, or approximately $8.4 million as of March 31, 2007. We are subject to the risk that the client may pay invalid claims, which could result in reinsurance losses for us.

We could face unanticipated losses from war, terrorism, and political unrest, and these or other unanticipated losses could have a material adverse effect on our financial condition and results of operations.

We have exposure to large, unexpected losses resulting from man-made catastrophic events, such as acts of war, acts of terrorism and political instability. These risks are inherently unpredictable and recent events may indicate an increased frequency and severity of losses. It is difficult to predict the timing of these events or to estimate the amount of loss that any given occurrence will generate. To the extent that losses from these risks occur, our financial condition and results of operations could be significantly and negatively affected.

The involvement of reinsurance brokers subjects us to their credit risk.

In accordance with industry practice, we frequently pay amounts owed on claims under our policies to reinsurance brokers, and these brokers, in turn, remit these amounts to the ceding

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companies that have reinsured a portion of their liabilities with us. In some jurisdictions, if a broker fails to make such a payment, we might remain liable to the client for the deficiency notwithstanding the broker's obligation to make such payment. Conversely, in certain jurisdictions, when the client pays premiums for policies to reinsurance brokers for payment to us, these premiums are considered to have been paid and the client will no longer be liable to us for these premiums, whether or not we have actually received them. Consequently, we assume a degree of credit risk associated with brokers around the world.

We may be unable to purchase reinsurance for the liabilities we reinsure, and if we successfully purchase such reinsurance, we may be unable to collect, which could adversely affect our business, financial condition and results of operations.

As of March 31, 2007, we had purchased $13.7 million in reinsurance for the liabilities we reinsure, which we refer to as retrocessional coverage. From time to time, we may purchase retrocessional coverage for our own account in order to mitigate the effect of a potential concentration of losses upon our financial condition. The insolvency or inability or refusal of a reinsurer of reinsurance to make payments under the terms of its agreement with us could have an adverse effect on us because we remain liable to our client. From time to time, market conditions have limited, and in some cases have prevented, reinsurers from obtaining the types and amounts of retrocession that they consider adequate for their business needs. Accordingly, we may not be able to obtain our desired amounts of retrocessional coverage or negotiate terms that we deem appropriate or acceptable or obtain retrocession from entities with satisfactory creditworthiness. Our failure to establish adequate retrocessional arrangements or the failure of our retrocessional arrangements to protect us from overly concentrated risk exposure could significantly and negatively affect our business, financial condition and results of operations.

Currency fluctuations could result in exchange rate losses and negatively impact our business.

Our functional currency is the U.S. dollar. However, we expect that we will write a portion of our business and receive premiums in currencies other than the U.S. dollar. In addition, DME Advisors may invest a portion of our portfolio in assets denominated in currencies other than the U.S. dollar. Consequently, we may experience exchange rate losses to the extent our foreign currency exposure is not hedged or is not sufficiently hedged, which could significantly and negatively affect our business. If we do seek to hedge our foreign currency exposure through the use of forward foreign currency exchange contracts or currency swaps, we will be subject to the risk that our counterparties to the arrangements fail to perform.

Our ability to implement our business strategy could be delayed or adversely affected by Cayman Islands employment restrictions.

Under Cayman Islands law, persons who are not Caymanian, do not possess Caymanian status, or are not otherwise entitled to reside and work in the Cayman Islands pursuant to provisions of the Immigration Law (2006 Revision) of the Cayman Islands, which we refer to as the Immigration Law, may not engage in any gainful occupation in the Cayman Islands without an appropriate governmental work permit. Such a work permit may be granted or extended on a continuous basis for a maximum period of seven years (unless the employee is deemed to be exempted from such requirement in accordance with the provisions of the Immigration Law, in which case such period may be extended to nine years and the employee given the opportunity to apply for permanent residence) upon showing that, after proper public advertisement, no Caymanian or person of Caymanian status, or other person legally and ordinarily resident in the Cayman Islands who meets the minimum standards for the advertised position is available. The failure of these work permits to be granted or extended could delay us from fully implementing our business strategy.

There are differences under Cayman Islands corporate law and Delaware corporate law with respect to interested party transactions which may benefit certain of our shareholders at the expense of other shareholders.

Under Cayman Islands corporate law, a director may vote on a contract or transaction where the director has an interest as a shareholder, director, officer or employee provided such interest is

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disclosed. None of our contracts will be deemed to be void because any director is an interested party in such transaction and interested parties will not be held liable for monies owed to the company.

Under Delaware law, interested party transactions are voidable.

Risks Relating to Insurance and Other Regulations

Any suspension or revocation of our reinsurance license would materially impact our ability to do business and implement our business strategy.

We are licensed as a reinsurer only in the Cayman Islands and do not plan to be licensed in any other jurisdiction. The suspension or revocation of our license to do business as a reinsurance company in the Cayman Islands for any reason would mean that we would not be able to enter into any new reinsurance contracts until the suspension ended or we became licensed in another jurisdiction. Any such suspension or revocation of our license would negatively impact our reputation in the reinsurance marketplace and could have a material adverse effect on our results of operations.

The Cayman Island Monetary Authority, or CIMA, which is the regulating authority of the Cayman Islands, may take a number of actions, including suspending or revoking a reinsurance license whenever CIMA believes that a licensee is or may become unable to meet its obligations, is carrying on business in a manner likely to be detrimental to the public interest or to the interest of its creditors or policyholders, has contravened the terms of the Law, or has otherwise behaved in such a manner so as to cause CIMA to call into question the licensee's fitness.

Further CIMA may revoke our license if:

- we cease to carry on reinsurance business;
- the direction and management of our reinsurance business has not been conducted in a fit and proper manner;
- a person holding a position as a director, manager or officer is not a fit and proper person to hold the respective position; or
- we become bankrupt or go into liquidation or we are wound up or otherwise dissolved.

In addition, CIMA could revoke or suspend our license if we are deemed to be a PFIC or an investment company under the Investment Company Act of 1940. Similarly, if CIMA suspended or revoked our license we could lose our exception under the Investment Company Act of 1940, as amended, or the Investment Company Act. See ''–We are subject to the risk of possibly becoming an investment company under U.S. federal securities law.''

We are subject to the risk of possibly becoming an investment company under U.S. federal securities law.

The Investment Company Act regulates certain companies that invest in or trade securities. We rely on an exception under the Investment Company Act for a company organized and regulated as a foreign insurance company which is engaged primarily and predominantly in the reinsurance of risks on insurance agreements. The law in this area is subjective and there is a lack of guidance as to the meaning of ''primarily and predominantly'' under the relevant exception to the Investment Company Act. For example, there is no standard for the amount of premiums that need be written relative to the level of a company's capital in order to qualify for the exception. If this exception were deemed inapplicable, we would have to register under the Investment Company Act as an investment company. Registered investment companies are subject to extensive, restrictive and potentially adverse regulation relating to, among other things, operating methods, management, capital structure, leverage, dividends and transactions with affiliates. Registered investment companies are not permitted to operate their business in the manner in which we operate our business, nor are registered investment companies permitted to have many of the relationships that we have with our affiliated companies. Accordingly, we likely would not be permitted to engage DME Advisors as our investment advisor, unless we obtained board and shareholder approvals under the Investment Company Act. If DME Advisors were not our investment advisor, DME Advisors would liquidate our investment portfolio and we would seek to identify and retain another investment advisor with a value-oriented

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investment philosophy. If we could not identify or retain such an advisor, we would be required to make substantial modifications to our investment strategy. Any such changes to our investment strategy could significantly and negatively impact our investment results, financial condition and our ability to implement our business strategy.

If at anytime it were established that we had been operating as an investment company in violation of the registration requirements of the Investment Company Act, there would be a risk, among other material adverse consequences, that we could become subject to monetary penalties or injunctive relief, or both, that we would be unable to enforce contracts with third parties or that third parties could seek to obtain recission of transactions with us undertaken during the period in which it was established that we were an unregistered investment company.

To the extent that the laws and regulations change in the future so that contracts we write are deemed not to be reinsurance contracts, we will be at greater risk of not qualifying for the Investment Company Act exception. Additionally, it is possible that our classification as an investment company would result in the suspension or revocation of our reinsurance license.

Insurance regulators in the United States or elsewhere may review our activities and claim that we are subject to that jurisdiction's licensing requirements.

We do not presently expect that we will be admitted to do business in any jurisdiction other than the Cayman Islands. In general, the Cayman Islands insurance statutes, regulations and the policies of CIMA are less restrictive than United States state insurance statutes and regulations. We cannot assure you, however, that insurance regulators in the United States, the United Kingdom or elsewhere will not review our activities and claim that we are subject to such jurisdiction's licensing requirements. In addition, we are subject to indirect regulatory requirements imposed by jurisdictions that may limit our ability to provide reinsurance. For example, our ability to write reinsurance may be subject, in certain cases, to arrangements satisfactory to applicable regulatory bodies and proposed legislation and regulations may have the effect of imposing additional requirements upon, or restricting the market for, non U.S. reinsurers such as us with whom domestic companies may place business. We do not know of any such proposed legislation pending at this time.

If in the future we were to become subject to the laws or regulations of any state in the United States or to the laws of the United States, the United Kingdom or of any other country, we may consider various alternatives to our operations. If we choose to attempt to become licensed in another jurisdiction, for instance, we may not be able to do so and the modification of the conduct of our business or the non-compliance with insurance statutes and regulations could significantly and negatively affect our business.

Current legal and regulatory activities relating to certain insurance products could affect our business, results of operations and financial condition

The sale and purchase of products that may be structured in such a way so as to not contain sufficient risk transfer to meet the requirement of SFAS 113 to be accounted for as reinsurance, or loss mitigation insurance products, have become the focus of investigations by the Securities and Exchange Commission, or the SEC, and numerous state

Attorneys General. Although we seek to use structured contractual features in our product offerings, we conduct both internal and external accounting analyses with respect to risk transfer and believe that to date all of our contracts contain sufficient risk transfer under SFAS 113 to be accounted for as reinsurance. However, because some of our contracts contain or will contain features designed to manage the overall risks we assume, such as a cap on potential losses or a refund of some portion of the premium if we incur smaller losses than anticipated at the time the contract is entered into, it is possible that we may become subject to the ongoing inquiries into loss mitigation products conducted by the SEC or certain Attorney Generals. In addition, we cannot predict at this time what effect the current investigations, litigation and regulatory activity will have on the reinsurance industry or our business or what, if any, changes may be made to laws and regulations regarding the industry and financial reporting. It is possible that these investigations or related regulatory developments will mandate changes in industry practices that will

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negatively impact our ability to use certain loss mitigation features in our products and, accordingly, our ability to operate our business pursuant to our existing strategy. Moreover, any reclassification of our reinsurance contracts as deposit liabilities rather than reinsurance contacts could call into question our exception under the Investment Company Act.

The outcome of recent industry investigations and regulatory proposals could adversely affect our financial condition and results of operations and cause the price of our shares to be volatile.

The insurance industry has attracted increased scrutiny by regulatory and law enforcement authorities relating to allegations of improper special payments, price-fixing, bid-rigging, improper accounting practices and other alleged misconduct. Formal and informal inquiries have been made of a large segment of the industry, and a number of companies in the insurance industry have received subpoenas, requests for information from regulatory agencies or other inquiries relating to these and similar matters. These efforts have resulted in both enforcement actions and proposals for new regulation. Although some of these enforcement actions have been settled and we are not subject to the United States regulatory regime, we cannot predict the outcome of this increased regulatory scrutiny or whether it will expand into other areas, whether activities and practices currently thought to be lawful will be characterized as unlawful, what form new regulations will have when finally adopted or the impact, if any, of increased regulatory and law enforcement action on our business and results of operations.

New Florida legislation could adversely affect the market for Florida-specific programs and, if replicated by other jurisdictions, could adversely affect the U.S. reinsurance market and our business.

On January 26, 2007, the Florida governor signed a law that, among other things, substantially increases the amount of reinsurance available to primary insurers from the Florida Hurricane Catastrophe Fund, increases competitiveness of a state-sponsored primary insurer, and increases the capitalization requirements of certain insurers to operate in the Florida market. Accordingly, these laws are expected to result in a reduction of the amount of private market reinsurance required by primary insurers and may reduce overall primary insurance coverage due to the expansion of a state-sponsored primary insurer. To the extent that such legislation serves to shift reinsurance purchases from the private reinsurance market to that state's catastrophe fund or mandates certain pricing for reinsurance, our revenues may be adversely impacted in the future as insurers may become increasingly reliant on the state's resources, potentially reducing our reinsurance opportunities in Florida.

As of March 31, 2007, our largest contract provided reinsurance to First Protective Insurance Company, a Florida homeowners' insurer. Our contract provides property coverage that excludes catastrophes and is structured such that the premium and economics of the contract are not immediately impacted by the new Florida legislation. However, we cannot predict how this legislation will impact this client relationship, if at all, in the long term. We note that the recently-enacted Florida legislation could cause our client to reduce its prices in order to remain competitive with the state-sponsored primary insurer. Any reduction in pricing may diminish the client's ability and/or desire to compete in the Florida market and, accordingly, our reinsurance opportunities with this client in the Florida market. Alternatively, the legislation may, in fact, increase our client's opportunities as some of its competitors may withdraw from the market as they may not be able to compete effectively due to increased capitalization or other newly enacted requirements. If the demand for our client's product offerings increases due to less competition and fewer market participants, our reinsurance opportunities may increase.

Additionally, similar laws may be enacted in other jurisdictions, which could have an adverse impact on the U.S. reinsurance market and could negatively affect our business.

Risks Relating to Our Investment Strategy and Our Investment Advisor

We have limited control as to how our investment portfolio is allocated and its performance depends on the ability of DME Advisors to select and manage appropriate investments.

We have engaged DME Advisors to act as our exclusive investment advisor for our investment portfolio and to recommend appropriate investment opportunities. Although DME Advisors is

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contractually obligated to follow our investment guidelines, we cannot assure shareholders as to how assets will be allocated to different investment opportunities, including long and short positions and derivatives trading, which could increase the level of risk to which our investment portfolio will be exposed. In addition, DME Advisors can outsource to subadvisors without our consent or approval.

The performance of our investment portfolio depends to a great extent on the ability of DME Advisors to select and manage appropriate investments. The advisory agreement terminates on December 31, 2009, unless extended, and we have limited ability to terminate the advisory agreement earlier. We cannot assure you that DME Advisors will be successful in meeting our investment objectives or that the advisory agreement with DME Advisors will be renewed. The failure of DME Advisors to perform adequately could significantly and negatively affect our business, results of operations and financial condition.

We depend upon DME Advisors to implement our investment strategy.

We depend upon DME Advisors to implement our investment strategy. Accordingly, the diminution or loss of the services of DME Advisors could significantly affect our business. The loss of DME Advisors' principals or other key personnel, or DME Advisors' inability to hire and retain other key personnel, over which we have no control, could delay or prevent DME Advisors from fully implementing our investment strategy on our behalf, and consequently, could significantly and negatively affect our business. The advisory agreement requires that we utilize the advisory services of DME Advisors exclusively until December 31, 2009, subject to limited termination provisions, even if the performance of our investment portfolio is below our expectations.

Our investment performance may suffer as a result of adverse capital market developments or other factors and impact our liquidity, which could in turn adversely affect our financial condition and results of operations.

We derive a significant portion of our income from our investment portfolio. As a result, our operating results depend in part on the performance of our investment portfolio. We strive to structure our investments in a manner that recognizes our liquidity needs for future liabilities. We cannot assure you that DME Advisors will successfully structure our investments in relation to our anticipated liabilities. Failure to do so could force us to liquidate investments at a significant loss or at prices that are not optimal, which could significantly and adversely affect our financial results. The returns on our investment portfolio for the years ended December 31, 2005 and 2006 and the three-month period ended March 31, 2007 were $27.9 million, $58.5 million, and ($14.4 million), respectively, compared to total revenue of $29.3 million, $86.1 million and $6.5 million, respectively.

The risks associated with DME Advisors' value-oriented investment strategy may be substantially greater than the risks associated with traditional fixed-income investment strategies. In addition, making long equity investments in an up or rising market may increase the risk of not generating profits on these investments and we may incur losses if the market declines. Similarly, making short equity investments in a down or falling market may increase the risk of not generating profits on these investments and we may incur losses if the market rises. The market price of the Class A Ordinary Shares may be volatile and the risk of loss may be greater when compared with other reinsurance companies. The success of our investment strategy may also be affected by general economic conditions. Unexpected market volatility and illiquidity associated with our investments could significantly and negatively affect our investment portfolio results.

Potential conflicts of interest with DME Advisors may exist that could adversely affect us.

None of DME Advisors and its principals, including David Einhorn, Chairman of our Board of Directors, and the president of Greenlight Capital, Inc., are obligated to devote any specific amount of time to the affairs of our company. Affiliates of DME Advisors, including Greenlight Capital, Inc., manage and expect to continue to manage other client accounts, some of which have objectives similar to ours, including collective investment vehicles managed by DME Advisors' affiliates and in which DME Advisors or its affiliates may have an equity interest. Pursuant to our advisory agreement with

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DME Advisors, DME Advisors has the exclusive right to manage our investment portfolio and is required to follow our investment guidelines and act in a manner that is fair and equitable in allocating investment opportunities to us, but the agreement does not otherwise impose any specific obligations or requirements concerning allocation of time, effort or investment opportunities to us or any restriction on the nature or timing of investments for our account and for DME Advisors' own account or other accounts that DME Advisors or its affiliates may manage. If we compete for any investment opportunity with another entity that DME Advisors or its affiliates manage, DME Advisors is not required to afford us any exclusivity or priority. DME Advisors' interest and the interests of its affiliates, including Greenlight Capital, Inc., may at times conflict, possibly to DME Advisors' detriment, which may potentially adversely affect our investment opportunities and returns.

Although Mr. Einhorn, Chairman of our Board of Directors, recused himself from the vote approving and adopting our investment guidelines, he is not, under Cayman Islands law, legally restricted from participating in making decisions with respect to our investment guidelines. Accordingly, his involvement as a member of our Board of

Directors may lead to a conflict of interest.

DME Advisors and its affiliates may also manage accounts whose advisory fee schedules, investment objectives and policies differ from ours, which may cause DME Advisors and its affiliates to effect trading in one account that may have an adverse effect on another account, including ours. We are not entitled to inspect the trading records of DME Advisors, or its principals, that are not related to our company.

Our investment portfolio may be concentrated in a few large positions which could result in large losses.

Our investment guidelines provide that DME Advisors may commit up to 20% of our assets under management to any one investment. Accordingly, from time to time we may hold a few, relatively large securities positions in relation to our capital. As of March 31, 2007, we were invested in fewer than 100 equity securities and the top five long and short positions in equity securities comprised an aggregate of 34% and 23%, respectively, of our investment portfolio. As of December 31, 2006, approximately 10.3% of our invested capital was invested in one long position in Lanxess AG. As of March 31, 2007, no investment comprised more than 10% of our invested capital. Since our investment portfolio may not be widely diversified, it may be subject to more rapid changes in value than would be the case if the investment portfolio were required to maintain a wide diversification among companies, securities and types of securities.

DME Advisors may trade on margin and use other forms of financial leverage, which could potentially adversely affect our revenues.

Our investment guidelines provide DME Advisors with the ability to trade on margin and use other forms of financial leverage. Fluctuations in the market value of our investment portfolio can have a disproportionately large effect in relation to our capital. Any event which may adversely affect the value of positions we hold could significantly negatively affect the net asset value of our investment portfolio and thus our results of operations.

DME Advisors may effectuate short sales that subject us to unlimited loss potential.

DME Advisors may enter into transactions in which it sells a security it does not own, which we refer to as a short sale, in anticipation of a decline in the market value of the security. Short sales for our account theoretically will involve unlimited loss potential since the market price of securities sold short may continuously increase. Under adverse market conditions, DME Advisors might have difficulty purchasing securities to meet short sale delivery obligations, and may have to cover shorts sales at suboptimal prices.

The loss by DME Advisors of key employees could materially adversely affect our investment results.

DME Advisors, and consequently our investment portfolio, is dependent on the talents, efforts and leadership of DME Advisors' principals. The diminution or loss of the services of DME Advisors' principals, or diminution or loss of their reputation and integrity, or any negative market or industry

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perception arising from that diminution or loss, could have a material adverse effect on our business. Our advisory agreement with DME Advisors does not allow us to terminate the agreement in the event that DME Advisors loses any or all of its principals.

DME Advisors may transact in derivative instruments which may increase the risk of our investment portfolio.

Derivative instruments, or derivatives, include futures, options, swaps, structured securities and other instruments and contracts that derive their value from one or more underlying securities, financial benchmarks, currencies, commodities or indices. There are a number of risks associated with derivatives trading. Because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may result in the loss of a substantial portion of or the entire investment, and may potentially expose us to a loss exceeding the original amount invested. Derivatives may also expose us to liquidity and counterparty risk. There may not be a liquid market within which to close or dispose of outstanding derivatives contracts. In the event of the counterparty's default, we will generally only rank as an unsecured creditor and risk the loss of all or a portion of the amounts we are contractually entitled to receive.

The compensation arrangements of DME Advisors may create an incentive to effect transactions that are risky or speculative.

DME Advisors is entitled to two forms of compensation under the advisory agreement:

- a management fee of 1.5% annually, charged monthly, based on net assets under management; and
- performance compensation based on the appreciation, including unrealized appreciation, in the value of our investment portfolio equal to 20% of net profits, subject to a loss carryforward provision.

While the performance compensation arrangement provides that losses will be carried forward as an offset against net profits in subsequent periods, DME Advisors generally will not otherwise be penalized for realized losses or decreases in the value of our portfolio. These performance compensation arrangements may create an incentive for DME Advisors to engage in transactions that focus on the potential for short-term gains rather than long-term growth or that are particularly risky or speculative.

DME Advisors' representatives' service on boards and committees may place trading restrictions on our investments and may subject us to indemnification liability.

DME Advisors may from time to time place its or its affiliates' representatives on creditors committees and/or boards of certain companies in which we have invested. While such representation may enable DME Advisors to enhance the sale value of our investments, it may also place trading restrictions on our investments and may subject us to indemnification liability. The advisory agreement provides for the indemnification of DME Advisors or any other person designated by DME Advisors for claims arising from such board representation.

From March 31, 2006 until March 7, 2007, David Einhorn, the Chairman of our Board of Directors, was a director of New Century Financial Corp., or New Century, a subprime mortgage lender that filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on April 2, 2007. During Mr. Einhorn's tenure as a director of New Century. Mr. Einhorn periodically was privy to material non-public information about New Century. In addition, Mr. Einhorn was subject to New Century's insider trading policy, which prohibits directors and certain officers from trading in the company's securities during specific times. As a result, Mr. Einhorn and the investment advisory firms he manages, including DME Advisors, from time to time were restricted from trading New Century's securities.

Each of New Century's directors, including Mr. Einhorn, has been named as a defendant in several shareholder lawsuits. If Mr. Einhorn were held liable with respect to any claims relating to or

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arising out of New Century's bankruptcy filing or the shareholder lawsuits, and if such claims were not fully covered by New Century's director and officer insurance coverage or indemnification by New Century, then under the advisory agreement we may have to indemnify him for certain losses arising from such claims. We do not believe that our indemnification obligations, if any, relating to Mr. Einhorn's former membership on the board of directors of New Century would have a material adverse effect on our business.

As of March 31, 2007, representatives of DME Advisors sat on the board of directors of each of Biofuel Energy Corp. and Ark Real Estate Partners LP, both of which as of March 31, 2007 were privately-held.

The ability to use ''soft dollars'' may provide DME Advisors with an incentive to select certain brokers that may take into account benefits to be received by DME Advisors.

DME Advisors is entitled to use so-called ''soft dollars'' generated by commissions paid in connection with transactions for our investment portfolio to pay for certain of DME Advisors' operating and overhead costs, including the payment of all or a portion of its costs and expenses of operation. ''Soft dollars'' are a means of paying brokerage firms for their services through commission revenue, rather than through direct payments. DME Advisors' right to use soft dollars may give DME Advisors an incentive to select brokers or dealers for our transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by DME Advisors rather than giving exclusive consideration to the interests of our investment portfolio and, accordingly, may create a conflict.

The advisory agreement has limited termination provisions.

The advisory agreement has limited termination provisions which restrict our ability to manage our investment portfolio outside of DME Advisors. Because the advisory agreement contains exclusivity and limited termination provisions, we are unable to use investment managers other than DME Advisors for so long as the agreement is in effect. The advisory agreement term is January 1, 2007 through December 31, 2009 and will automatically renew for successive three-year terms unless we or DME Advisors notify the other party at least 90 days prior to the end of the current term of its desire to terminate. We may terminate the advisory agreement prior to the expiration of its term only ''for cause,'' which is defined as:

- a material violation of applicable law relating to DME Advisors' advisory business;
- DME Advisors' gross negligence, willful misconduct or reckless disregard of its obligations under the advisory agreement;
- a material breach by DME Advisors of our investment guidelines that is not cured within a 15-day period; or
- a material breach by DME Advisors' of its obligations to return and deliver assets as we may request.

If we become dissatisfied with the results of the investment performance of DME Advisors, we will be unable to hire new investment managers until the advisory agreement expires by its terms or is terminated for cause.

Certain of our investments may have limited liquidity and lack valuation data, which could create a conflict of interest.

Our investment guidelines provide DME Advisors with the flexibility to invest in certain securities with limited liquidity or no public market. This lack of liquidity may adversely affect the ability of DME Advisors to execute trade orders at desired prices, and may impact our ability to fulfill our payment obligations. To the extent that DME Advisors invests in securities or instruments for which market quotations are not readily available, under the terms of the advisory agreement the valuation of such securities and instruments for purposes of compensation to DME Advisors will be

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determined by DME Advisors, whose determination, subject to audit verification, will be conclusive and binding in the absence of bad faith or manifest error. Because the advisory agreement gives DME Advisors the power to determine the value of securities with no readily discernable market value, and because the calculation of DME Advisors' fee is based on the value of the investment account, a conflict may exist or arise.

Increased regulation or scrutiny of alternative investment advisors may affect DME Advisors' ability to manage our investment portfolio or affect our business reputation.

Non-traditional investment advisors that pursue investment strategies like ours, which involve the shorting of securities and the use of derivatives and leverage to enhance returns and which we refer to as alternative investment strategies, have recently come under increased scrutiny by regulatory officials and have been the subject of proposals for new regulation and oversight.

In 2005, the SEC considered stricter oversight of the alternative investment industry. Effective February 10, 2005, the SEC adopted a new rule under the Investment Advisor Act of 1940 to require certain unregistered investment advisors to register with the SEC. In June 2006, a federal court of appeals vacated the SEC's rule, but we cannot assure you that other legislation or regulations will not be proposed and enacted. It is possible that increased regulation of alternative investment advisors would adversely impact DME Advisors' ability to manage our investment portfolio or its ability to manage our portfolio pursuant to our existing investment strategy, which could cause us to alter our existing investment strategy and could significantly and negatively affect our business and results of operations. In addition, adverse publicity regarding alternative investment strategies generally, or DME Advisors or its affiliates specifically, could negatively affect our business reputation and attractiveness as a counterparty to brokers and clients.

We may invest in securities based outside the United States which may be riskier than securities of United States issuers.

Under our investment guidelines, DME Advisors may invest in securities of issuers organized or based outside the United States. These investments may be subject to a variety of risks and other special considerations not affecting securities of U.S. issuers. Many foreign securities markets are not as developed or efficient as those in the United States. Securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume and liquidity in many foreign securities markets are less than in the United States and, at times, price volatility can be greater than in the United States. Non-U.S. issuers may be subject to less stringent financial reporting and informational disclosure standards, practices and requirements than those applicable to U.S. issuers.

DME Advisors is entitled to receive management fees regardless of the performance of our investment portfolio.

Pursuant to the investment advisory agreement with DME Advisors, we are obligated to pay DME Advisors:

- a 1.5% annual fee, regardless of the performance of our investment account, payable monthly based on the net asset value of our investment account, with certain exceptions, or management fee, and
- performance compensation based on the appreciation in the value of our investment account equal to 20% of net profits calculated per annum, or incentive fee, subject to a loss carryforward provision.

The loss carryforward provision allows DME Advisors to earn a reduced incentive fee of 10% of profits in any year subsequent to the year in which our investment account managed by DME Advisors incurs a loss, until all losses are recouped and an additional amount equal to 150% of the loss is earned.

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Risks Relating to our Class A Ordinary Shares

A shareholder may be required to sell its Class A Ordinary Shares.

Our Articles provide that we have the option, but not the obligation, to require a shareholder to sell its Class A Ordinary Shares for their fair market value to us, to other shareholders or to third parties if our Board of Directors determines that ownership of our Class A Ordinary Shares by such shareholder may result in adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders and that such sale is necessary to avoid or cure such adverse consequences.

Provisions of our Articles, the Companies Law of the Cayman Islands and our corporate structure may each impede a takeover, which could adversely affect the value of our Class A Ordinary Shares.

Our Articles contain certain provisions that could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. Our Articles provide that a director may only be removed for ‘‘Cause’’ as defined in the Articles, upon the affirmative vote of not less than 50% of our issued and outstanding Ordinary Shares.

Our Articles permit our Board of Directors to issue preferred shares from time to time, with such rights and preferences as they consider appropriate. Our Board of Directors may authorize the issuance of preferred shares with terms and conditions and under circumstances that could have an effect of discouraging a takeover or other transaction, deny shareholders the receipt of a premium on their Class A Ordinary Shares in the event of a tender or other offer for Class A Ordinary Shares and have a depressive effect on the market price of the Class A Ordinary Shares.

Unlike many jurisdictions in the United States, Cayman Islands law does not provide for mergers as that term is understood under corporate law in the United States. Cayman Islands law does have statutory provisions that provide for the reconstruction and amalgamation of companies, which are commonly referred to in the Cayman Islands as ‘‘schemes of arrangement.’’ The procedural and legal requirements necessary to consummate these transactions are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States. Under Cayman Islands law and practice, a scheme of arrangement in relation to a Cayman Islands company must be approved at a shareholders’ meeting by each class of shareholders, in each case, by a majority of the number of holders of each class of a company’s shares that are present and voting, either in person or by proxy, at such a meeting, which holders must also represent 75% in value of such class issued that are present and voting, either in person or by proxy, at such meeting, excluding the shares owned by the parties to the scheme of arrangement.

The convening of these meetings and the terms of the amalgamation must also be sanctioned by the Grand Court of the Cayman Islands. Although there is no requirement to seek the consent of the creditors of the parties involved in the scheme of arrangement, the Grand Court typically seeks to ensure that the creditors have consented to the transfer of their liabilities to the surviving entity or that the scheme of arrangement does not otherwise materially adversely affect the creditors' interests. Furthermore, the Grand Court will only approve a scheme of arrangement if it is satisfied that:

- the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the scheme of arrangement is such as a businessman would reasonably approve; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

In addition, David Einhorn owns all of the outstanding Class B Ordinary Shares. As a result, we will not be able to enter into a scheme of arrangement without the approval of David Einhorn as the holder of our Class B Ordinary Shares.

Holders of Class A Ordinary Shares may have difficulty obtaining or enforcing a judgment against us, and they may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Because we are a Cayman Islands company, there is uncertainty as to whether the Grand Court of the Cayman Islands would recognize or enforce judgments of United States courts obtained against

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us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in the Cayman Islands against us predicated upon the securities laws of the United States or any state thereof.

We are incorporated as an exempted company limited by shares under the Companies Law. A significant amount of our assets are located outside of the United States. As a result, it may be difficult for persons purchasing the Class A Ordinary Shares to effect service of process within the United States upon us or to enforce judgments against us or judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States or any state of the United States.

Turner & Roulstone, our Cayman Islands counsel, has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will, based on the principle that a judgment by a competent foreign court will impose upon the judgment debtor an obligation to pay the sum for which judgment has been given, recognize and enforce a foreign judgment of a court of competent jurisdiction if such judgment is final, for a liquidated sum, not in respect of taxes or a fine or penalty if not inconsistent with a Cayman Islands judgment in respect of the same matters, and was not obtained in a manner, and is not of a kind, the enforcement of which is contrary to the public policy of the Cayman Islands. There is doubt, however, as to whether the courts of the Cayman Islands will, in an original action in the Cayman Islands, recognize or enforce judgments of U.S. courts predicated upon the civil liability provisions of the securities laws of the United States or any state of the United States on the grounds that such provisions are penal in nature.

A Cayman Islands court may stay proceedings if concurrent proceedings are being brought elsewhere.

Unlike many jurisdictions in the United States, Cayman Islands law does not specifically provide for shareholder appraisal rights on a merger or consolidation of a company. This may make it more difficult for shareholders to assess the value of any consideration they may receive in a merger or consolidation or to require that the offeror give a shareholder additional consideration if he believes the consideration offered is insufficient.

Shareholders of Cayman Islands exempted companies such as ours have no general rights under Cayman Islands law to inspect corporate records and accounts. Our directors have discretion under our Articles to determine whether or not, and under what conditions, the corporate records may be inspected by shareholders, but are not obligated to make them available to shareholders. This fact may make it more difficult for shareholders to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against our Board of Directors.

Provisions of our Articles may reallocate the voting power of our Class A Ordinary Shares and subject holders of Class A Ordinary Shares to SEC compliance.

In certain circumstances, the total voting power of our Ordinary Shares held by any one person will be reduced to less than 9.9% and the total voting power of the Class B Ordinary Shares will be reduced to 9.5% of the total voting power of the total issued and outstanding Ordinary Shares. In the event a holder of our Ordinary Shares acquires shares representing 9.9% or more of the total voting power of our Ordinary Shares or the Class B Ordinary Shares represent more than 9.5% of the total voting power of our outstanding shares, there will be an effective reallocation of the voting power of the Class A Ordinary Shares or Class B Ordinary Shares which may cause a shareholder to acquire 5% or more of the voting power of the Ordinary Shares.

Such a shareholder may become subject to the reporting and disclosure requirements of Sections 13(d) and (g) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such a reallocation also may result in an obligation to amend previous filings made under Section 13(d) or

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(g) of the Exchange Act. Under our Articles, we have no obligation to notify shareholders of any adjustments to their voting power. Shareholders should consult their own legal counsel regarding the possible reporting requirements under Section 13 of the Exchange Act.

After giving effect to the offering described herein and the concurrent private placement of Class B Ordinary Shares to David Einhorn, Mr. Einhorn will own 18.8% of the issued and outstanding Ordinary Shares, assuming that the price of the Class A Ordinary Shares is at the mid-point of the offering, causing him to exceed the 9.5% limitation imposed on the total voting power of the Class B Ordinary Shares. Thus, the remaining 9.3% of the voting power held by the Class B Ordinary Shares that is in excess of the 9.5% limitation will be reallocated pro rata to holders of Class A Ordinary Shares according to their percentage interest in the company. However, no shareholder will be allocated voting rights that would cause it to have 9.9% or more of the total voting power of our Ordinary Shares. The allocation of the voting power of the Class B Ordinary Shares to you will depend upon the total voting power of the

Class B Ordinary Shares outstanding, as well as the percentage of Class A Ordinary Shares held by you and the other holders of Class A Ordinary Shares. Accordingly, we cannot tell you with precision what multiple of a vote per share you will be allocated as a result of the anticipated reallocation of voting power of the Class B Ordinary Shares.

Risks Relating to Taxation

In addition to the risk factors discussed below, we advise you to read ‘‘Certain Cayman Islands Tax Considerations’’ described on page 107 and ‘‘Certain United States Tax Considerations’’ beginning on page 107 and to consult your own tax advisor regarding the tax consequences to your investment in our Class A Ordinary Shares.

We may become subject to taxation in the Cayman Islands which would negatively affect our results.

Under current Cayman Islands law, we are not obligated to pay any taxes in the Cayman Islands on either income or capital gains. The Governor-in-Cabinet of Cayman Islands has granted us an exemption from the imposition of any such tax on us for twenty years from February 1, 2005. We cannot be assured that after such date we would not be subject to any such tax. If we were to become subject to taxation in the Cayman Islands, our financial condition and results of operations could be significantly and negatively affected. See ‘‘Certain Cayman Islands Tax Considerations.’’

We may be subject to United States federal income taxation.

We are incorporated under the laws of the Cayman Islands and intend to operate in a manner that will not cause us to be treated as engaging in a United States trade or business and will not cause us to be subject to current United States federal income taxation on our net income. However, because there are no definitive standards provided by the Internal Revenue Code, regulations or court decisions as to the specific activities that constitute being engaged in the conduct of a trade or business within the United States, and as any such determination is essentially factual in nature, we cannot assure you that the United States Internal Revenue Service, or the IRS, will not successfully assert that we are engaged in a trade or business in the United States and thus are subject to current United States federal income taxation.

United States persons who own Class A Ordinary Shares may be subject to United States federal income taxation on our undistributed earnings and may recognize ordinary income upon disposition of Class A Ordinary Shares.

Passive Foreign Investment Company. Significant potential adverse United States federal income tax consequences generally apply to any United States person who owns shares in a PFIC. We believe that each of Greenlight Re and Greenlight Reinsurance, Ltd. were PFICs in 2006, 2005 and 2004. We further believe, although we cannot assure you, that neither Greenlight Re nor Greenlight Reinsurance, Ltd. will be a PFIC for 2007 or any future taxable year.

In general, either of Greenlight Re or Greenlight Reinsurance Ltd. would be a PFIC for a taxable year if 75% or more of its income constitutes ‘‘passive income’’ or 50% or more of its assets

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produce ‘‘passive income.’’ Passive income generally includes interest, dividends and other investment income but does not include income derived in the active conduct of an insurance business by a corporation predominantly engaged in an insurance business. This exception for insurance companies is intended to ensure that a bona fide insurance company’s income is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business. We believe that we are currently operating and intend to continue operating our business with financial reserves at a level that should not cause us to be deemed PFICs, although we cannot assure you the IRS will not successfully challenge this conclusion. Moreover, our expectation with respect to 2007 is based on the amount of risk that we expect to underwrite during the remainder of the year. If we are unable to underwrite sufficient amount of risk for 2007 or thereafter, we may be a PFIC.

In addition, sufficient risk must be transferred under an insurance company's contracts with its insureds in order to qualify for the insurance exception. Whether our insurance contracts possess adequate risk transfer for purposes of determining whether income under our contracts is insurance income, and whether we are predominantly engaged in the insurance business, are subjective in nature and there is very little authority on these issues. However, because we are and may continue to be engaged in certain structured risk and other non-traditional reinsurance markets, we cannot assure you that the IRS will not successfully challenge the level of risk transfer under our reinsurance contracts for purposes of the insurance company exception. The IRS has notified taxpayers in IRS Notice 2003-34 that it intends to scrutinize the activities of certain insurance companies located outside of the United States, including reinsurance companies that invest a significant portion of their assets in alternative investment strategies, to determine whether such companies qualify for the active insurance company exception in the PFIC rules. We cannot assure you that the IRS will not successfully challenge our interpretation of the scope of the active insurance company exception and our qualification for the exception. Further, the IRS may issue regulatory or other guidance that causes us to fail to qualify for the active insurance company exception on a prospective or retroactive basis. Therefore, we cannot assure you that we will satisfy the exception for insurance companies and will not be treated as PFICs currently or in the future.

The consequences of Greenlight Re and/or Greenlight Reinsurance, Ltd. being treated as a PFIC and certain elections designed to mitigate such consequences are discussed in more detail under the heading ''Certain United States Tax Considerations'' beginning on page 107. If you are a United States person, we advise you to consult your own tax advisor concerning the potential tax consequences to you under the PFIC rules.

Controlled Foreign Corporation.